大愛無疆·德行天下

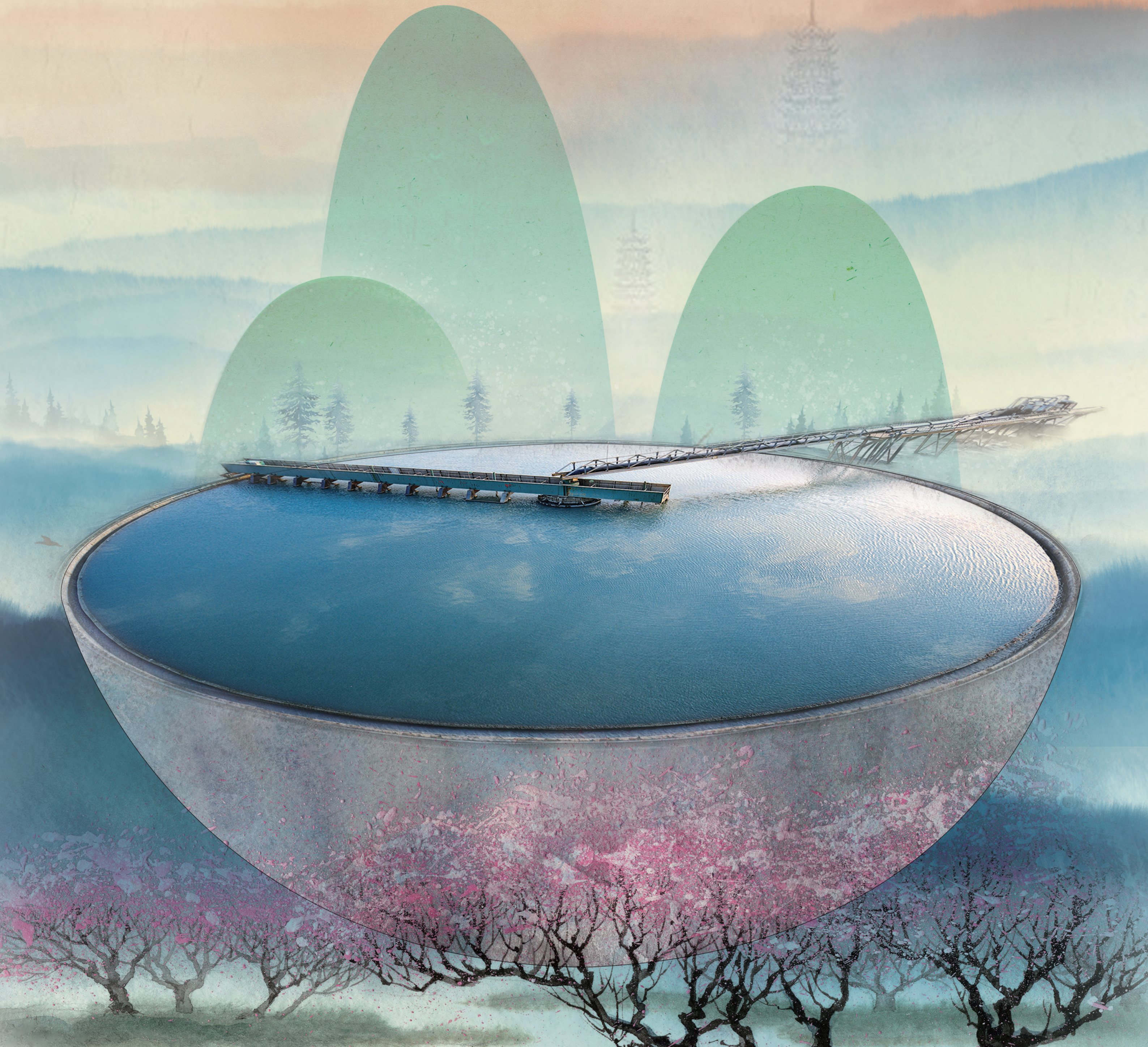
愛德新能源投資控股集團有限公司

Add New Energy Investment Holdings Group Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2623

ANNUAL REPORT 2022



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Corporate Information

BOARD OF DIRECTORS

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

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

COMPANY SECRETARY

Chan Yuen Ying, Stella

AUTHORISED REPRESENTATIVES

Geng Guohua
Chan Yuen Ying, Stella

AUDIT COMMITTEE

Leung Nga Tat *(Committee Chairman)*
Li Xiaoyang
Zhang Jingsheng

REMUNERATION COMMITTEE

Leung Nga Tat *(Committee Chairman)*
Li Yunde
Zhang Jingsheng

NOMINATION COMMITTEE

Li Yunde *(Committee Chairman)*
Li Xiaoyang
Zhang Jingsheng

AUDITOR

Crowe (HK) CPA Limited

LEGAL ADVISER

As to Cayman Islands law:
Appleby

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

Qin Jia Zhuang
Yangzhuang Town
Yishui County
Shandong Province
The PRC

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

2623

COMPANY WEBSITE

www.addnewenergy.com.hk

Chairman's Statement

Dear Shareholders,

I present to all the shareholders the annual results for the year ended 31 December 2022 of Add New Energy Investment Holdings Group Limited (the "Company") and its subsidiaries (the "Group").

BUSINESS REVIEW

During the year ended 31 December 2022, the total comprehensive income of continuing operation of the Group was approximately RMB66.8 million, compared with total comprehensive loss of continuing operation of approximately RMB30.3 million for the same period of the year ended 31 December 2021. 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. In 2022, the entire industry chain was still hit by the COVID-19 pandemic and the industry was challenged by the regulations on safety production and environment. The Board and management of the Company made all-out efforts to fight the pandemic and actively expand the market, and achieved increase in both revenue and profitability. In summary, we have done the following major works:

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 to strengthen its protective mining, production and sales of minerals 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, Zhuge Shangyu Ilmenite Mine and Gaozhuang 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.

Chairman's Statement

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 Shengtai (盛泰) and 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.

Chairman's Statement

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.

X. While focusing on its main business operations, the Group will closely monitor the market and not give up any possible investment opportunities, in order to bring greater returns for investors.

Li Yunde
Chairman

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 approval of the consolidated financial statements. 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 approval of the consolidated financial statements. 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)***

Management Discussion and Analysis

	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/m³)*	**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	–	–
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 Yunde ("Mr. Li"), the chairman of the Board, an executive Director and a controlling shareholder of the Company (as defined under the Listing Rules) 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 Mining Industry Co., Ltd ("Shandong Ishine"), an indirect wholly-owned subsidiary of the Company, 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 in the year ended 31 December 2022 (the "Bonds"). The repayment of the Bonds reduced the Group from the interest payment of the Bonds. During the year ended 31 December 2022, an amount of RMB42,000,000 had 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 28 to the consolidated financial statements.

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 the controlling shareholder and the ultimate holding company) 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 the controlling shareholder and the ultimate holding company) 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 the controlling shareholder and the ultimate holding company, 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 any) 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 RMB 1,865.9 million, with a profit of RMB 57.6 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 Ore, Qinjiazhuang Ilmenite and Zhuge Shangyu Ilmenite 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 of the Greater Bay Area Carbon Neutralization 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 Carbon Neutralization Association of the Greater Bay Area 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 ores. 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 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.

Corporate Governance Report

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the Shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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.

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.

BOARD OF DIRECTORS

The board of Directors (the "Board") is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated with the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees including the Audit Committee, the remuneration committee of the Company (the "Remuneration Committee") and the nomination committee of the Company (the "Nomination Committee"). Further details of these committees are set out in this report.

The Board currently consists of six Directors including three executive Directors and three independent non-executive Directors:

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

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

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 64 to 67 under the section headed "Biographical Details of Directors and Senior Management".

Board Meetings

Regular Board meetings are held four times a year at approximately quarterly interval and additional meetings will be held as and when required. The four regular Board meetings for a year are planned in advance. During the regular meetings of the Board for the year, the Board reviewed the operation and financial performance of the Group, and also reviewed and approved the interim results and annual results of the Company.

During the year ended 31 December 2022, the Board held 4 meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were also given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Director	Number of attendance
Executive Directors	
Mr. Li Yunde	3/4
Mr. Geng Guohua	4/4
Mr. Lang Weiguo	4/4
Independent Non-Executive Directors	
Mr. Li Xiaoyang	4/4
Mr. Leung Nga Tat	4/4
Mr. Zhang Jingsheng	4/4

Board minutes are kept by the company secretary of the company (the "Company Secretary") and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials, and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

The Board adopted on 30 March 2023 a mechanism for Directors to obtain independent opinions and perspectives for them to discharge their duties and responsibilities, and to ensure independent views and input are available to the Board. The Board will review the implementation and effectiveness of such mechanism annually.

The Company shall arrange suitable and sufficient resources to cover any matters relating to the obtaining of an independent opinion by the Board, including but not limited to the engagement of a legal team or any other professionals for such purpose (where appropriate).

The Directors shall give at least three working days' notice to the Company Secretary to obtain an independent opinion, including but not limited to engaging a professional team for such purpose (where appropriate).

The Board is required to review its structure, size, composition (including skills, knowledge and experience) and Board Diversity policy (as defined below) at least annually to ensure that the composition of the Board complies with the relevant requirements of the Listing Rules including maintaining a balanced mix of executive and non-executive directors (including independent non-executive directors) so that the Board has a strong element of independence which can effectively exercise independent judgment.

If all the independent non-executive Directors have served on the Board for more than nine years, the Company should consider to appoint a new independent non-executive director at the next annual general meeting.

General Meetings

During the year ended 31 December 2022, two general meetings were held, being the 2022 annual general meeting of the Company held on 18 June 2022 (the "2022 AGM") and the extraordinary general meeting of the Company held on 22 April 2022 (the "EGM").

The attendance record of the Directors at the 2021 AGM and the EGM are as follows:

Name of Director	Number of attendance
Executive Directors	
Mr. Li Yunde	2/2
Mr. Geng Guohua	2/2
Mr. Lang Weiguo	2/2
Independent Non-Executive Directors	
Mr. Li Xiaoyang	2/2
Mr. Leung Nga Tat	2/2
Mr. Zhang Jingsheng	2/2

The Board is responsible for maintaining an on-going dialogue with Shareholders and in particular, uses annual general meeting or other general meetings to communicate with them and encourage their participation. Mr. Li Yunde, the Chairman of the Board and the chairman of the Nomination Committee attended the 2022 AGM and the EGM to answer questions and collect views of Shareholders.

Directors' Training

According to the code provision C.1.4 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

All Directors have participated in continuous professional development by way of receiving in-house briefing, taking part in training or reading materials relating to the Listing Rules and corporate governance matters or attending seminars relating to their roles as a director of listed issuer. Each of the Directors has provided a record of training they received for the year ended 31 December 2022 to the Company.

CHAIRMAN AND CHIEF EXECUTIVE

The two positions are held separately by two individuals to ensure their respective independence, accountability and responsibility. The Chairman, being Mr. Li Yunde, is responsible for the management of the Board by providing leadership for the Board and has taken primary responsibility for ensuring that good corporate governance practices and procedures are established and that appropriate steps are taken to provide effective communication with Shareholders and that their views are communicated to the Board as a whole; and the Chief Executive Officer, being Mr. Geng Guohua, is responsible for the day-to-day management of business of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The three independent non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting, economics, science or mining industry. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his independence to the Company, and the Company considers each of them to be independent under Rule 3.13 of the Listing Rules.

Mr. Li Xiaoyang and Mr. Zhang Jingsheng have been appointed for a further term of two years commencing from 27 April 2022 while Mr. Leung Nga Tat has been appointed for a further term of two years commencing from 18 June 2021.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 9 April 2012 with written terms of reference which was revised on 28 August 2013, 6 January 2016 and 29 March 2019 respectively to comply with the CG Code. The terms of reference of the Nomination Committee is currently made available on the Stock Exchange's website and the Company's website.

The Nomination Committee consists of one executive Director, namely Mr. Li Yunde (as chairman), and two independent non-executive Directors, namely Mr. Li Xiaoyang and Mr. Zhang Jingsheng.

The functions of the Nomination Committee are: (i) to review and monitor the structure, size, composition and diversity of the Board and make recommendations on any proposed changes to the Board to complement the Group's strategy; (ii) to identify qualified individuals to become members of the Board; (iii) to assess the independence of independent non-executive Directors; and (iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive officer.

To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any re-appointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

The criteria to be applied in considering whether a candidate is qualified shall be his/her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:

a) participating in Board meetings to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

b) taking the lead where potential conflicts of interests arise;

c) serving on the Audit Committee, the Remuneration Committee and the Nomination Committee (in the case of candidate for non-executive Director) and other relevant Board committees, if invited;

d) bringing a range of business and financial experience to the Board, giving the Board and any committees on which he/she serves the benefit of his/her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board/committee meetings;

e) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;

f) ensuring the committees on which he/she serves to perform their powers and functions conferred on them by the Board; and

g) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

If the candidate is proposed to be appointed as an independent non-executive Director, his/her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he/she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive Director with such qualifications or expertise as required under Rule 3.10(2) of the Listing Rules.

The Board adopted on 28 August 2013 a board diversity policy (the "Board Diversity Policy") and delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Board recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will discuss and review the necessity to set measurable objectives for implementing the Board Diversity Policy from time to time to ensure the appropriateness and the progress made towards achieving those objectives will be ascertained.

BOARD LEVEL

Pursuant to the Board Diversity Policy, selection of candidates for Board appointments will be based on meritocracy and candidates will be considered against a range of objective criteria, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service, having due regard for the benefits of diversity on the Board. The Nomination Committee will review the Board Diversity Policy annually to ensure its continued effectiveness from time to time.

For the year ended 31 December 2022 and as at the date of this annual report, the Board consists of six male members. The Nomination Committee believes that gender diversity is a representing manifestation of board diversity, among all other measurable objectives. While the Board has a domination of male composition, the Company is expected to appoint a female director by 31 December 2024 in order to achieve a female representation in the Board.

The Company will engage more resources in training female staff who have long and relevant experience in the mining industry, with the aim of promoting them to the senior management or directorship of the Group. The Company expects to have more female members who would be qualified to sit on the Board in the future.

WORKFORCE LEVEL

The Group is also committed to achieving gender diversity across the workforce (including senior management). The details of gender ratio in the workforce (including senior management) are shown in the section headed "Environmental, Social and Governance Report" of this annual report. The recruitment policy of the Group is to only consider the personal merits and capabilities, qualifications, working experiences and performance of the individuals during the recruitment process, transferal, promotion, and training regardless of gender. In the interests of enhancing efficiency, the Company has not set any measurable objective for achieving gender diversity at workforce level. The Company has nonetheless always adopted a meritocratic approach and adhered to the principle of openness and fairness without any discrimination in respect of gender, disability, marital status, pregnancy, religion, nationality, social or economic class, rural or urban, political opinion, pathogen-carrier or sexuality.

During the year ended 31 December 2022, the Nomination Committee held one meeting. The Nomination Committee reviewed the Board composition, assessed the independence of the independent non-executive Directors and made recommendation on the re-election of Directors.

The members and attendance of the Nomination Committee meeting are as follows:

Name of Director	Number of attendance
Mr. Li Yunde *(chairman)*	1/1
Mr. Li Xiaoyang	1/1
Mr. Zhang Jingsheng	1/1

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 9 April 2012 which was revised on 6 January 2016 to comply with the CG Code. The terms of reference of the Remuneration Committee is currently made available on the Stock Exchange's website and the Company's website.

The Remuneration Committee currently consists of one executive Director, namely Mr. Li Yunde, and two independent non-executive Directors, namely Mr. Leung Nga Tat (as chairman) and Mr. Zhang Jingsheng.

The functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The model of making recommendations to the Board on remuneration packages of individual executive Directors and the members of senior management is adopted.

During the year ended 31 December 2022, the Remuneration Committee held one meeting. The Remuneration Committee reviewed the remuneration of Directors and the senior management.

The members and attendance of the Remuneration Committee meeting are as follows:

Name of Director	**Number of attendance**
Mr. Leung Nga Tat *(chairman)*	1/1
Mr. Li Yunde	1/1
Mr. Zhang Jingsheng	1/1

The Company adopted a restricted Share Award Scheme as an incentive to recognise the contributions by employees and to give incentives in order to retain them for their continuing operation and development and to attract suitable personnel for further development of the Group. Restricted shares under the Share Award Scheme will be comprised of shares of the Company (the "Shares") subscribed for or purchased by the trustee out of cash arranged by the Company out of the Company's funds to the trustee.

The Directors believe that the compensation packages offered by the Group to staff members are competitive in comparison with market standards and practices.

The emolument payable to the Directors and senior management will depend on their respective contractual terms under employment contracts, if any, and will be fixed by the Board after taking into account the recommendation from the Remuneration Committee, the performance of the Group and the prevailing marketing conditions. Details of the remuneration of the Directors and senior management for the year ended 31 December 2022 are set out in notes 35 and 37 to the consolidated financial statements.

SENIOR MANAGEMENT'S REMUNERATION

Senior management's remuneration payment of the Group in the year ended 31 December 2022 falls within the following bands:

	Number of Individuals
HK$500,000 or below	4
HK$500,001 to HK$1,000,000	1

AUDIT COMMITTEE

The Company established the Audit Committee on 9 April 2012 with written terms of reference, which was revised on 6 January 2016 and 29 March 2019 respectively to comply with the CG Code. The terms of reference of the Audit Committee is currently made available on the Stock Exchange's website and the Company's website.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Leung Nga Tat (as chairman), Mr. Li Xiaoyang and Mr. Zhang Jingsheng.

The Audit Committee is mainly responsible for (i) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and to deal with any questions of resignation or dismissal of such auditor; (ii) reviewing the interim and annual reports and accounts of the Group; and (iii) overseeing the Company's financial reporting system (including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget) and reviewing the risk management and internal control systems.

The Audit Committee meets the external auditor regularly to discuss any area of concern during the audit. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

During the year ended 31 December 2022, the Audit Committee held 2 meetings.

The members and attendance of the Audit Committee meetings are as follows:

Name of Director	Number of attendance
Mr. Leung Nga Tat *(chairman)*	2/2
Mr. Li Xiaoyang	2/2
Mr. Zhang Jingsheng	2/2

During the year ended 31 December 2022, the Audit Committee reviewed, among others, the 2021 annual results and the 2022 interim results of the Group. The Audit Committee was in the opinion that the preparation of such consolidated financial statements complied with the applicable accounting standards and the Listing Rules.

The Audit Committee noted the existing risk management and internal control systems of the Group and also noted that review of the same will be carried out annually.

The accounts for the year ended 31 December 2022 were audited by Crowe (HK) CPA Limited whose term of office will expire upon the conclusion of the forthcoming annual general meeting of the Company ("2023 AGM"). The Audit Committee has reviewed the terms of engagement of Crowe (HK) CPA Limited, inter alias, (i) the size and structure as well as the nature and complexity of the business of the Group, (ii) the relevant audit fees and (iii) the resources deployed by Crowe (HK) CPA Limited in respect of the audit of the financial statements of the Group in accordance with "Guidelines for the Effective Operation of Audit Committees – Selection, Appointment and Reappointment of Auditors" published by the Financial Reporting Council on 16 December 2021 and recommended to the Board the re-appointment of Crowe (HK) CPA Limited as the auditor of the Company at the 2023 AGM.

CORPORATE GOVERNANCE FUNCTIONS

The Company's corporate governance functions are carried out by the Board.

The corporate governance functions currently performed by the Board are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements; to oversee the Company's orientation program for new Director; to review and monitor the training and continuous professional development of Directors and senior management; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's disclosure in the Corporate Governance Report.

During the year ended 31 December 2022, the Board has reviewed the Company's policies and practices on corporate governance, the training and continuous professional development of the Directors and senior management as well as the Company's compliance with the CG Code.

AUDITOR'S REMUNERATION

For the year ended 31 December 2022, the remuneration paid/payable to the Company's auditor, Crowe (HK) CPA Limited, was as follows:

	RMB'000
Services rendered	
Audit services	1,876
Non-audit services	364
	2,240

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment.

Ms. Chan Yuen Ying, Stella ("Ms. Stella Chan"), the representative of Uni-1, was appointed as the Company Secretary.

Ms. Chan Wing Ki Michele, the chief financial officer of the Company, is the primary corporate contact person at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Stella Chan had taken no less than 15 hours of relevant professional training for the year ended 31 December 2022.

DIVIDEND POLICY

In considering the payment of dividends, there shall be a balance between retaining adequate reserves for the Group's future growth and rewarding the Shareholders.

The Board shall also take into account, among other things, the following factors when considering the declaration and payment of dividends:

– the Group's overall results of operation, financial condition, expected working capital requirements and capital expenditure requirements, liquidity position and future expansions plans;

– the amount of retained profits and distributable reserves of the Company;

– general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

– any other factors that the Board deems relevant.

The declaration and payment of dividends by the Company is subject to any restrictions under the Companies Law of the Cayman Islands, the Company's memorandum and articles of association, the Listing Rules and any other applicable laws and regulations.

The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 64 of the articles of association of the company (the "Articles"), an extraordinary general meeting shall be convened on the requisition of one or more Shareholders holding, on the date of deposit of the requisition, a minority stake in the total number of issued Shares, and the minimum stake required to do this shall not be higher than 10% of the voting rights (on a one vote per Share basis) in the issued share capital of the Company. Such Shareholder(s) shall also be entitled to add resolutions to the agenda for the extraordinary general meeting concerned. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for putting forward proposals by Shareholders at Shareholders' meetings

Shareholders of the Company are requested to follow Article 64 of the Articles for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Shareholders to convene an extraordinary general meeting". Pursuant to Article 113 of the Articles, no person (other than a retiring Director) shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office of the Company or at the Hong Kong branch share registrar and transfer office of the Company. The period for lodgment of the notices will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

The procedures for Shareholders to propose a person for election as a Director is posted on the website of the Company. Shareholders may refer to the above procedures for putting forward any other proposals at general meetings.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of the forthcoming general meeting of the Company will be voted by poll.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to the Shareholders.

The Board adopted a Shareholders communication policy on 31 December 2012 (the "Shareholders Communication Policy") which sets out the provisions with the objective of ensuring that the Company's Shareholders, both individual and institutional, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments and governance), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

General Policy

The Board shall maintain an on-going dialogue with Shareholders and the investment community and will regularly review the Shareholders Communication Policy to ensure its effectiveness.

According to the Shareholders Communication Policy, there are multiple channels for information of the Company to be disseminated to Shareholders and the investment community, which are included in the following manners:

- Delivery of annual and interim reports to all Shareholders;

- Publication of announcements on the annual and interim results on the Stock Exchange's website and the Company's website, and issue of other announcements and Shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules and other corporate communications on the Stock Exchange's website and the Company's website; and

- The general meetings of the Company are also an effective communication channel between the Board and the Shareholders.

Effective and timely dissemination of information to Shareholders and the investment community shall be ensured at all times.

Communication Strategies

Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong. Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available. Shareholders and the investment community shall be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make enquiry in respect of the Company.

Corporate Communications

Corporate communications have the meaning ascribed thereto in the Listing Rules, which include but are not limited to (i) the Directors' report and the annual accounts together with a copy of the independent auditor's report; (ii) the annual reports and interim reports; (iii) a notice of meeting; (iv) a circular; and (v) a form of proxy will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding.

Corporate Website

A dedicated Investors Relations section is available on the Company's website. Information on the Company's website will be updated on a regular basis. Information released by the Company to the Stock Exchange will also be posted on the Company's website according to the requirements under the Listing Rules. Such information includes financial statements, results announcements, circulars and notices of general meetings etc.

Shareholders' Meetings

Shareholders are encouraged to participate in all general meetings or to appoint proxies to attend and vote for and on their behalf if they are unable to attend any general meetings. Appropriate arrangements for the general meetings shall be in place to encourage Shareholders' participation. The process of the Company's general meetings will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served. Board members, in particular, the chairmen of the Board committees or their delegates, appropriate management executives and external auditors will attend the annual general meeting to answer Shareholders' questions.

Shareholder Privacy

The Company recognises the importance of Shareholders' privacy and will not disclose Shareholders' information without their consent, unless required by law to do so.

The Board has conducted a review of the Shareholders Communication Policy for the year ended 31 December 2022 to ensure the effectiveness of the Shareholders Communication Policy. Such review shall be conducted annually. The Board considered that the Shareholders Communication Policy for the year ended 31 December 2022 was effective.

CONSTITUTIONAL DOCUMENTS

The Company has adopted the amended and restated memorandum of association and Articles in 2022 AGM in order to (i) conform to the core standards set out in Appendix 3 of the Listing Rules; (ii) update the then memorandum of association of the Company and Articles according to the relevant requirements of the Listing Rules and the applicable laws of the Cayman Islands; and (iii) to make certain housekeeping amendments. Save as disclosed, there was no change in the memorandum of association and Articles during the year ended 31 December 2022.

A new memorandum of association and Articles is available on the websites of the Company and of the Stock Exchange.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2022, the Board has selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

The statement by the auditor of the Company about its responsibilities for the financial statements is set out in the independent auditor's report contained in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Group has complied with Principle D.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- Evaluation: Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2022, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- Risk Assessment: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2022, no significant control deficiency was identified.

Internal Auditors

The Group has an Internal Audit ("IA") function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via the Audit Committee.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its reviews and the reviews made by IA function and the Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

Report of the Directors

The Directors are pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 30 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the Group's business, including the likely future developments, principal risks and uncertainties facing the Group, analysis using financial key performance indicators, is discussed under the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Financial Highlights". Financial risks facing by the Group are also disclosed in note 3 to the consolidated financial statements. Such discussion forms an integrate part of this report.

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

Subject to the Share Consolidation become effective, the Board proposed to implement the rights issue (the "Rights Issue"), on the basis of one (1) rights share (the "Rights Share(s)") for every three (3) Consolidated Shares held on the record date (the "Record Date"), being the date of reference to which the Shareholders' entitlements to the Rights Issue are to be determine) at the subscription price of HK$1.14 (the "Subscription Price") per Rights Share, to raise gross proceeds of up to HK$99,850,698 before the Offset (as defined below) 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 Group intends to apply the net proceeds from the Rights Issue for repayment of the Shareholder's Loan and the Bonds, implementation of business development plan and as general working capital of the Group.

The Company and Red Sun Capital Limited (the "Placing Agent") entered into a placing agreement (the "Placing Agreement"), pursuant to which the Placing Agent has agreed to procure independent placee(s), on a best effort basis, to subscribe for those (i) Rights Shares that are not subscribed by the qualifying shareholders (the "Qualifying Shareholders") (Shareholder(s), other than 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 (the "Non-Qualifying Shareholder(s)"), whose name(s) appear on the register of members of the Company on the Record Date) and (ii) Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that are not successfully sold by the Company (the "Unsubscribed Rights Shares") (the "Compensatory Arrangements"). 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 Company entered into an underwriting agreement (the "Underwriting Agreement") with Hongfa Holdings Limited ("Hongfa" or the "Underwriter"), a company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Li, 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 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.

On 11 January 2023, the amount due from the Group to Mr. Li and Hongfa from time to time, which amounted to approximately HK$61.2 million (the "Shareholder's Loan"). Pursuant to the Offset or the Repayment (as defined below) under 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 thereon on the completion date of the Rights Issue (the "Offset"). 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 (the "Repayment").

Mr. Li is interested in 2,048,138,660 existing shares of the Company through Hongfa, and he holds 122,058,000 existing shares of the Company personally, which in aggregate represents approximately 41.30% of the total issued existing shares 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.

Pursuant to the letter of irrevocable undertakings executed by each of Mr. Li, Hongfa, Mr. Geng Guohua ("Mr. Geng"), an executive Director and the chief executive officer of the Company and Mr. Lang Weiguo, an executive Director of the Company ("Mr. Lang") in favour of the Company (the "Irrevocable Undertakings"), each of Mr. Li, Hongfa, 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 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; (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 Holdings Limited ("Novi") and All Five Capital Ltd. ("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 (4) 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 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.

Assuming (i) there is no change in the issued share capital of the Company from the date of the Irrevocable Undertakings 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 (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 a waiver is granted by the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s) pursuant to Note 1 of the Notes 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 as a result of the subscription of the Underwritten Shares by the Underwriter pursuant to the Underwriting Agreement (the "Whitewash Waiver").

Therefore, the Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver 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.

Please refer to the circular of the Company dated 17 February 2023 for further details.

Save as aforesaid, no significant events that have an effect on the Group subsequent to the year ended 31 December 2022.

Environmental Policies and Performance

The Group is subject to a number of laws and regulations in China concerning overall environmental protection and impact to the environment. The Group places high emphasis on environmental treatment and sticks to innovation in technology to improve manufacturing efficiency and reduce energy consumption, therefore accomplishing sustainable recycled economy.

The environmental policies and performance of the Group during the year ended 31 December 2022 which contained the information required under Appendix 27 to the Listing Rules is set out in the section headed "Environmental, Social and Governance Report" set out on pages 68 to 102 of this annual report.

Compliance with Laws and Regulations

During the year ended 31 December 2022, the Group has complied, to the best knowledge of the Directors, with the relevant laws and regulations that have a significant impact on the Group.

Relationship with Stakeholders

The success of the Group depends on the support from key stakeholders. Further details of the relationships of the Group with stakeholders are set out in "Environmental, Social and Governance Report".

Report of the Directors

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2022 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 111 to 113 and 174 to 175, respectively.

FINAL DIVIDEND

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the Shareholders to attend and vote at the 2023 AGM to be held on Friday, 16 June 2023, 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.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2022 are set out in note 17 to the consolidated financial statements.

SHARES ISSUED

The Company has not issued any shares during the year ended 31 December 2022.

DEBENTURES ISSUED

The Group has not issued any debenture during the year ended 31 December 2022.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

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, other than those purchased by its trustee for the Share Award Scheme.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB230,637,000 (2021: RMB257,962,000).

Report of the Directors

DIRECTORS

The Directors during the year and up to the date of this report are as follows:

Executive Directors

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

Independent non-executive Directors

Mr. Li Xiaoyang
Mr. Leung Nga Tat
Mr. Zhang Jingsheng

In accordance with Article 108 of the Articles, Mr. Li Xiaoyang and Mr. Leung Nga Tat shall retire from office at the 2023 AGM by rotation and, being eligible, offer themselves for re-election.

INDEPENDENCE CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

SHARE OPTION SCHEME

To attract and retain the best available personnel, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted the Share Option Scheme on 9 April 2012 (the "Adoption Date") whereby the Board was authorised, at its absolute discretion and subject to the terms of the Share Option Scheme, to grant options to subscribe the Shares to, inter alia, any employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group (the "Participants"). The Share Option Scheme became unconditional on 27 April 2012 and expired on 8 April 2022.

The Company has not granted any option since adoption of the Share Option Scheme. Other details of the Share Option Scheme are set out in the prospectus of the Company dated 17 April 2012 (the "Prospectus").

SHARE AWARD SCHEME

On 28 December 2020, the Board adopted the Share Award Scheme as an incentive to recognise the contributions by employees and to give incentives in order to retain them for their continuing operation and development and to attract suitable personnel for further development of the Group. Restricted shares under the Share Award Scheme will be comprised of Shares subscribed for or purchased by the trustee out of cash arranged to be paid by the Company out of the Company's funds to the trustee. The Company has appointed Greenfield Services Limited as trustee for the Share Award Scheme. During the year ended 31 December 2022, 9,620,000 restricted shares were held by the trustee for the purpose of the Share Award Scheme. There was no new share allotted and issued to the trustee by the Company and no restricted shares was granted to any employees of the Group under the Share Award Scheme during the year ended 31 December 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a renewed service agreement with the Company on 26 March 2021 for the renewal of the term of three years commencing from 27 April 2021 unless terminated by not less than three months' notice in writing served by either party on the other or in accordance with the provisions set out in the respective service agreement. Each of the executive Directors may receive a discretionary bonus, the amount of which will be determined by the Board with reference to the recommendations of the Remuneration Committee.

Mr. Li Xiaoyang and Mr. Zhang Jingsheng, the independent non-executive Directors, entered into a renewed service agreement with the Company on 30 March 2022 for the renewal of the term of two years commencing from 27 April 2022.

Mr. Leung Nga Tat, an independent non-executive Director, entered into a renewed service agreement with the Company on 30 March 2023 for the renewal of the term of two years commencing from 18 June 2023.

None of the Directors proposed for re-election at the 2023 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as those disclosed in the section headed "Connected Transactions", none of the Directors had a significant beneficial interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisted at 31 December 2022 or at any time during the year ended 31 December 2022, nor any transaction, arrangement or contract of significance has been entered into at 31 December 2022 or at any time during the year ended 31 December 2022 between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries.

CHARITABLE DONATIONS

During the year, the Group did not have charitable donation (2021: Nil).

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out above in this report, no other equity-linked agreement was entered into by the Group during the year or subsisting at the end of the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2022.

COMPETING INTERESTS

None of the Directors or any of their respective associates had any interest in a business which competes or likely to compete, either directly or indirectly, with the business of the Group.

The Board has established a review committee (the "Committee") comprising all the independent non-executive Directors which was delegated with the authority to review on an annual basis of the non-competition undertaking given by Mr. Li Yunde and Hongfa (collectively, the "Covenantors") in the deeds of non-competition (the "Deeds of Non-competition") entered into by, among others, the Covenantors dated 9 April 2012. An extract of the material terms of the Deeds of Non-competition had been set out in the Prospectus. The Covenantors confirmed that (a) they have provided all information necessary for the enforcement of the Deeds of Non-competition as requested by the Committee from time to time; and (b) from the effective date of the Deeds of Non-competition, i.e. 9 April 2012 and up to 31 December 2022, they had complied with the Deeds of Non-competition. The Committee also confirmed that they were not aware of any non-compliance with the Deeds of Non-competition by the Covenantors during the same period.

RETIREMENT SCHEMES

The Group participates in a state-managed retirement scheme operated by the PRC government which covers the Group's eligible employees in the PRC and a Mandatory Provident Fund Scheme for the employee in Hong Kong. Particulars of these retirement plans are set out in note 2.20 to the consolidated financial statements in this annual report.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622, Laws of Hong Kong (the "Companies Ordinance")) when the Report of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance. The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover the certain legal actions brought against its directors and officers.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interest or short positions of the Directors or chief executives in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which were 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 are taken or deemed to have under such provision of the SFO) or pursuant to the Model Code, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, are set out below:

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

Name of Director	Capacity/Nature of interest	Long position/ Short position	Number of ordinary Shares held	Approximate percentage of shareholding in the Company
Mr. Li Yunde ("Mr. Li")	Interest of controlled corporation	Long position	2,048,138,660 *(Note 1)*	38.97%
	Beneficial owner	Long position	122,058,000	2.32%
Mr. Geng Guohua	Beneficial owner	Long position	18,884,000	0.36%
Mr. Lang Weiguo ("Mr. Lang")	Interest of controlled corporations	Long position	18,700,000 *(Note 2)*	0.36%

Notes:

1. Mr. Li beneficially holds the entire issued share capital of Hongfa, a company incorporated in the British Virgin Islands ("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.

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

Save as disclosed above, as at 31 December 2022, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2022, so far as is known to any Director, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Name of Shareholder	Nature of interest	Long position/ Short position	Number of Shares held	Approximate percentage of interest
Hongfa Holdings Limited	Beneficial owner	Long position	2,048,138,660	38.97%
Ms. Zhang Limei ("Ms. Zhang")	Interest of spouse	Long position	2,170,196,660 *(Note 1)*	41.30%
X.Mining Resources Group Limited	Beneficial owner	Long position	326,344,000 *(Note 2)*	6.21%
Mr. Wu Pun Yan ("Mr. Wu")	Interest of controlled corporation	Long position	326,344,000 *(Note 2)*	6.21%

Notes:

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 Shares in which Mr. Li is interested.

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

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the Shares or underlying Shares as at 31 December 2022.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the Group's related party transactions for the year ended 31 December 2022 are set out in Note 35 to the consolidated financial statements. Some of those transactions constituted connected transactions or continuing connected transactions and have complied with the relevant disclosure requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Trademark License Agreement

On 14 February 2012, Shandong Ishine, an indirect wholly-owned subsidiary of the Company, and Mr. Li, one of the controlling shareholders, the Chairman and an executive Director of the Company, entered into a trademark license agreement (the "Trademark License Agreement") pursuant to which Mr. Li agreed to grant a license to Shandong Ishine to use the registered trademark on an exclusive, sole and royalty-free basis for a term of 10 years commencing from the date of signing of the Trademark License Agreement at nil consideration. Upon expiry of the Trademark License Agreement, Shandong Ishine has the pre-emption to require Mr. Li to renew the Trademark License Agreement. According to the Trademark License Agreement, Shandong Ishine has options to acquire the trademark rights of the registered trademark and all the relevant rights attached thereto from Mr. Li at any time during the term of the Trademark License Agreement for a nominal consideration of RMB10. The transaction under the Trademark License Agreement constitutes an exempted continuing connected transaction of the Company under Rule 14A.76(1) of the Listing Rules and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Key Management Compensation

The material related party transactions in relation to the key management compensation remuneration, which is exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.95 of the Listing Rules as disclosed in Note 35 to the consolidated financial statements in this annual report.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Coal Purchase and Sale Agreement

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 a coal purchase and sale agreement (the "Coal Purchase and Sale Agreement") on 29 December 2021, 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, the chairman of the Board, an executive Director and a controlling shareholder of the Company (as defined under the Listing Rules). 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.

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. For the year ended 31 December 2022, the Group purchased blended coal amounting to approximately RMB132,089,000 from Xinjiang Jiangna under the Coal Purchase and Sale Agreement.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2022, the Group had entered into certain related party transactions but these transactions were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. Details of these related party transactions are disclosed in Note 35 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, approximately 41% of the Group's turnover and approximately 79% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers, respectively. Approximately 12% of the Group's turnover and approximately 63% of the Group's purchases were attributable to the Group's largest customer and the Group's largest supplier, respectively. To the best knowledge of the Directors, none of the Directors or chief executives of the Company or any shareholder owning more than 5% of the Company's share capital or their respective associates, had any interest in the Group's five largest customers or five largest suppliers.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2022.

AUDIT COMMITTEE

The Company established 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 this annual report and the audited annual financial statements 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, and was of the opinion that such documents had complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 36 to 51 of this annual report.

AUDITORS

PricewaterhouseCoopers retired as the auditor of the Company with effect from the conclusion of the annual general meeting of the Company held on 18 June 2019. The Board on analysis and recommendation by the Audit Committee, appointed Crowe (HK) CPA Limited as the auditor of the Company with effect from 25 October 2019 to fill the vacancy occasioned by the retirement of PricewaterhouseCoopers pursuant to article 176(a) of the Articles. Save as aforesaid, there is no other change in auditor during the past three years. A resolution will be submitted to the 2023 AGM to re-appoint Crowe (HK) CPA Limited as the auditor of the Company.

On behalf of the Board
Add New Energy Investment Holdings Group Limited

Li Yunde
Chairman

Hong Kong, 30 March 2023

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li Yunde ("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 and a member of the Remuneration Committee. He is primarily responsible for the Group's overall strategic planning, business development and management. Mr. Li has over 24 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 Holdings Limited, a company which has disclosable interests in the Shares under the provisions in Divisions 2 and 3 of Part XV of the SFO.

Biographical Details of Directors and Senior Management

Mr. Geng Guohua ("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 formerly listed on the Stock Exchange and delisted since 18 January 2021; 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 Weiguo ("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.

Biographical Details of Directors and Senior Management

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 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. 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－脱泥－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)".

Biographical Details of Directors and Senior Management

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 17 years of working experiences in the industry, Mr. Leung is equipped with comprehensive knowledge of accounting, financing, compliance and merger and acquisition.

SENIOR MANAGEMENT

Ms. Chan Wing Ki Michele ("**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, 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.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Blossoming Flowers (Yangzhuang Iron Mine)

Reporting Standard

We are pleased to present our Environmental, Social and Governance ("ESG") report (the "Report") to all our stakeholders. The Report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Our sustainability approach emphasises workplace health and safety, environmental protection, and creating a harmonious relationship in our host community. We expect to inspire the entire mining industry to join the action of green mine construction.

Reporting Scope

The report covers the sustainability performance of our Yangzhuang Iron Mine and Zhuge Shangyu Ilmenite Mine in Shandong Province, PRC from 1 January 2022 to 31 December 2022 (the "Reporting Year"), unless otherwise stated. The Zhuge Shangyu Ilmenite Mine has started its mining production, processing and sales activities since October of the Reporting Year, hence is included in the scope of the Report. We have outsourced exploration, blasting and mining works of Yangzhuang Iron Mine to contractors; hence these activities are not included in our reporting scope. The Qinjiazhuang Ilmenite and the Gaozhuang Shangyu Ilmenite owned by the Group remained dormant in production in the Reporting Year, therefore are not included in the reporting boundary of the Report.

Reporting Principles

In preparation of the Report, due diligence has been taken to adhere to the Reporting Principles stipulated in the "Environmental, Social and Governance Reporting Guide":

- "Materiality" – The materiality assessment detailed has ensured that the Report addresses the most material ESG topics pertaining to our businesses.

- "Quantitative" – The Report strives to disclose quantitative metrics and related targets whenever possible, to demonstrate our impact. The Report will disclose both the data of the Reporting Year and the previous reporting year to facilitate data comparison.

- "Balance" – The Report presents an unbiased representation of our ESG management approach and performance. It avoids misleading omissions and presentation.

- "Consistency" – Whenever deemed material, the Report details the standards, tools, assumptions and/or source of conversion factors used, as well as explanations of any inconsistencies to previous reports.

Material Themes

About Our Business:
1. Business Perspective
2. Social and Environmental Expenditure
3. Environmental and Safety Licenses

Internal and External Governance:
1. Ethics and Conduct
2. Responsibility to Our Product
3. Supply Chain Management

Relationship with People:
1. Safety and Health
2. Employment Relations
3. Community Engagement
4. Training and Development

Relationship with the Environment:
1. Water Resources Management
2. Energy and Mineral Resources
3. Biodiversity and Land Use

Materiality

In order to identify the material themes to be disclosed in the Report, we conducted stakeholder engagements. These engagements aim to understand our stakeholders' concerns, prioritise the material topics, and decide the material themes. We conducted surveys and workshops during this process, especially by engaging with our employees and department heads. Four material themes with prioritised topics are confirmed: About Our Business, Internal and External Governance, Relationship with People and Relationship with the Environment.

ESG aspects set out in the ESG Reporting Guide		Material Themes
A. Environment	A1: Emission A2: Use of resources A3: The environment and natural resources A4: Climate Change	Relationship with the Environment
B. Social	B1: Employment B2: Health and Safety B3: Development and training B4: Labour standards	Relationship with People
	B5: Supply chain management B6: Product responsibility B7: Anti-corruption	Internal and External Governance
	B8: Community investment	Relationship with People

Our external stakeholders include investors, customers, suppliers, communities, government, institutions, media and society. We will strengthen our stakeholder engagement measures to include online surveys and site visits.

For more information about our social and environmental responsibility, please refer to the Group's official website: www.addnewenergy.com.hk.

Confirmation and Approval

Information contained in the Report was sourced from official documents and statistical data of the Group, and from managerial and operational information aggregated in accordance with systems of the Group. The Report was approved by the Group's board of directors (the "Board") on 30 March 2023.

Opinion and Feedback

The Group values the opinion of our stakeholders. If any stakeholder has any feedback or suggestions on the Report, please send them to the registered office of the Company at Suite 3105, 31/F., Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. Your feedback or suggestions would greatly help the Group in improving its ESG performance.

APPROACH TO SUSTAINABILITY

Our Management Approach

The Board takes the overall responsibility for the oversight of the Group's ESG matters, including policies, measures, performance and risks. Through regular board meetings, the Board evaluates and reviews ESG matters as appropriate. The Board also pays close attention to the latest laws and regulations related to ESG, keeps the board of directors informed of any changes in these laws and regulations, and updates its own ESG measures to ensure that the Group complies with the latest regulatory requirements. In order to ensure compliance with the ESG requirements of the Stock Exchange of Hong Kong Limited, the Board will supervise the preparation of the ESG report and review the content and quality of the ESG report.

Our Sustainability Mission

The management of the Group integrates the concept of sustainability into the business operation and daily operation, and actively responds to the carbon neutrality target in the 14th Five-year Plan of China. In 2021, the Group joined the Greater Bay Area Carbon Neutrality Association as a founding member. In the Reporting Year, we will continue to actively explores the development of the new energy industry, fully practices the enterprise mission of clean energy construction and operation, and strives for the green transformation of the region and the country.

Our Achievement

The Group was awarded the InnoESG Care Prize in 2021, commending our performance in ESG aspects. The InnoESG Prize is jointly organised by SocietyNext Foundation and other companies, and aims to encourage companies to reform their core businesses in innovative ways by adapting or incorporating into the sustainable development/ESG categories. The Group has been committed to achieving a sustainable society for years. Through corporate social responsibility projects and environmental protection measures, it has joined hands with stakeholders to contribute to a sustainable future and was recognised by the judges.

Add New Energy is one of the Founding Members of GBA Carbon Neutrality Association

Add New Energy was awarded the InnoESG Care Prize 2021

Our Stakeholder Engagements

We value constructive opinions from both our internal and external stakeholders. We strive to improve our engagement measures with our investors, customers, suppliers, employees and communities, etc. to learn more about their opinions on our business. The integration of stakeholders' opinions will help us in formulating a sustainable business. During the Reporting Year, we engaged our stakeholders on an ongoing basis via different kinds of channels as detailed below.

Stakeholders	Specific Stakeholder Groups	Engagement Methods
Investors	Shareholders	Online media and road shows
Customers	Steel Manufacturers	Service hotline Online media
Suppliers	Facility suppliers Contractors	Supplier questionnaire Site visits to suppliers
Employees	Frontline workers Administrative staffs Senior managers Directors	Routine general meeting Satisfaction survey HR interview Department director interview
Communities	Neighbouring counties	Community activities
Research Institutions	Academic institutions Industry associations	Cooperation in study Investment in research
Government and Other Publics	Local governments	Online media

Environmental, Social and Governance Report

ABOUT OUR BUSINESS

Business Perspective

We are the largest private-owned iron ore and titanium producer in Shandong Province, People's Republic of China. Our current mines include Yangzhuang Iron Mine, Zhuge Shangyu Ilmenite Mine, Qinjiazhuang Ilmenite Mine and Gaozhuang Shangyu Ilmenite Mine. Principally engaged in iron and ilmenite ore exploration, mining and processing, we focus on producing iron concentrate and plan on developing a titanium concentrate business. Our products are sold directly to iron pellets and steel producers.

Our major operation in the Reporting Year focused on Yangzhuang Iron Mine and Zhuge Shangyu Ilmenite Mine. In response to the global iron concentrate market downturn, we have not explored and produced any ore in the Reporting Year. We exercised appropriate control on production and processing, in order to be well prepared for the production in a boom market. To further maintain the operation, we took the opportunity and had actively managed the resources effectively and conducted the business of trading where 1,576,000 tonnes of iron concentrate were processed. 629,800 tonnes of coarse iron powder, 1,190,300 tonnes of semi-coke and 2,356,600 tonnes of blended coal were traded in the Reporting Year.

Environmental and Social Expenditures

We manage our impacts, both positive and negative, from the planning to the completion stage of our mining projects (more information can be found in the "Relationship with People" and "Relationship with the Environment" sections). In order to realise our commitment to sustainability,we have invested in more than RMB53.4 million since the establishment of the company. Of this total, approximately RMB52.2 million was spent on natural resources preservation and ecosystem reclamation, and approximately RMB1.2 million was used to develop neighbouring communities.

Our environmental contributions include, but are not limited to:

– Cooperation with scientific and research institutions to improve ore processing techniques and preserving mineral resources;

– Innovation of patented tailing dry discharge system, saving water resources and minimising tailing dam break;

– Afforestation to offset greenhouse gas (GHG) emissions; and

– Land reclamation to enhance soil fertility.

Our social contributions include, but are not limited to:

– Environmental management for neighbouring communities; and

– Poverty relief, education system construction and activity sponsorship for the community.

Environmental and Safety Licenses

Our licenses, including new exploration permits and mining rights of existing ones, are subjected to environmental impact assessments and safety production permits offered by local governmental departments. These processes ensure our compliance with relevant legal regulations and provide an opportunity to reassert our corporate responsibilities and commitment to developing sustainable green mines.

We currently own the exploration and mining rights of Yangzhuang Iron Mine and Zhuge Shangyu Ilmenite Mine, with an approved annual mining production scale of 2.3 million tonnes. At present, the mining license and safety production permit of Yangzhuang Iron Mine and Zhuge Shangyu Ilmenite Mine are in the process of renewal. Due to market reasons, we have not carried out any mining activities in the Reporting Year.

Our Independent Third-Party Blasting Contractor has obtained the blasting qualification certificate and blasting permits under the relevant PRC laws and regulations required to carry out their blasting work at our Yangzhuang Iron Mine.

INTERNAL AND EXTERNAL GOVERNANCE

Ethics and Conduct

We believe that honesty, integrity and justice are valuable assets for our long-term development. All employees should conduct in a manner free from bribery, extortion, fraud, money laundering, disloyalty and corruption to uphold the Group's reputation and value. We have established a code of conduct, "Staff Integrity and Self-discipline Responsibility Statement" for our employees to prevent, monitor and report any misconduct in our daily operations. If an employee is found to have violated the Group's code of conduct, we will immediately verify and dismiss them in accordance with the Group's regulations; if the employee is involved in a crime, they will be transferred to the judiciary for criminal responsibility; if the employee caused economic losses to the company, they shall bear full compensation liability in accordance with the Group's regulations.

In the Reporting Year, we have held anti-corruption training for general staff to enhance awareness and knowledge on anti-corruption. The Board also participated in four trainings on anti-corruption topics during the Reporting Year.

Since the establishment of our company and under good internal governance, we have not received any reports or complaints regarding corrupt practices of the company or its employees.

0 **Legal Cases**

Suggestions or complaints from stakeholders are welcomed through our hotline, email or by mail. We take a fair view and active response towards all suggestions and complaints, and all personal information will be kept completely confidential.

Supply Chain Management

Suppliers, as an integral part of our stakeholders, act as the cornerstone towards our sustainable business development. As our suppliers contribute indirectly to our environmental and social impacts, we have set up policies and measures to ensure that our suppliers conform to all legal regulations and our supplier selection standards. These measures include surveys and site visits to supplier factories, in order to keep our suppliers accountable for product quality management, environmental and employment responsibilities, as well as community development.

We are committed to reducing the environmental impact of our suppliers. An example is our efforts in reducing our supplier's carbon footprint during the process of transporting products to us. Currently, 78% of our processing facility suppliers and 82% of our office facility suppliers are stationed within Shandong Province, thereby reducing unnecessary indirect GHG emissions.

In addition to our facility suppliers, we also care for our contractors. Blasting and mining contractors, as part of our most important suppliers, are responsible of undertaking blasting and mining works at Yangzhuang Iron Mine. We hold regular safety meetings with our blasting and mining contractors every ten days to ensure that all of their activities are under safe operation and to strengthen their emergency response capabilities in case of emergencies.

	Number of suppliers
Mainland China	84
Other regions	–

Product Responsibility

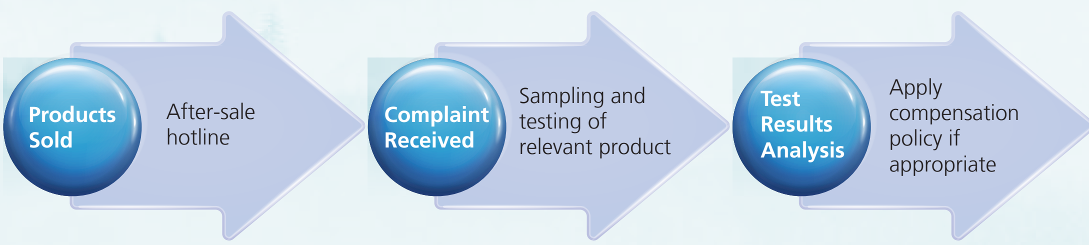
Production Quality Assurance

Producing high quality products give our stakeholders confidence, and is also our ultimate pursuit. Based on internal governance and supply chain management as cornerstones, we conduct rigorous quality assurance management to further ensure our product quality. Our product quality management first ensures that staff activity is conducted in a systematic manner, followed by routine inspection and equipment maintenance and upgrades. In addition, trainings are provided to develop staffs' technical skills and to raise their overall awareness for product quality throughout the production processes. Through these approaches, we are able to manage and prohibit any unqualified products from reaching our customers. All of our sold products comply with relevant laws and regulations and fully meet the needs of our customers.

After-sale Services

In order to improve our after-sale services, we have formulated management policies for complaints from customers and regulatory authorities respectively. We take responsive actions to resolve any quality-related issues in order to maintain a harmonious and steady relationship with our customers. When issues arise, we will sample and test the relevant products. For all verified cases of quality issues caused by our Company, compensation will be made to customers according to the relevant policies.

With the above mentioned management system in place, we did not receive any complaints on product quality, nor did we recall any sold products due to any safety or health reasons in the Reporting Year.



Privacy

In order to protect our customer's privacy, we have formulated a management system according to relevant regulations on file management and confidentiality work. All customer files are kept in password-protective archives by specific personnel.

Our employees are required to comply with the Group's "Staff Integrity and Self-Discipline Responsibility Statement" and applicable laws and regulations when handling confidential information. To preserve confidentiality, we only collect and keep information of our business partners and customers that is necessary in the business activities. Prior to data collection, informed consent from the relevant stakeholders is obtained to ensure that they understand the purposes of collecting the data and how such data would be used.

Technology Innovation

We have coordinated with the Institute of Process Engineering, China Academy of Sciences to conduct research in technological innovation for enhancing iron concentrate and strengthening the company's competitiveness in the industry. We also worked with the Siberian Division of the Russian Academy of Science to introduce new processing technologies. Our investments in these areas both improved product quality and decreased processing cost as well.

Protection of Intellectual Property Right

In order to strengthen the protection of intellectual property rights and standardise intellectual property management, we have established an intellectual property rights department and internal policies. Our intellectual property rights include:

1. Patent rights and technology secrets;

2. Trademark rights and know-how;

3. Copyright (including computer software & programmes); and

4. Other intellectual properties related to national laws and regulations.

In particular, our tailing dry discharge system has obtained a national patent in PRC and has substantially improved our effective utilisation of water and mineral resources.

We also encourage our employees to initiate, create and promote the application of scientific and technological achievements. Every staff should heed their responsibility of intellectual property right management in the course of their duties.

During the Reporting Year, the Group had no incidents of intellectual property rights violations.

RELATIONSHIP WITH PEOPLE

Health and Safety

Recognising the inherent hazards in the mining industry, we regard employees' health and safety as our highest priority. According to the nature of the work, we have integrated the possible risks in terms of personnel safety and health and formulated relevant safety management policies such as the "Safety Management Regulations" and the "Labour Protection Articles Issuance and Management System". By strengthening various forms of safety management, the occupational safety and health of employees can be guaranteed, the occurrence of safety accidents can be avoided and reduced as much as possible, the safety of company property can be improved, and occupational hazards can be prevented.

Fire Drill Activities

0 **Number of deaths due to work in the past three years including the Reporting Year**

0 **Number of working days lost due to work injury**

Under the core policy of "Safety first, Prevention-oriented and Comprehensive Management", a responsibility distribution system was set up in which directors at all levels, engineers and technicians take up their responsibilities in safety production to prevent major accidents from happening. Under this responsibility system, the entire production process will be regularly inspected and every person in charge of an operation will be regulated if his or her dereliction of duty was found.

Work Safety Meeting

Our detailed approaches to implement our safety policy and enhance employee occupational safety are as follows:

– Developing emergency rescue plans and regularly holding exercises;

– Holding regular safety meetings;

– Providing education and trainings for employees;

– Holding safety meetings regularly with our blasting and mining contractors;

– Organising physical examination on occupational hazards for employees before, during and after operations;

– Setting up emergency sheltering system, monitoring and inspection system, personnel location system (PLS), communication system, water and air supply system for the underground personnel;

– Upkeeping underground drainage system to prevent flooding;

– Building specific rooms and corridors for safety education and promotion; and

– Keeping record of distribution and condition of personal protective equipment.

Not only do we care about employees' physical health and providing safe working conditions, we also care about employees' mental health. To that end, we provide mental health management, including regular communication with and holding health seminars for our employees. Under our comprehensive health management system, our employees are able to maintain both physical and mental well-being, and also record no occupational fatality or lost-time injury in the Reporting Year.

Employment Relations

We value our human resources, which is reflected in our people-oriented management philosophy. We have formulated rigorous regulations on recruitment and employment processes and complied with the "Regulations on Recruitment Management", "New Employee Recruitment Procedures" and "Human Resources Internal Control Process" to standardise recruitment procedures and avoid any unfair recruitment issue as well as strengthen the Company's core competitiveness. We adopt an open recruitment process in compliance with employment recruitment regulations. The HR department is responsible for the recruitment process while the supervisory department conducts internal audit on the process. If any process is found to be against the regulations such as recruitment of juveniles under the age of 16, forced labour and illegal labour, the HR department and the supervisory department would have a joint investigation and implement disciplinary measures in accordance with the relevant regulations.

To further establish a harmonious employee relationship, all of our employees enjoy equal opportunities for career development and promotion, regardless of gender, age, region, position or employment type. Meanwhile, to preserve the enthusiasm and creativity of employees, we have developed a corresponding reward and welfare distribution mechanism based on personal contribution and performance to encourage them to fully develop personal intelligence and talents.

To protect employees' legal rights, we have set up employee social security management regulations as per relevant national regulations, guaranteeing to ensure employees' due benefits. Also, in order to guarantee employees' human rights and to improve their working efficiency, we have formulated the "Employee Change Management System" and "Employee Off-duty System" to standardise their management, ensuring that all work of the Company is carried out normally.

Staff Activities

In order to invigorate the atmosphere of the unit and alleviate the psychological fatigue of employees under long-term work, the Company has carried out employee activities on Women's Day, Qingming Festival, Labour Day and National Day in the Reporting Year. We believe that holding employee activities from time to time can not only relax employees, but also enhance communication opportunities between employees, improve mutual cooperation ability, and look at the unit and unit leaders from a different angle. The personal consciousness of employees in the process of carrying out work will gradually change. to the collective consciousness.

Celebration of Women's Day

Qingming Festival Outing

Labour Day Beach Outing

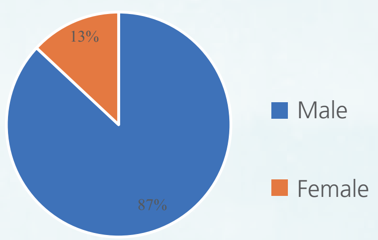
11th National Day Celebration

11th National Day Celebration

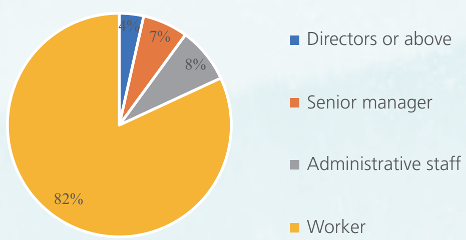
By the end of the Reporting Year, we had a total of 199 employees from Shandong Province, China (excluding our contractors), with the following distribution characteristics:

Employment Data	**2022**	2021
Total	**199**	152
By Gender		
Male	**173**	128
Female	**26**	24
By Position		
Directors and above	**7**	6
Senior Managers	**13**	13
Administrative Staff	**16**	27
Workers	**163**	106
By Age		
Below 31	**16**	13
Between 31-40	**55**	28
Between 41-50	**57**	49
Above 50	**71**	62
By Employment Type		
Full time	**190**	152
Part time	**9**	–

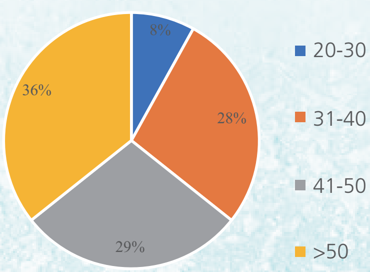
By Gender



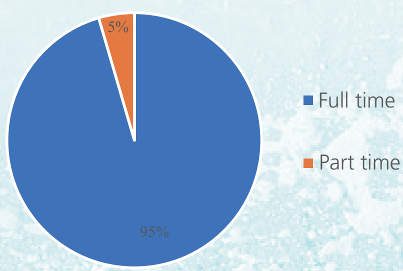
By Employment Position



By Age Group



By Employment Type



Turnover Rate

By the end of the Reporting Year, our turnover rate was 9.0%.

Turnover Rate (%)	**2022**	2021
Total	**9.0%**	2.0%
By Gender		
Male	**9.2%**	2.3%
Female	**7.7%**	–
By Age Group		
Below 31	**12.5%**	–
Between 31-40	**10.9%**	3.6%
Between 41-50	**10.5%**	4.1%
Above 50	**7.0%**	–
By Region		
Shandong Province, PRC	**9.0%**	2.0%
Other regions	**–**	–

Our HR department has held regular discussions and communications with employees and conduct annual satisfaction survey. At the end of each year, there would be an investigation sampling all employees on their opinions towards the Group's management, policies, culture, welfare and environment, etc. This communication approach helps the management to better understand its employees, and thereby reducing turnover rate. In the Reporting Year, our survey methods include face-to-face conversation and satisfaction survey questionnaires. A total of 110 employees participated in the survey. The survey results showed that employees can achieve a good work-life balance which has a positive effect on the Company's management.

Training and Development

We believe in the continuous development of employees, as the more well-equipped our employees are, the more efficient the company would become. Numerous benefits include enhancing employee self-satisfaction, improving their working performance, avoiding occupational accidents, while also enhancing our human resources competitiveness which is ultimately beneficial to company sustainable development. We therefore developed the "Employee Training Management System" and provided comprehensive training courses to sustain the development of our employees.

New employee Employee Orientation

Emergency Skills and knowledge Knowledge Training

During the Reporting Year, the Group achieved the following staff development and training achievement. All of our staff are protected under equal opportunity policy, which shows no gender discrimination.

	Percentage of staff that received training 2022	**Average training hours completed per employee (Hours) 2022**
By Gender		
Male	**100%**	**9.316**
Female	**100%**	**1.476**
By position		
Directors and above	**100%**	**–**
Senior Managers	**100%**	**27.750**
Administrative Staff	**100%**	**29.600**
Workers	**100%**	**9.642**

Community Engagement

In pursuit of building a good relationship between the Group and the local community for a win-win situation, we make every effort to create a green and harmonious environment to drive the region's environmental, social and economic development simultaneously. In the recent several years, the Group has undertaken the following tasks:

Caring about and supporting public education, we had donated a culminated amount of RMB121,000 to the public education development within Yangzhuang Iron Mine's neighboring community – Yishui County, including construction of several community schools.

400 employment opportunities were made available to residents in nearby communities in recent years. Among these employment positions, around 160 were offered for Qinjiazhuang, 50 for Shuiniu, 38 for Gongdan Mountain, and 120 for other villages – priority is given to residents of nearby communities in our development.

To develop a sustainable environment, we invested over RMB120,000 in environmental management of neighbouring communities. Not only do we take comprehensive utilisation of our by-products to mining reclamation and provide self-planted fruits and vegetables to villagers for free, we have also invested in greening barren mountains, greening villages and providing haze disaster relief, etc.

For poverty relief and charities, we had contributed over RMB443,500 for relieving lonely elderly without family and constructing community facilities.

To further contribute to society and benefit the community while improving the Group's image, we had contributed over RMB700,000 for community activities for and also took an active part in these activities.

In the Reporting Year, we actively participated in anti-pandemic activities and demonstrated a high sense of responsibility to the society. In the face of the COVID-19 pandemic, the group sent 36 employees to local government agencies to help with a total duration of 3 weeks. We also donated protective clothing, masks, disinfectant, instant noodles, mineral water, and other materials, which were highly praised by the local government.

Appreciation Pennant for Outstanding Contribution during the COVID-19 Pandemic Presented by the Local Government.

Environmental, Social and Governance Report

RELATIONSHIP WITH ENVIRONMENT

Resource management

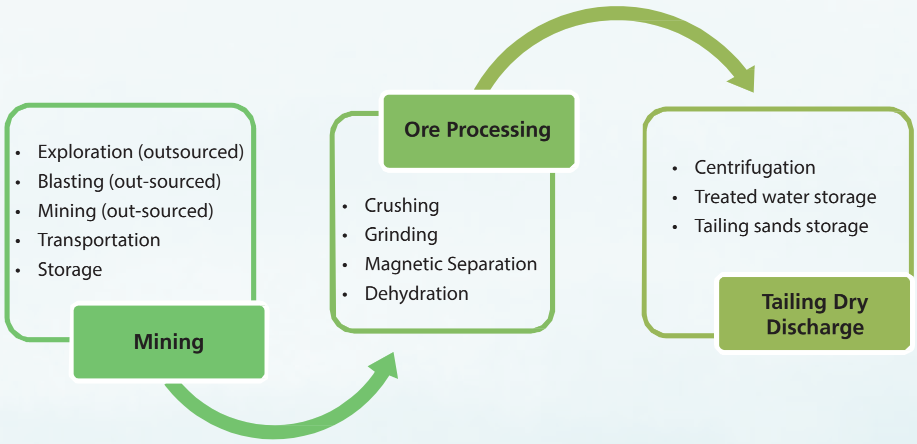
Flowers blossom in the Spring Season (Yuanzhuang Iron Mine)

The natural environment is the basis for our survival and development. Thus, in the mining business where environmental degradation is a particular concern, we adhere to policies to protect the environment in parallel with our business development. We carried out environmental management initiative both within our Group's boundary and in the surrounding community – offer our people a green working condition, our community a green living condition, and our industry a more competitive position in international market. During the Reporting Year, the company did not discover any major environmental violations.

In order to minimise energy consumption, we implemented national energy policies, laws, regulations, and standards, formulated the "Energy Management Measures", established an energy management organization and energy-saving work leading group, set up and improved company management organisations and networks, and managed and supervised the reasonable use of energy by the Group. During the Reporting Year, Yangzhuang Iron Mine eliminated outdated equipment and installed new magnetic separators and filter presses, which not only improved work efficiency but also reduced electricity consumption by approximately 4,500,000 kWh.

Resource Consumption and Intensity	Units	2022	2021[1]
Water *(mining, processing, municipal use)*	m^3	**399,594.000**	211,229.000
Water intensity (per tonne output)	m^3/tonne	**0.254**	0.516
Electricity *(mining, processing, municipal use)*	kWh	**19,133,846.000**	5,951,794.000
Electricity intensity (per tonne output)	kWh/tonne	**12.141**	14.552
Petrol *(transportation use)*	GJ	**1,898.967**	1,486.371
Petrol intensity (per tonne output)	GJ/tonne	**0.001**	0.004
Diesel *(transportation use)*	GJ	**23,155.400**	11,490.175
Diesel intensity (per tonne output)	GJ/tonne	**0.015**	0.028
Total Energy	GJ	**25,054.367**	12,976.547
Total Energy Intensity	GJ/tonne	**0.016**	0.032

1 The data of 2021 water consumption, petrol, diesel and total annual production output have been updated. The disclosure unit of petrol and diesel are changed from kg to GJ.



Our production activities mainly include mining, ore processing and tailing dry discharge, and their respective potential environmental impacts.

1. Potential impacts on air quality:
   - Particulate matters (PM) produced and emitted during mining and ore processing stages
   - GHG produced and emitted in all operation stages
   - Air pollutants produced and emitted in the blasting and transportation steps

2. Potential impacts on water resources:
   - Reduction in underground water availability in the exploration and blasting steps
   - Change in surface and underground water dynamics in the exploration and blasting steps
   - Degradation of water quality during the ore processing stage

3. Potential impacts on land:
   - Land occupation by treated water and tailing sands storage
   - Change of geographical structure in exploration and blasting steps

4. Potential impacts on ecosystem:
   - Habitat loss in mine operation area and outside mine operation area
   - Loss in fauna and flora richness, diversity and population
   - Fragmentation of ecosystems

We have set up dedicated measures to avoid and reduce environmental impacts in these aspects, details of which are introduced in the following sections.

Water Resources Management

Spring lake (Yangzhuang Iron Mine)

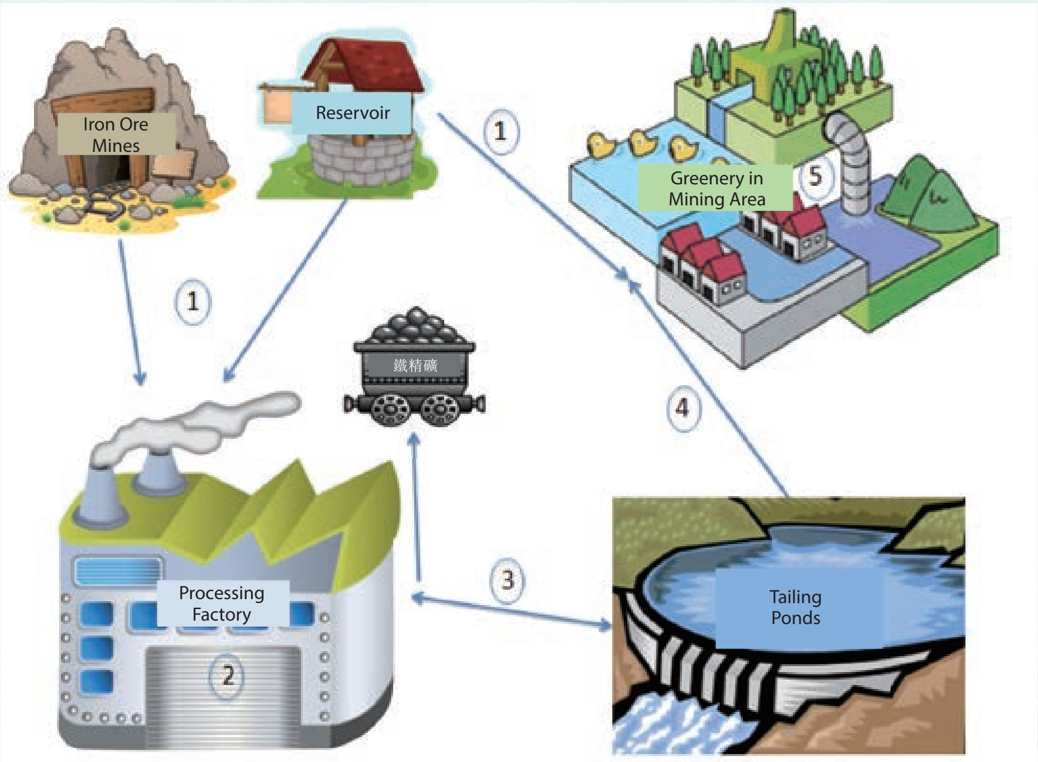
Zero sewage discharge – as one of the first listed green mine in China, this truly reflects our fundamental principle of "Reduce and Reuse Water". Here we specified zero sewage discharge in processing activities and municipal sewage, which were collected and directed to our tailing dry discharge system and municipal sewage treatment facilities respectively. The amount of water used for dust suppression mitigation measures is considered minimal and evaporates quickly, and thus is not discussed in the Report.

We strictly abide by all local regulations on sewage discharge, and no major violations related to sewage discharge were found in the Reporting Year.

We have no issue in sourcing water. We aim to enhance water efficiency and reduce water consumption by implementing the following directional targets:

- Using reclaimed water for daily operation;
- Reducing water consumption by increasing the use of water saving equipment;
- Maintaining water intensity level by increasing the proportion of water efficient equipment; and
- Adopt closed-circuit circulation in dressing plants to achieve zero discharge of waste water.

Our mining method utilises physical processes, thus eliminates any potential impact induced by chemical processes. We invented water reclamation and tailing dry discharge system to achieve zero sewage discharge and maximize utilisation of tailing sands. The water utilisation cycle is operated as follows:



1. Collect underground water from rain water, reservoir and mines for mining and processing use, while some well water is used for daily purposes;

2. Water is used in the iron ore extraction process; and waste water is collected by recycling equipment;

3. Waste water from processing factory is treated by tailing dry discharge system to separate water and tailing sands, and treated water is stored in tailing ponds for recycling use in processing factory;

4. Part of treated water from tailing pond will be inputted in our artificial lake; and

5. In addition, our domestic sewage will be treated by our owned treatment plant and then to be used for irrigation.

Our water reclamation and tailing dry discharge system is not only certified as a national patent, but its treatment capacity also fully meets the amount of water needed for our production in the Reporting Year, achieving complete utilisation of recycled water in production. Water quality of both water resources and treated sewage complies with relevant national standards and are eligible to be used for corresponding production, daily living and greenery purposes.

Climate Change, Energy and Mineral Resources

Mutual balance between energy use and climate change is crucial for our long-term sustainability. We try our best to improve our resource and energy utilisation rate, thereby contribute in slowing down the pace of climate change.

Climate Change: We recognise that climate change may influence its operation and business. It could lead to higher frequency of extreme weather events which may affect the safety and health of our employees and daily operation. To deal with the climate change challenges, we will focus on enhancing energy efficiency and strengthening resource recovery to reduce emissions. We will consider and develop climate-related policy to identify risk and opportunities for low-carbon transformation, including physical risk and transition risk. Also, we will monitor the latest policies and standards to ensure that the business will be able to fulfil relevant requirements.

Resources Utilisation: We apply short-hole shrinkage mining and sublevel room mining to increase our resource utilisation rate – mining recovery rate was increased, thereby maximising utilisation of measured iron ore resources and extending the mine’s service life.

Energy Utilisation: We understand that corporate reduction in GHG emissions can have a major influence on combating global warming and climate change. Therefore, we are dedicated to decreasing our own GHG emissions, as well as encouraging our stakeholders to do so. Measures we took to reduce GHG emissions are as follows:

We conducted preliminary iron ore selection at mining process – by taking out part of waste rocks, the ore quantity needed for grinding has decreased significantly. This achievement helps to cut down our cost on energy usage and electricity, reduce direct GHG emission and air pollutants;

We used more crushing and less grinding procedures in iron ore processing. This approach helps to reduce electricity consumption and respective GHG emissions for achieving specified iron ore granularity. It also helps to enhance the efficiency of magnetic separation to improve product quality; and

Being one of the State Green Mine in China, large quantities of selected flora are planted within site boundary. This laid the foundation in conducting carbon removal to offset our GHG emissions. For details of afforestation, please refer to the “Biodiversity and Land Use” section.

We have set out strategies to reduce emissions and energy consumption by following directional targets:

- Maintaining (or lowering) consumption level of energy compared to last year;
- Replacing traditional fossil fuels with cleaner fuels;
- Increase the use of renewable energy; and
- Optimising mining and iron ore processing process to reduce electricity consumption.

Almond flowers white like clouds (Yangzhuang Iron Mine)

GHG Emissions[2]	Units	2022	2021[3]
Scope 1 direct GHG emissions	**Tonnes of CO_2e**	**1,729.552**	933.345
Scope 2 energy indirect GHG emissions	**Tonnes of CO_2e**	**18,022.170**	5,606.995
Total	**Tonnes of CO_2e**	**19,751.722**	6,539.340
Total GHG emissions intensity (per tonne output)	**Tonnes of CO_2e/tonnes**	**0.013**	0.016

2 The scope of data does not include exploration and blasting works outsourced to our contractors.

3 Direct GHG emissions (Scope 1) in 2021 have also changed as 2021 petrol and diesel figures have been revised based on the latest data update.

Based on our current consumed energy type, we are moving forward to take utilisation of renewable energy (e.g. wind power electricity generation) to partly substitute existing energy types. During the reporting year, the Group did not discover any major violations related to exhaust emissions.

Tree-lined road (Yangzhuang Iron Mine)

Other Emission

Our air pollutants released during operations are mainly particulate matter (PM) arising from mines and outdoor storage yards. PM produced from processing factories would first be controlled by water spray, then collected by the dust collecting towers and discharged with compliance to relevant national standards. Our owned vehicles were installed with exhaust gas purifier, hence emitted minimal SO_X and NO_X, to which are not recorded at this stage. Since the exploration, blasting and mining processes were outsourced to our contractors, the air pollutants are not included in the Reporting Year.

Our non-hazardous emissions mainly composed of municipal waste.

Waste rocks were used for paving roads; tailing sands and mud cakes were used for gob stowing and land reclamation. These comprehensive utilisations of all processing by-products minimised formation of tailing dams, thereby reducing land demand and potential risks of tailing dam break.

Municipal wastes generated in office buildings and employee living areas are collected by the regional refuse station.

During the Reporting Year, the Board has participated in training on reducing paper consumption, including Paperless listing and Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display. Since 2020, the Group's ESG reports have been changed to electronic versions to help reduce resource consumption and waste generation.

No hazardous emissions were produced as only physical processes instead of chemicals were adopted in our mining processing factories.

We are committed to promoting a low-waste environment. We will mitigate the adverse environmental impacts with following directional targets:

- Upgrading raw materials from substandard products or waste;
- Reuse raw materials from mining process to reduce waste; and
- Maintaining (or lowering) non-hazardous waste intensity compared to last year.

As identified by our materiality assessment, packaging is not a material issue to our operations. Thus, we do not disclose data in the Report.

Biodiversity and Land Use

The nature of our business principally has impact on local physical environment, which in turn has influence on its biotic environment. Without a proper management system, the ecosystem may become imbalanced, culminating in irreversible environmental impact. Thus, we put emphasis on the protection of our lands and biodiversity through prevention, control, mitigation, and compensation. In recent years, we invested over RMB52 millions in natural resources preservation (water source, mineral sources, etc.) and ecological construction.

- 100% greening of afforestation area;
- 100% recycling water for operation afforded by our patented tailing sand dry discharge system in the Reporting Year;
- High ore dressing recovering rate, improving mineral resource utilisation rate;

- Over 200,000 trees and other plants were planted on our own initiative;

- Geographical remediation and afforestation to Gong Dan Mountain, including **9,500** m^2 slope surface arrangement, **1,280** meters mine cracks control, **15,425** m^3 blasting perilous rocks, **3,900** m^3 earthwork backfilling, and afforestation including **10,479** m^2 grassing, etc; and

- Landscapes of mining areas on both visual sides of highways were comprehensively afforested.

For open-pit mining environment and tailing dams which were adopted before the establishment of the company, we applied afforestation to outdoor mining area; and slope cutting, broadening, strengthening, and afforestation of tailing dams to minimise potential dam break concerns. All our achievements were witnessed by the government and the community, and we eventually became one of the first mining companies being certified as "State Green Mine" by the Ministry of Land and Resources and China Mining Association, becoming one of the five iron mines certified. In May 2016, the company has achieved the top 10 of the most influential Green Eco-friendly corporation for 2015 in Shandong Province.

Land reclamation-Peanuts Plantation (Yangzhuang Iron Mine)

Independent Auditor's Report

國富浩華(香港)會計師事務所有限公司
Crowe (HK) CPA Limited
香港銅鑼灣禮頓道77號禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

To the Shareholders of Add New Energy Investment Holdings Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Add New Energy Investment Holdings Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 111 to 181, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Key Audit Matter	How the matter was addressed in our audit
(a) **Impairment assessment of property, plant and equipment, right-of-use assets, and prepayments for renewal of mining rights** (Refer to notes 2.8, 4(a), 6, 7 and 9 to the consolidated financial statements) As at 31 December 2022, the aggregate carrying amount of the property, plant and equipment, right-of-use assets and prepayments for renewal of mining rights amounted to approximately RMB388.9 million which accounted for 52.1% of the Group's total assets. At 31 December 2022, one mining permits for the exploitation of mineral ores are currently in the process of approval for renewal by the relevant competent authorities with which agreements have been reached at a total consideration of approximately RMB241.8 million of which approximately RMB76.8 million was paid up to the end of the reporting period. At 31 December 2022, the Group's property, plant and equipment, right-of-use assets and prepayments for renewal of mining rights amounted to approximately RMB385.5 million are allocated to the identified cash generating unit of mining and ore processing segment (the "CGU") for the impairment assessment and the recoverable amount of the CGU is the higher of value in use ("VIU") and fair value less costs of disposal. VIU is based on the discounted cash flows expected to be derived from the Group's CGU, taking into account the appropriate discount rate. For determining the recoverable amount of the CGU at 31 December 2022, the Group engaged a firm of independent professional valuers which have qualifications and experiences in valuing similar assets. Based on the assessment, the recoverable amount of the CGU exceeds its carrying amount at 31 December 2022. Accordingly,	Our procedures in relation to the impairment assessment of the Group's property, plant and equipment, right-of-use assets and prepayments for renewal of mining rights included: • Obtaining an understanding of the key internal controls of management over impairment assessment of the Group's property, plant and equipment, right-of-use assets and prepayments for renewal of mining rights; • Evaluating the independent external valuer's competence, capabilities and objectivity; • Obtaining and reviewing the underlying documents (including the agreement made with the relevant competent authorities) regarding renewal of the mining right for iron ores; • Considering the Group's intention to carry out significant ongoing exploration and evaluation activities in the areas of interest which included reviewing the future business plans and cash flow forecasts as approved by the senior management of the Group, and the reserves and resources of the Group's mines based on the relevant technical expert report; • Evaluating the appropriateness of the valuation methodology, technical information provided by external valuer and the key assumptions (including but not limited to, growth rate and discount rate) used in the valuation model against external benchmarks, our knowledge of the Group and its industry; • Comparing the input data in the cash flow forecast to the source documents;

The Key Audit Matter	How the matter was addressed in our audit
(a) Impairment assessment of property, plant and equipment, right-of-use assets and prepayment for renewal of mining rights (continued) no impairment was recognised and charged to the consolidated profit or loss during the year ended 31 December 2022. Management of the Group exercised significant judgement in respect of the key assumptions applied in the VIU calculations, such as iron and ilmenite concentrates' future selling prices, recoverable reserves and resources, exploration potential, production cost estimates, future operating costs, growth rate and discount rate. We identified the impairment assessment of property, plant and equipment, right-of-use assets and prepayments for renewal of mining rights as key audit matter due to significant management judgement involved in the impairment assessment.	• Assessing and challenging the reasonableness of the key assumptions used in the valuation model with reference to the historical accuracy of such forecasts and the current operational results; • Evaluating the sensitivity analysis for the key assumptions in the valuation model for risk assessment; and • Considering the adequacy of disclosures in respect of the impairment assessment of property, plant and equipment, right-of-use assets and prepayments for renewal of mining rights made in the consolidated financial statements. We also assessed the adequacy of the disclosures in Notes 6, 7 and 9 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
(b) Valuation of inventories (Refer to notes 2.11, 4(b) and 12 to the consolidated financial statements) As at 31 December 2022, inventories of the Group comprised of raw materials, commodities held for trading, finished goods and spare parts and others. The carrying amount of the Group's inventories as at 31 December 2022 amounted to approximately RMB49.5 million. The Group's inventories are valued at the lower of cost and net realisable value. The net realisable value is determined by management on an individual item basis by taking into account the estimated selling prices of the Group's inventories, the estimated costs of completion of work-in progress at the reporting date and the applicable variable selling expenses. The selling prices of the Group's products are mostly affected by the price volatility of commodities held for trading and finished goods, particularly if the market price of commodities held for trading and finished goods decline significantly after the reporting date, the net realisable value of the Group's commodities held for trading and finished goods may be less than the cost. We identified the valuation of inventories as a key audit matter because determining the net realisable value involves significant management judgement and estimation, which can be inherently subjective and increase the risk of error or potential management bias.	We reviewed and evaluated the valuation of inventories at the year end as outlined below: • Reviewed and assessed the design, implementation and operating effectiveness of management's key internal controls over inventory impairment; • Reviewed the management's basis of estimating the net realisable value and the key judgements involved in estimating the future selling prices of the Group's inventories; • Evaluated the calculations made by management in arriving at the net realisable values of the inventories by assessing the reasonableness of the estimated selling price of the Group's inventories with reference to the market price of commodities held for trading and finished goods and the accuracy of the costs of completion and the selling costs; and • Compared the carrying values of commodities held for trading and finished goods, on a sample basis, to their selling prices as indicated in sales invoices subsequent to the end of the reporting period and/or the market price of the relevant commodities based on public domain to evaluate management's estimates of net realisable value. We also assessed the adequacy of the disclosures in Note 12 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
(c) Revenue recognition (Refer to notes 2.22 and 24 to the consolidated financial statements) Revenue from the Group's processing and trading business amounted to approximately RMB1,865.9 million for the year ended 31 December 2022. The Group's top five customers accounted for 40.7% of the total revenue for the year ended 31 December 2022. The Group recognises revenue from contracts with customers when control of goods or services, as promised in the sales or service contracts, are transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. We identified revenue recognition as our audit focus because revenue is one of the key performance indicators of the Group and because there is an inherent risk of manipulation in the timing of recognition of revenue by management to meet specific targets or expectations.	We performed and reviewed the revenue recognised during the year as outlined below: • Evaluated and tested the design of key internal controls of management over the revenue recognition; • Reviewed the appropriateness of the revenue recognition policy applied by the Group. More specifically we reviewed how the terms of the sales or service arrangements were considered within the revenue recognition process, including the discretion in determining the pricing and the responsibility for the risk of price fluctuation, the responsibility for the quality of goods, inventory risk and the timing of transfer of the goods or services and delivery specifications, etc.; • Checked to the underlying documents on the sales cycle, particularly the delivery documents evidencing the transfer of control of the goods delivered to and accepted by the customers, for supporting the occurrence, accuracy and completeness of the revenue recognised during the year, on a sample basis; • Reviewed the sales transactions, on a sample basis, occurred immediately before and after the year end to ensure the relevant sales transactions were recorded in the proper accounting periods; • Obtained written confirmation replies directly from the customers for the occurrence, accuracy and completeness of sales transactions for the year, on a sample basis; and • Reviewed the Journal entries during the year to confirm no irregular sales transaction was recorded. We also assessed the adequacy of the disclosures in Note 24 to the consolidated financial statements.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2023

Leung Chun Wa
Practising Certificate Number P04963

Consolidated Statement of Financial Position

As at 31 December 2022 (Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

		As at 31 December	
	Note	**2022**	2021
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**299,379**	211,800
Right-of-use assets	*7*	**12,687**	881
Financial assets at fair value through other comprehensive income	*8*	**13,396**	4,257
Prepayments for renewal of mining rights	*9*	**76,815**	35,466
Other non-current assets	*11*	**28,896**	10,985
		431,173	263,389
Current assets			
Inventories	*12*	**49,458**	92,643
Trade and bill receivables	*13*	**22,982**	18,539
Contract assets	*14(a)*	**17,374**	7,581
Prepayments and other receivables	*15*	**100,393**	131,773
Restricted bank deposits	*16*	**–**	760
Cash and cash equivalents	*16*	**124,665**	191,286
		314,872	442,582
Total assets		**746,045**	705,971
EQUITY			
Equity attributable to owners of the Company			
Share capital	*17*	**8,571**	8,571
Share premium	*17*	**687,845**	687,845
Other reserves	*18*	**(46,917)**	(55,827)
Accumulated losses		**(295,515)**	(353,379)
Total equity		**353,984**	287,210

Consolidated Statement of Financial Position

As at 31 December 2022 (Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

		As at 31 December	
	Note	**2022**	2021
LIABILITIES			
Non-current liabilities			
Borrowings	*21*	**–**	4,330
Provisions for close down, restoration and environmental costs	*22*	**12,112**	11,355
Lease liabilities – non-current portion	*7*	**1,840**	–
Deferred income – non-current portion		**154**	232
Deferred income tax liabilities	*10*	**–**	5,413
		14,106	21,330
Current liabilities			
Borrowings	*21*	**68,002**	176,315
Trade payables	*19*	**34,412**	27,431
Accruals and other payables	*20*	**39,597**	67,017
Amounts due to the controlling shareholder and the ultimate holding company	*35(b)*	**55,400**	–
Contract liabilities	*14(b)*	**166,804**	125,810
Lease liabilities – current portion	*7*	**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 consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 111 to 181 were approved by the Board of Directors on 30 March 2023 and were signed on its behalf.

Li Yunde
Executive Director

Geng Guohua
Executive Director

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

		Year ended 31 December	
	Note	**2022**	2021
Revenue	*24*	**1,865,892**	1,633,758
Cost of sales	*25*	**(1,720,793)**	(1,600,310)
Gross profit		**145,099**	33,448
Other income	*28*	**13,633**	2,138
Distribution expenses	*25*	**(1,127)**	(3,146)
Administrative expenses	*25*	**(78,817)**	(54,104)
(Impairment loss)/reversal of impairment loss on financial assets	*26*	**(653)**	395
Write-down of inventories, net	*12*	**–**	(3,834)
Operating profit/(loss)		**78,135**	(25,103)
Interest income	*29*	**3,040**	205
Interest expenses	*29*	**(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	*31*	**(4,357)**	–
Profit/(loss) for the year attributable to owners of the Company		**57,635**	(30,057)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

		Year ended 31 December	
	Note	**2022**	2021
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Change in the fair value of financial assets at fair value through other comprehensive income	*8*	**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)			
Earnings/(loss) per share – basic and diluted	*32*	**0.011**	(0.006)

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

Consolidated Statement of Changes in Equity

(Amounts expressed in thousands of RMB unless otherwise stated)

		Attributable to Owners of the Company				
	Note	Share capital *(Note 17)*	Share premium *(Note 17)*	Other reserves *(Note 18)*	Accumulated losses	Total equity
Balance at 1 January 2021		8,638	695,493	(53,190)	(323,322)	327,619
Comprehensive income						
Loss for the year		–	–	–	(30,057)	(30,057)
Other comprehensive loss		–	–	(216)	–	(216)
Total comprehensive loss for the year		–	–	(216)	(30,057)	(30,273)
Utilisations	*18(c)*	–	–	(1,254)	–	(1,254)
Repurchase of shares for cancellation						
– Repurchase and cancelled	*17(a)*	(65)	(7,502)	–	–	(7,567)
– Repurchase and pending for cancellation	*17(a)*	(2)	(146)	–	–	(148)
Repurchase of shares for share award scheme	*18(e)*	–	–	(1,167)	–	(1,167)
At 31 December 2021		8,571	687,845	(55,827)	(353,379)	287,210
Balance at 1 January 2022		**8,571**	**687,845**	**(55,827)**	**(353,379)**	**287,210**
Comprehensive income						
Profit for the year		**–**	**–**	**–**	**57,635**	**57,635**
Other comprehensive income		**–**	**–**	**9,139**	**–**	**9,139**
Total comprehensive income for the year		**–**	**–**	**9,139**	**57,635**	**66,774**
Utilisations	*18(c)*	**–**	**–**	**(229)**	**229**	**–**
At 31 December 2022		**8,571**	**687,845**	**(46,917)**	**(295,515)**	**(353,984)**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

(Amounts expressed in thousands of RMB unless otherwise stated)

	Note	Year ended 31 December 2022	2021
Cash flows from operating activities			
Cash generated from operations	*33(a)*	**211,664**	83,268
Income tax paid		**(2,404)**	–
Interest received	*29*	**3,040**	205
Net cash generated from operating activities		**212,300**	83,473
Cash flows from investing activities			
Purchases of property, plant and equipment	*6*	**(110,429)**	(1,324)
Purchase of right-of-use asset		**(9,918)**	–
Payments for non-current assets		**(17,911)**	–
Proceeds from disposal of property, plant and equipment		**669**	54
Withdrawals of restricted bank deposits	*16*	**760**	11,942
Placement of restricted bank deposits	*16*	**–**	(760)
Prepayments for renewal of mining rights	*9*	**(41,349)**	(5,000)
Net cash (used in)/generated from investing activities		**(178,178)**	4,912
Cash flows from financing activities			
Proceeds from borrowings		**60,000**	60,000
Repayments of borrowings		**(181,474)**	(60,000)
Payments for lease liabilities	*7*	**(1,150)**	(1,132)
Interests paid		**(12,111)**	(13,324)
Advances from the controlling shareholder and the ultimate holding company	*35(b)*	**55,400**	–
Deposit received from a joint venture partner	*20(a)*	**2,980**	2,450
Deposit repaid to a joint venture partner	*20(a)*	**(27,122)**	–
Repurchase of shares for cancellation	*17(a)*	**–**	(7,715)
Repurchase of shares for share award scheme	*18*	**–**	(1,167)
Net cash used in financing activities		**(103,477)**	(20,888)
Net (decrease)/increase in cash and cash equivalents		**(69,355)**	67,497
Cash and cash equivalents at beginning of year	*16*	**191,286**	124,398
Effect of changes on exchange rates		**2,734**	(609)
Cash and cash equivalents at end of year	*16*	**124,665**	191,286

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. GENERAL INFORMATION

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

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively the "Group") were principally engaged in iron ore processing, and selling of iron concentrates and other minerals in the People's Republic of China (the "PRC"). The Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 April 2012.

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

These consolidated financial statements have been approved for issuance by the Board of Directors (the "Board") on 30 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. These consolidated financial statements, also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income ("FVOCI") which are measured at fair value.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

(c) Going concern basis

At 31 December 2022, the Group's current liabilities exceeded its current assets by approximately RMB63,083,000. As disclosed in Note 39 to the consolidated financial statements, the Company is undertaking a proposed Rights Issue, under which, estimated net proceeds of approximately HK$97.4 million (equivalent to approximately RMB88.5 million) will be raised by the Company for repaying the amounts due to the controlling shareholder of the Company and a company controlled by him, as referred to note 35(b), and the remaining bonds payable, which amounted to approximately RMB55,400,000 and RMB8,002,000 at 31 December 2022, respectively, and for the implementation of the business plan and working capital of the Group. The directors of the Company have prepared a cash flow forecast of the Group covering a period of 15 months after 31 December 2022, based on which, the directors of the Company are of the view that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(d) 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 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
Amendment 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.

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(b) Associates

Associate is the entity over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

Investments in an associate are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

(c) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Interests in the joint venture are accounted for using the equity method (see (d) below), after initially being recognised at cost in the consolidated statement of financial position.

(d) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from the associate and the joint venture are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.8.

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Executive Management of the Company ("SEM") that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented separately in the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.6 Property, plant and equipment

Property, plant and equipment, comprising buildings and structures, mining infrastructures, vehicles, equipment and others, are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Stripping costs incurred in the production phase of a surface mine are capitalised and presented as mining infrastructures when, and only when all of the following criteria are met:

(i) it is probable that the future economic benefits (improved access to the ore body) associated with the stripping activity will flow to the Group;

(ii) the Group can identify the component of the ore body for which access has been improved; and

(iii) the costs relating to the stripping activity associated with that component can be measured reliably.

Depreciation on assets other than mining infrastructures is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and structures	10-15 years
Vehicles, equipment and others	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation on mining infrastructures (including main and auxiliary mine shafts and underground tunnels) is calculated using the unit of production method based on ore reserves as the depletion base.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is the Group's policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2.7 Intangible assets

(a) Mining rights

Mining rights are stated at cost less amortisation. Mining rights include expenditure that is directly attributable to the acquisition of mining licenses and transfers from exploration rights and exploration and evaluation assets upon determination that an exploration property is capable of commercial production. Amortisation on mining rights is calculated using the units of production method based on ore reserves as the depletion base.

(b) Exploration rights

Exploration rights are stated at historical cost. Exploration rights include expenditure that is directly attributable to the acquisition of exploration rights and tenements, entry premiums paid to gain access to areas of interest (defined as each exploration license or tenement) and amounts payable to third parties to acquire interests in existing projects.

Exploration rights are transferred to mining rights from the commencement of mining activities and are amortised using the units of production method based on ore reserves as the depletion base.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units ("CGUs")). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss and other comprehensive income.

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into the measurement category which is measured at amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income.

(ii) Equity instruments

The Group subsequently measures its equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses ("ECLs") associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group recognises a loss allowance for ECLs on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables); and

– contract assets

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows of the Group expects to receive).

The expected cash shortfalls are discounted using the applicable discount rates where the effect of discounting is material for the fixed-rate financial assets, trade and other receivables and contract assets.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12 month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expect lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets and contract assets are estimated using a provision matrix based on the historical credit loss experience of the Group, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of defaulting occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external and internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for those financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;

– significant changes in the technology, market, economic or legal environment that have an adverse effect on the debtor; and

– the disappearance of an active market for a security because of financial difficulties of the debtor.

Write-off policy

The gross carrying amount of a financial asset is written (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the management of the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average costing method. The cost of finished goods comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.22) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2.10(d) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.13).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2.22). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.13).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

2.13 Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2.12).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for ECLs. See Note 2.10 for further information about the Group's accounting policies for trade and other receivables and Note 3.1(b) for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Share capital

Ordinary shares are classified as equity (Note 17).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within one year of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

2.20 Employee benefits

(a) Pension obligations

The PRC employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees become entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to the applicable employees when they retire. The Group contributes on a monthly basis to these pension plans based on certain percentages of the employees' salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expenses as incurred. The non-PRC employees are covered by other defined-contribution pension plans sponsored by local government.

(b) Housing benefits

The PRC employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the employees' salaries. The Group's liability in respect of these funds is limited to the contributions payable in each period. The non-PRC employees are not covered by the housing benefits.

2.21 Provisions for close down, restoration and environmental costs

One of the consequences of mining activities is the damage to lands at the mining sites. The Group may compensate the inhabitants for loss or damage of lands and make payments for expenditures on close down, restoration, rehabilitation or environmental protection of the lands at mining sites since mining activities commence.

Close down and restoration costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas for mines. Close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, based on the net present value of the estimated future costs of restoration to be incurred during the life of the operation and post closure. The obligation may occur during development or during the production phase of a facility. The costs are capitalised if it is probable that future economic benefits will flow to the Group, no matter whether rehabilitation activities are expected to occur over the life of the operation or at the time of close down. The capitalised costs are depreciated over the life of the operation and increase in the net present value of the provision is recognised as interest expense.

If there is a change in the expected close down, restoration and environmental costs, an adjustment is recorded against the carrying amount of provisions and related assets, with a corresponding adjustment to the income statement on a prospective basis over the remaining life of the operation. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. Estimates of costs are reviewed and revised at the end of each reporting period to reflect changes in conditions.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and the provision of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract, control of the goods or services may be transferred over time or a point in time. Control of the goods or services is transferred over time if the Group's performance:

(i) provides the benefits received and consumed simultaneously by the customer;

(ii) creates or enhances an asset that the customer controls as the Group performs; or

(iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation, which is measured based on direct measurements of the value of individual goods or services transferred by the Group to the customer. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Sales of goods

Revenue arising from sales of iron concentrates and other goods is recognised when control of the goods has transferred, being the point in time when the goods are delivered to and accepted by the customer and there is no unfulfilled obligation that may have an impact on the customer's acceptance of the goods.

Processing service income

Processing service income is recognised when the customers obtain the control of services and the Group has present right to payment and the collection of the consideration is probable.

2.23 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24 Leases

Leases of property, plant and equipment are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of properties and motor vehicles are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The Group does not have any leases of low-value assets.

Lease income from operating leases where the Group is a lessor is recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

2.27 Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

All the research and development expenditure of the Group were charged to the consolidated profit or loss for the year.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, equity price risk and fair value interest rate risk), credit risk, liquidity risk and concentration risk.

(a) Market risk

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily with respect to HKD and USD.

As at 31 December 2022, if RMB had weakened/strengthened by 5% (2021: 5%) against HKD with all other variables held constant, profit (2021: loss) before income tax for the year would have been approximately RMB939,000 (2021: RMB5,691,000) lower/higher (2021: higher/lower) mainly as a result of foreign exchange losses/gains on translation of borrowings and amount due to the ultimate holding company (2021: borrowings) denominated in HKD.

As at 31 December 2022, if RMB had weakened/strengthened by 5% (2021: 5%) against USD with all other variables held constant, profit (2021: loss) before income tax for the year would have been RMB46,000 (2021: RMB46,000) higher/lower (2021: lower/higher) mainly as a result of foreign exchange gains/losses on translation of cash and cash equivalents denominated in USD.

(ii) Equity price risk

Equity price risk arises from listed equity securities held by the Group resulted from changes in market price. The Group's exposure to the risk of changes of equity price relates primarily with respect to its financial assets at fair value through other comprehensive income which are listed securities in the Australian Securities Exchange.

As at 31 December 2022, if the price of the listed equity securities has been 10% (2021: 10%) higher/lower, other comprehensive income (2021: loss) for the year ended 31 December 2022 would have increased/decreased (2021: decreased/increased) by approximately RMB1,340,000 (2021: RMB426,000).

(iii) Fair value interest rate risk

Fair value interest rate risk arises from contractual cash flows of debt instruments carried at amortised cost, and deposits with banks and financial institutions, as well as outstanding receivables and contract assets due from customers.

Other than those mentioned above, the Group's income and operating cash flows are substantially independent of changes in the market interest rates.

(b) Credit risk

Credit risk arises from contractual cash flows of debt instruments carried at amortised cost, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and contract assets.

Bank deposits of the Group are mainly placed in state-owned banks in the PRC and overseas banks that have investment grade ratings. Management believes that these financial institutions are of high credit quality and there is no significant credit risk on bank deposits.

Sales to the Group's top five largest customers accounted for 41% (2021: 42%) of total revenue for the year ended 31 December 2022. Risk control assesses the credit quality of all the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. The Group's historical experience in collection of trade receivables and contract assets falls within the recorded allowance and directors are of the opinion that adequate provision for uncollectible receivables has been made in the consolidated financial statements.

While bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

As for trade receivables and contract assets, the Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 and 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

On the above basis, the identified impairment loss for contract assets has been assessed to be immaterial, while the loss allowance for trade receivables as at 31 December 2022 and 2021 was determined as follows:

	At 31 December 2022					
	Current	**Within 1 year past due**	**More than 1 year past due**	**More than 2 years past due**	**More than 3 years past due**	**Total**
Expected loss rate	**2.5%**	**17%**	**100%**	**100%**	**100%**	
Gross carrying amount – trade receivables	**18,075**	**2,411**	**–**	**–**	**3,304**	**23,790**
Loss allowance	**443**	**411**	**–**	**–**	**3,304**	**4,158**

	At 31 December 2021					
	Current	Within 1 year past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Expected loss rate	1.6%	12%	100%	100%	100%	
Gross carrying amount – trade receivables	12,883	–	–	3,051	253	16,187
Loss allowance	201	–	–	3,051	253	3,505

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a long period for which the recovery is considered to be remote.

Impairment loss on trade receivables and contract assets are presented as net impairment loss within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly.

Bill and other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor,
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

On the above basis, the identified impairment loss for bill and other receivables has been assessed to be immaterial.

Net (impairment loss)/reversal of impairment loss on financial assets recognised in consolidated profit or loss

During the year, the following (impairment loss)/reversal of impairment loss were recognised in profit or loss in relation to impaired financial assets:

	2022	2021
(Impairment loss)/reversal of impairment loss on		
– trade receivables	**(653)**	395
Net (impairment loss)/reversal of impairment loss on financial assets	**(653)**	395

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

(c) Liquidity risk

The Group's liquidity risk is managed to ensure it has sufficient cash to meet operational needs, generated from financing activities and expected future operating activities.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Within 1 year or on demand	**1-2 years**	**2-5 years**	**Over 5 years**
As at 31 December 2022				
Borrowings	**68,321**	**–**	**–**	**–**
Trade payables	**34,764**	**–**	**–**	**–**
Other payables	**20,227**	**–**	**–**	**–**
Amounts due to the controlling shareholder and ultimate holding company	**55,400**	**–**	**–**	**–**
	178,712	**–**	**–**	**–**

	Within 1 year or on demand	1-2 years	2-5 years	Over 5 years
As at 31 December 2021				
Borrowings	181,204	4,717	–	–
Trade payables	27,431	–	–	–
Other payables	16,687	–	–	–
	225,322	4,717	–	–

(d) Concentration risk

During the year end 31 December 2022, 41% of the Group's revenue was derived from sales to the top five customers (2021: 42%). If these major customers terminate their business relationships with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations. Therefore management keeps closely monitoring transactions with these major customers.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by the aggregate amount of total equity and total borrowings.

The gearing ratios at 31 December 2022 and 2021 were as follows:

	As at 31 December	
	2022	2021
Total borrowings (including amounts due to the controlling shareholder and the ultimate holding company)	**123,402**	180,645
Total equity and borrowings	**477,386**	467,855
Gearing Ratio	**25.8%**	38.6%

3.3 Fair value estimation

The following categorises financial instruments carried at fair value based on the level of inputs to valuation techniques within a fair value hierarchy. The different levels have been defined as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's FVOCI financial assets represent 2.16% (2021: 3.79%) of the ordinary shares of Frontier Energy Limited (previously known as "Superior Lake Resources Limited") ("Frontier Energy") (note 8(a)), which is measured at fair value as level 1 investment.

The carrying amounts of the Group's financial assets including cash and cash equivalents, term deposits, restricted bank deposits, trade receivables, notes receivables, other receivables and financial liabilities including trade payables, other payables and short-term borrowings approximate their fair values due to their short maturities. As of 31 December 2022 and 2021, fair values of bonds, which are calculated based on market interest rate and the risk factors attributable to the Group with similar terms, approximated their carrying value.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Impairment of property, plant and equipment, right-of-use assets and prepayments for renewal of mining rights

Property, plant and equipment, right-of-use assets and prepayments for renewal of mining rights are stated at cost or cost less depreciation or amortisation. The carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Difficulties arise for the Group to make an estimate of fair value less costs of disposal as there is no basis for making a reliable estimate, which made the Group accept value in use as the recoverable amount. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's financial position and results of operations.

(b) Impairment of inventories

Inventories are reviewed for impairment whenever events or changes in circumstances cause their carrying amounts to exceed their recoverable amounts. The determination of recoverable amount of the inventories requires the use of estimates. The Group's management determined the recoverable amount of inventories by reference to sales contracts entered into by the Group and the open market prices.

(c) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.

(d) Mine reserves

Mine reserves are estimates of the amount of products that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required that involve a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand and commodity prices.

Estimating the quantity and/or grade of mine reserves requires the size, shape and depth of ore bodies or fields, determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgments and calculations to interpret data.

Estimates of mine reserves may change from period to period, because the economic assumptions used to estimate mine reserves change from period to period, and because additional geological data is generated during the course of operations. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

(i) carrying amounts of assets may be affected due to changes in the estimated future cash flows;

(ii) depreciation, depletion and amortisation charges may change where such charges are based on the units of production, or where the useful economic lives of assets change;

(iii) decommissioning, site restoration and environmental provisions may change where changes in the estimated reserves affect expectations about the timing or cost of these activities; and

(iv) carrying amounts of deferred tax assets may be affected due to changes in estimates of the likely recovery of the tax benefits.

(e) Provisions for close down, restoration and environmental costs

Mining activities may result in land subsidence, causing losses to the residents of the mining areas. Pursuant to the relevant PRC regulations, the Group is required to make compensation payments to the residents for their losses resulting from land subsidence, or to restore the mining areas to certain acceptance conditions.

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or result of operations of the Group. The PRC government, however, has moved and may move further towards the adoption or more stringent environment standards. Environmental liabilities are subject to considerable uncertainty which affect the Group's ability to estimate the ultimate cost to remediation efforts. These uncertainties include:

(i) exact nature and extent of the contamination at various sites including, but not limited to, iron ore and ilmenite ore mines and land development areas, no matter whether operating, closed or sold;

(ii) extent of required clean-up efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements;

(v) identification of new remediation sites; and

(vi) the provisions for close down, restoration and environmental costs determined by management is based on the best estimate of future cash flows by discounting the expected expenditures to their net present value. As the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associate costs may be subject to revision in the future. The amounts provided as close down, restoration and environmental costs are reviewed at least annually based upon the facts and circumstances available at the time and provisions are updated accordingly.

(f) Income taxes and deferred taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In addition, the realisation of future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and income tax loss carry-forwards. Deviations of future profitability from estimates or in the income tax rate may result in adjustments to the value of future income tax assets and liabilities that may have a significant effect on the Group's financial position and results of operations.

(g) Acting as a principal in trading commodities

Management determines that the Group acts as a principal in trading commodities, taking into account of the commercial substances of the transactions, for which the Group has the primary responsibility for fulfilling the promise of transferring the commodities, has control of and bear all the inventory risks of the trading commodities before transferring them to the customers, its discretion with respect to accepting or rejecting orders from the customers and sourcing the inventory item ordered by the end-customer from more than one supplier, discretion in setting selling prices of the trading commodities sold to its end-customers and its own discretion in negotiating prices of trading commodities purchased from its suppliers.

5. SEGMENT INFORMATION

(a) General information

The CODM has been identified as the SEM who reviews the Group's internal reporting in order to allocate resources and assess performance. The SEM has determined the operating segments based on these reports.

The SEM, who considers the business from an industrial perspective, considers activities of mining and ore processing carried out by Shandong Ishine and Shandong Shengtai Mining Technology Company Limited ("Shandong Shengtai"), and trading of minerals carried out by Shandong Ishine and Hami Xinxing Tianshan Logistics Company Limited ("Hami Xinxing") as the identifiable segments.

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

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

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies.

The businesses of the Group are classified into mining and ore processing, and trading of minerals, which are the two reportable segments of the Group. Expenses, assets and liabilities of the holding companies (the Company, Alliance Worldwide Investment Limited ("Alliance Worldwide"), Fortune Shine Investment Limited ("Fortune Shine"), Shine Mining Investment Limited ("Shine Mining"), Ishine Mining International Limited ("Ishine Mining"), China Rongsheng Holdings Limited ("Rongsheng"), Alpha Charm Investments Limited ("Alpha Charm"), Grandson Holdings Limited ("Grandson") and Active Fortune Group Limited ("Active Fortune")) in the Group are presented as 'Unallocated' in the segment information.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

The segment information provided to the SEM for the years ended 31 December 2022 and 2021 is as follows:

	Mining and ore processing	Trading of minerals	Unallocated	Inter-segment elimination	Total
Year ended 31 December 2022					
Revenue	**183,704**	**1,682,188**	**–**	**–**	**1,865,892**
Gross profit	**83,608**	**61,491**	**–**	**–**	**145,099**
Other income	**13,080**	**21**	**532**	**–**	**13,633**
Interest income	**1,898**	**1,142**	**–**	**–**	**3,040**
Interest expenses	**(4,485)**	**–**	**(7,848)**	**–**	**(12,333)**
Net foreign exchange loss	**–**	**–**	**(6,850)**	**–**	**(6,850)**
Impairment loss					
– Trade receivables	**(389)**	**(264)**	**–**	**–**	**(653)**
Income tax credit/(expense)	**5,413**	**(9,770)**	**–**	**–**	**(4,357)**
Net profit/(loss)	**46,623**	**39,044**	**(28,032)**	**–**	**57,635**
Other information					
Depreciation of property, plant and equipment	**22,175**	**92**	**–**	**–**	**22,267**
Depreciation of right-of-use assets	**41**	**–**	**1,095**	**–**	**1,136**
Additions to property, plant and equipment	**109,925**	**504**	**–**	**–**	**110,429**
Prepayments paid for renewal of mining rights	**41,349**	**–**	**–**	**–**	**41,349**
As at 31 December 2022					
Segment assets and liabilities					
Total assets	**746,861**	**204,354**	**192,680**	**(397,850)**	**746,045**
Total liabilities	**410,976**	**175,305**	**203,630**	**(397,850)**	**392,061**
Year ended 31 December 2021					
Revenue	53,482	1,580,276	–	–	1,633,758
Gross profit	15,319	18,129	–	–	33,448
Other income	2,138	–	–	–	2,138
Interest income	189	16	–	–	205
Interest expenses	(4,874)	–	(13,487)	–	(18,361)
Net foreign exchange gain	–	–	13,202	–	13,202
Reversal of impairment loss					
– Trade receivables	395	–	–	–	395
Income tax expense	–	–	–	–	–
Net loss	(10,674)	(5,697)	(13,686)	–	(30,057)
Other information					
Depreciation of property, plant and equipment	14,428	1	–	–	14,429
Depreciation of right-of-use assets	–	–	1,193	–	1,193
Additions to property, plant and equipment	1,178	146	–	–	1,324
Prepayment paid for renewal of mining right	5,000	–	–	–	5,000
As at 31 December 2021					
Segment assets and liabilities					
Total assets	557,908	184,437	196,476	(232,850)	705,971
Total liabilities	334,020	138,197	179,394	(232,850)	418,761

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

c) Geographic information

All the revenue of the Group are derived in the PRC and more than 90% of the specific assets of the Group are located in the PRC. Accordingly, no analysis of geographic information is presented.

d) Information about major customers

Revenues from customers contributed 10% or more of the total revenue of the Group are as follows:

	2022	2021
	RMB	RMB
Customer A – revenue from trading of minerals	**225,869**	N/A*
Customer B – revenue from trading of minerals	**N/A***	277,065
Customer C – revenue from trading of minerals	**N/A***	165,815

* The transactions with these customers did not contribute 10% or more of the total revenue of the Group during the years ended 31 December 2022 or 2021, as the case may be.

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6. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Mining infrastructures	Vehicles, equipment and others	Construction in progress	Total
Year ended 31 December 2021					
Opening net book amount	40,441	93,250	22,946	68,328	224,965
Additions	60	–	799	465	1,324
Written off or disposals – cost	–	–	(1,175)	–	(1,175)
Written off or disposals – accumulated depreciation	–	–	1,115	–	1,115
Depreciation charge	(5,122)	–	(9,307)	–	(14,429)
Closing net book amount	35,379	93,250	14,378	68,793	211,800
At 31 December 2021					
Cost	110,328	121,005	177,995	68,793	478,121
Accumulated depreciation and impairment	(74,949)	(27,755)	(163,617)	–	(266,321)
Net book amount	35,379	93,250	14,378	68,793	211,800
Year ended 31 December 2022					
Opening net book amount	**35,379**	**93,250**	**14,378**	**68,793**	**211,800**
Additions	**13,015**	**–**	**30,447**	**66,967**	**110,429**
Transfer	**85,640**	**–**	**23,787**	**(109,427)**	**–**
Written off or disposals – cost	**(2,960)**	**(50)**	**(3,943)**	**–**	**(6,953)**
Written off or disposals – accumulated depreciation	**2,718**	**48**	**3,604**	**–**	**6,370**
Depreciation charge	**(14,177)**	**–**	**(8,090)**	**–**	**(22,267)**
Closing net book amount	**119,615**	**93,248**	**60,183**	**26,333**	**299,379**
At 31 December 2022					
Cost	**206,023**	**120,955**	**228,286**	**26,333**	**581,597**
Accumulated depreciation and impairment	**(86,408)**	**(27,707)**	**(168,103)**	**–**	**(282,218)**
Net book amount	**119,615**	**93,248**	**60,183**	**26,333**	**299,379**

Since the renewal of the mining right certificates for Yangzhuang iron ore mine and Zhuge Shangyu ilmenite ore mine has not yet been completed at 31 December 2021 and 2022, no mining operation was conducted by the Group on these mines and in consequence, no depreciation was provided on the mining structures for the two years ended 31 December 2021 and 2022. The accounting policies and method for providing depreciation of the mining structures and other property, plant and equipment are disclosed in Note 2.6 to the consolidated financial statements.

Based on an outlook of the market price of iron concentrates and ilmenite concentrates during the year ended 31 December 2022, management of the Group carried out an impairment test on the related assets of Shandong Ishine and Shandong Shengtai, which was considered as a separate cash generating unit ("CGU").

Impairment testing

As at 31 December 2022, the Group engaged APAC Appraisal and Consulting Limited, being a firm of independent valuers with experiences and qualifications in valuing similar assets, for determining the recoverable amount of the CGU, being the higher of the value in use or fair value less costs of disposal.

The recoverable amount of the CGU, to which the property, plant and equipment, right-of-use assets (Note 7) and prepayments for renewal of mining rights (Note 9) are allocated, was determined based on the value in use. These calculations used cash flow projections based on financial budgets approved by management covering a five-year period, which reflected cash flow from the sales of iron and ilmenite concentrates from the production of the mines of CGU and other processing service income less estimated costs, discounted at the pre-tax rate of 14% (2021: 15%). Cash flows beyond the fifth-year period was extrapolated using a growth rate of 2.0% (2021: 2.0%), for which the sales of concentrates from the production of the mines of CGU would limit to the period of the mining certificates. The key assumptions used in the value in use calculations in the year ended 31 December 2022 were as follows:

- Sales price – Sales price is based on current industry trends; and

- Discount rate – The discount rate used reflects specific risks relating to the CGU.

As a result of the above assessment, no impairment losses (2021: Nil) were recognised during the year ended 31 December 2022, as the present value of recoverable amount of the CGU, to which of the property, plant and equipment, right-of-use assets and prepayments for renewal of mining rights are allocated, exceeded their aggregate carrying amounts at 31 December 2022.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

7. LEASES

Movements of the leases during the year are as follows:

	Right-of-use assets	Lease liabilities
As at 1 January 2021	2,074	1,904
Depreciation of right-of-use assets	(1,193)	–
Amortisation of interest	–	85
Repayments	–	(1,132)
Exchange retranslation differences	–	(38)
As at 31 December 2021 and 1 January 2022	881	819
Recognition of new leases	**3,024**	**3,024**
Purchase of land use rights	**9,918**	**–**
Depreciation of right-of-use assets	**(1,136)**	**–**
Amortisation of interest	**–**	**66**
Repayments	**–**	**(1,150)**
Exchange retranslation differences	**–**	**14**
As at 31 December 2022	**12,687**	**2,773**

(i) Amounts recognised in the consolidated statement of financial position

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

	As at 31 December 2022	2021
Right-of-use assets		
Land use rights with remaining lease term of 39.8 years (2021: Nil)	**9,876**	–
Land and buildings	**2,811**	881
	12,687	881
Lease liabilities		
Current portion	**933**	819
Non-current portion	**1,840**	–
	2,773	819

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

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

	Year ended 31 December	
	2022	2021
Depreciation of right-of-use assets		
Land and buildings	**1,136**	1,193
Interest expense (included in finance costs – net)	**66**	85

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Classification of financial assets at fair value through other comprehensive income

As at 31 December 2022, financial assets at fair value through other comprehensive income of RMB13,396,000 (2021: RMB4,257,000) represent 2.16% (2021: 3.79%) of issued ordinary shares of Frontier Energy, which has been classified as level 1 financial instrument since Frontier Energy is a listed company in Australia and the quoted price can be easily accessed.

(b) Amounts recognised in other comprehensive income

	As at 31 December	
	2022	2021
Profit/(loss) recognised in OCI *(Note 18)*	**9,139**	(216)

(c) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

9. PREPAYMENTS FOR RENEWAL OF MINING RIGHTS

The Group applied for the renewal of the mining right of Shandong Ishine's Yangzhuang iron ore mine and Zhuge Shangyu ilmenite ore mine which expired on 20 June 2019 and 31 December 2020, respectively.

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 new mining right certificate for Yangzhuang iron ore mine has not yet been issued by the relevant authorities at the end of the reporting period.

Pursuant to an agreement dated 17 November 2022 entered into between Shandong Ishine and the PRC relevant authorities, 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 (2021: Nil), 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 new mining right certificate for Zhuge Shangyu ilmenite ore mine has not yet been issued by the relevant authorities at the end of the reporting period.

10. DEFERRED INCOME TAX ASSETS AND LIABILITIES

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2022	2021
Deferred tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	–	(5,413)

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2022	2021
At 1 January	**(5,413)**	(5,413)
Credited to the consolidated profit or loss *(Note 31)*	**5,413**	–
At 31 December	–	(5,413)

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(a) Deferred income tax assets

	Provisions for close down, restoration and environmental costs	Tax losses	Impairment loss	Others	Total
At 1 January 2021 and 31 December 2021	267	880	14,860	84	16,091
Credited/(charged) to the consolidated profit or loss	(267)	19,120	(11,699)	(84)	7,070
At 31 December 2022	–	20,000	3,161	–	23,161

(b) Deferred income tax liabilities

	Depreciation of mining infrastructure	Others	Total
At 1 January 2021 and 31 December 2021	(21,504)	–	(21,504)
Credited/(charged) to the consolidated profit or loss	3,769	(5,426)	(1,657)
At 31 December 2022	(17,735)	(5,426)	(23,161)

(i) As at 31 December 2022, the Group has not recognised deferred income tax assets of approximately RMB32,948,000 (2021: RMB36,697,000) in respect of accumulated losses arising from Shandong Ishine amounting to RMB131,793,000 (2021: RMB244,645,000), that can be carried forward against future taxable income.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

(ii) The expiry dates of the tax losses of the Company and its subsidiaries for which no deferred income tax asset was recognised are summarised as follows:

	As at 31 December	
	2022	2021
Year of expiry		
2025	**–**	95,050
2026	**33,393**	51,371
2027	**29,859**	29,859
2028	**14,160**	14,160
2029	**46,855**	47,115
2030	**7,526**	7,090
	131,793	244,645

11. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2022	2021
Deposits paid for capital expenditure	**17,692**	–
Land restoration deposits	**7,224**	7,224
Prepaid taxes	**3,980**	3,761
	28,896	10,985

12. INVENTORIES

	As at 31 December	
	2022	2021
Raw materials		
– Iron ore and ilmenite ore	**–**	74
Commodities held for trading		
– Iron concentrates	**31,367**	84,505
– Semi-coke	**5,186**	–
– Blended coal	**2,647**	–
Finished goods	**4,222**	7,498
Spare parts and others	**7,064**	5,355
Provision for inventory write-down	**(1,028)**	(4,789)
	49,458	92,643

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For the year ended 31 December 2022, the costs of inventories recognised as 'cost of sales' amounted to RMB1,716,390,000 (2021: RMB1,600,310,000).

As at 31 December 2021, inventories amounting to RMB1,028,000 (2021: RMB4,789,000) was considered to be impaired and accordingly, reversal of inventory provisioning (2021: additional write-down of inventories) amounting to RMB3,761,000 (2021: RMB3,834,000) has been credited (2021: charged) to the consolidated profit or loss for the year ended 31 December 2022.

13. TRADE AND BILL RECEIVABLES

	As at 31 December	
	2022	2021
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 date, as follows:

	As at 31 December	
	2022	2021
Within 3 months	**18,075**	17,883
3 to 6 months	**2,000**	857
6 months to 1 year	**–**	–
Over 1 year	**3,715**	3,304
	23,790	22,044

The Group's trade and bill receivables are denominated in RMB.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

Movement on the Group's allowance for impairment of trade receivables is as follows:

	Year ended 31 December	
	2022	2021
At 1 January	**3,505**	3,900
Impairment loss/(reversal of impairment loss) on trade receivables *(Notes 3.1(b) and 26)*	**653**	(395)
At 31 December	**4,158**	3,505

Due to the short-term nature of the trade receivables, their carrying amount is considered to be the same as their fair value.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.1.

14. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2022	2021
Rights to consideration recoverable from customers for obligations under contracts for processing services	**17,374**	7,581

Typical payment terms which impact on the amount of contract assets recognised are as follows:

– Processing services

The Group typically bills and receives 80% of total processing service fee within 30 days after the processing of mineral ore are completed. The remainder of the consideration is payable upon the delivery of the processed minerals to the customer and the finalisation of other contra charges from both parties.

Contract assets are mostly derived from the processing services provided pursuant to a contract entered into between the Group and a customer in July 2021.

As at 31 December 2022, contract assets increased significantly in line with the volume of iron ores processed by the Group for the customer during the year ended 31 December 2022.

All the contract assets are expected to be recovered within one year.

The details of ECL assessment on contract assets are disclosed in Note 3.1(b) to the consolidated financial statements.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

(b) Contract liabilities

	2022	2021
Receipt in advance from customers	**166,804**	125,810

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– Trading of minerals

When the Group receives a deposit before the control of goods has passed to the customer this will give rise to contract liabilities. For majority of the customers, the Group typically receives 10% to 15% of total contract sum as deposits on acceptance of sales order, and the remaining amount to be fully settled before the control of the goods is passed to the customer.

The significant increase in contract liabilities in the current year was mainly due to increasing volume and market price of trading commodities in current year, as well as the establishment of a new subsidiary which carried out trading activities in the Xinjiang region.

There is no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

Movements in contract liabilities

	2022	2021
Balance at 1 January	**125,810**	47,391
Decrease in contract liabilities as a result of recognised revenue and other income during the year that was included in the contract liabilities at the beginning of the year	**(125,809)**	(44,080)
Increase in contract liabilities as a result of receipt in advance	**166,803**	122,499
	166,804	125,810

All the contract liabilities are expected to be recognised as income within one year.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

15. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
Trade deposits to suppliers *(Note (a))*	**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	**828**	2,411
Advances to employees	**914**	111
Compensation receivable *(Note (b))*	**15,000**	15,000
Others	**2,163**	3,882
	100,393	131,773

(a) Trade deposits to suppliers

Trade deposits of approximately RMB70,081,000 (2021: RMB100,895,000) were paid to independent third-party suppliers of trading commodities in accordance with the relevant purchase contracts under which the trading commodities were not yet delivered to the Group at 31 December 2022. Subsequent to 31 December 2022 and up to the date of the approval of these consolidated financial statements, approximately RMB56,187,000 out of these trade deposits have been applied to settle for the purchase costs of the trading commodities when the control of the trading commodities were transferred from the suppliers to the Group. No impairment is necessary on the trade deposits paid at the end of the reporting period as the selling prices and subsequent market prices of the trading commodities exceeded their purchase prices.

(b) Compensation receivable

In accordance with a settlement agreement dated 15 January 2021 which was entered into with a stated-owned highway operator which is the defendant (the "Defendant") under the legal actions taken by the Group for unlawful encroachment of the mining areas of the Group's Yangzhuang iron mine in the previous years, compensation payable to the Group amounting to RMB50,000,000 was agreed by the Defendant, including an amount of RMB35,000,000 received by the Group during the year ended 31 December 2021 and the remaining RMB15,000,000 to be received upon the change in mining area as stipulated in the Group's renewed mining certificate for the Yangzhuang iron mine, which is being renewed by the relevant authorities at the reporting period end. The relevant compensation income of RMB50,000,000 was recognised in the consolidated profit or loss for the year ended 31 December 2020. At 31 December 2022 and 2021, there was no significant increase in credit risk of the defendant and the default risk on the remaining compensation receivable to be insignificant and no provision for expected credit loss for the compensation receivable is necessary.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

16. CASH AND CASH EQUIVALENTS, TERM DEPOSITS AND RESTRICTED BANK DEPOSITS

	As at 31 December	
	2022	2021
Cash and cash equivalents		
– Cash on hand	**205**	21
– Cash at bank	**124,460**	191,265
	124,665	191,286
Restricted bank deposits		
– Bank deposit restricted for withdrawal *(Note)*	**–**	760
	124,665	192,046

Note:

As at 31 December 2021, bank deposit amounting to RMB760,000 was frozen pursuant to a court order in relation to a legal dispute with a customer. During the year ended 31 December 2022, the restriction on the bank deposit was released in January 2022.

Cash and cash equivalents, term deposits and restricted bank deposits are denominated in the following currencies:

	As at 31 December	
	2022	2021
RMB	**117,135**	181,309
HKD	**6,607**	9,815
USD	**920**	919
AUD	**3**	3
	124,665	192,046

RMB is currently not a freely convertible currency in international market. The conversion of RMB into foreign currency and remittance of RMB out of the PRC are subject to the rules and regulations of exchange controls promulgated by the PRC authorities.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

17. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	Share capital	Share premium *(b)*	Total
At 31 December 2020	5,293,993,920	8,638	695,493	704,131
Repurchase of shares: *(a)*				
– Repurchase 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**

(a) Repurchase of shares

During the year ended 31 December 2021, the Group repurchased and cancelled 38,694,000 of its own shares listed on the Stock Exchange, and repurchased 1,336,000 of its own shares listed on the Stock Exchange pending for cancellation, at considerations paid of approximately HKD9,119,000 and HKD182,000 respectively, being equivalent to approximately RMB7,715,000 in total. The amount had been deducted from shareholders' equity against share capital and share premium.

(b) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

18. OTHER RESERVES

	Merger Reserve *(a)*	Capital reserve	Statutory reserve fund *(b)*	Safety fund *(c)*	Future development fund *(d)*	Share award scheme reserve *(e)*	FVOCI	Total
At 1 January 2021	(162,269)	53,129	48,483	14,145	4,497	–	(11,175)	(53,190)
Utilisations	–	–	–	(1,254)	–	–	–	(1,254)
Repurchase of shares for share award scheme *(e)*	–	–	–	–	–	(1,167)	–	(1,167)
Change in value on FVOCI	–	–	–	–	–	–	(216)	(216)
At 31 December 2021	**(162,269)**	**53,129**	**48,483**	**12,891**	**4,497**	**(1,167)**	**(11,391)**	**(55,827)**
Utilisations	–	–	–	(229)	–	–	–	(229)
Change in value on FVOCI	–	–	–	–	–	–	9,139	9,139
At 31 December 2022	**(162,269)**	**53,129**	**48,483**	**12,662**	**4,497**	**(1,167)**	**(2,252)**	**(46,917)**

(a) Merger reserve

Merger reserve represents the difference between share capital and share premium issued by the Company for the acquisition of the subsidiaries pursuant to a reorganisation for IPO purpose and the aggregate capital of the subsidiaries being acquired at the time of the reorganisation.

(b) Statutory reserve fund

In accordance with the PRC Company Law, the Group's PRC registered subsidiaries are required to allocate 10% of their net profit less accumulated losses brought forward from previous years (if any) as determined in accordance with the relevant accounting principles and financial regulations applicable to the PRC companies ("PRC GAAP"), to the statutory reserve fund until such reserve reaches 50% of their respective registered capital. The appropriation to the reserve must be made before any distribution of dividends to owners. The statutory reserve can be used to offset losses arising from previous years, if any, and part of the statutory surplus reserve can be capitalised as share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of their respective share capital.

For the year ended 31 December 2022, these PRC registered subsidiaries did not make appropriation to the statutory reserve fund due to accumulated losses brought forward from previous years available to offset current year profit (2021: making losses for the prior year).

(c) Safety fund

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, Shandong Ishine is required to appropriate to a safety fund at RMB8 per ton of iron ore and ilmenite ore mined under well and at RMB4 per ton of iron ore and ilmenite ore mined in the open pit. The fund can be used for improvements of safety of mines, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditures, Shandong Ishine is eligible to transfer the equivalent amount of the expenditures from safety fund to retained earnings.

(d) Future development fund

Pursuant to the relevant PRC regulations, Shandong Ishine is required to appropriate to a future development fund at RMB15 per ton of iron ore and ilmenite ore mined. The fund can be used for future development of the iron ore and ilmenite ore mining operations, and is not available for distribution to shareholders. Upon incurring qualifying development expenditures, Shandong Ishine is eligible to transfer the equivalent amount of the expenditures from future development fund to retained earnings.

(e) Share award scheme reserve

The Company adopted a restricted share award scheme on 28 December 2020 (the "Share Award Scheme"). During the year ended 31 December 2022, the Company, through the trustee of the Share Award Scheme, repurchased Nil (2021: 9,620,000) shares of the Company from the market for the purpose of the Share Award Scheme, at an aggregate consideration of approximately Nil (2021: HKD1,404,000), equivalent to approximately Nil (2021: RMB1,167,000), which has been debited to share award scheme reserve in equity. Up to the end of the reporting period, no share has been granted under the Share Award Scheme.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

19. TRADE PAYABLES

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

As at 31 December 2022 and 2021, the ageing analysis of trade payables was presented based on invoice date as follows:

	As at 31 December	
	2022	2021
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, all the Group's trade payables were denominated in RMB.

20. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2022	2021
Accrued land compensation costs	**9,429**	6,700
Advanced construction funds from government	**11,950**	11,950
Guarantee deposits retained for capital expenditure	**7,198**	4,230
Employee benefits payable	**7,692**	5,538
Interest payable	**222**	3,556
Refundable deposit received *(a)*	**–**	27,450
Others	**3,106**	7,593
	39,597	67,017

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

(a) Refundable deposit received

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 the net profit derived from such operations, for which, the JV Party shall contribute RMB132,000,000 as working capital of the Joint Arrangement under which the JV Party shall not be entitled to the distribution rights on the assets and residual working capital at the end of the Joint Arrangement. Pursuant to the cooperating agreement, Shandong Ishine shall have 60% voting rights in the management board of the Joint Arrangement and share 51% of its operating results, and thus exercise control on the Joint Arrangement. Up to 31 December 2021, Shandong Ishine received a refundable deposit of RMB27,450,000 from the JV Party, which was included in accruals and other payables of the Group as at 31 December 2021. Up to 31 December 2021, the operations as described in the cooperating agreement had not yet started given that the renewal of the relevant mining right certificate was still in progress.

During the year prior to 3 August 2022, the JV Party paid additional amount of deposit of RMB2,980,000. 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 has 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.

21. BORROWINGS

	As at 31 December	
	2022	2021
Non-current		
Bonds	–	4,330
Current		
Bonds	**8,002**	116,315
Bank borrowings	**60,000**	60,000
	68,002	176,315
Total Borrowings	**68,002**	180,645
Representing:		
Unsecured		
– Bonds payable beyond 1 year but within 5 years *(a)*	–	4,330
– Bonds payable within 1 year *(a)*	**8,002**	116,315
– Bank borrowings payable within 1 year *(b)*	**60,000**	60,000
Total Borrowings	**68,002**	180,645

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

At 31 December 2022 and 2021, the Group's borrowings were repayable as follows:

	As at 31 December	
	2022	2021
Within 1 year	**68,002**	176,315
1 year to 5 years	–	4,330
	68,002	180,645

The Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2022	2021
RMB	**60,000**	60,000
HKD	**8,002**	120,645
	68,002	180,645

(a) Unsecured bonds

During the year ended 31 December 2015 and 2014, the Company issued bonds to independent third parties with a coupon rate of 7.00% per annum, payable in 7.5 years from the respective issue dates.

As at 31 December 2022 and 2021, the aggregate carrying amount of the bonds was approximately HKD8,958,000 (equivalent to approximately RMB8,002,000) and HKD147,560,000 (equivalent to approximately RMB120,645,000), respectively.

(b) Bank borrowings

As at 31 December 2022, the bank borrowings of RMB60,000,000 (2021: RMB60,000,000) were unsecured, bearing interests at 5% (2021: 7%) per annum and repayable with 1 year.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

22. PROVISIONS FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	As at 31 December	
	2022	2021
At 1 January	**11,355**	10,646
Unwinding of discount charged to the consolidated profit or loss *(Note 29)*	**757**	709
At 31 December	**12,112**	11,355

A provision is recognised for the present value of costs to be incurred for the restoration of the damaged lands at the mining sites due to mining activities and the removal of the processing plants. These costs have been determined by management based on their past experience and best estimate of future cash flows by discounting the expected expenditures to their net present value. As the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associate costs may be subject to revision in the future. The amounts provided as close down, restoration and environmental costs are reviewed at least annually based upon the facts and circumstances available at the time and provisions are updated accordingly.

23. DIVIDENDS

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

24. REVENUE

	Year ended 31 December	
	2022	2021
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

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

25. EXPENSES BY NATURE

	Year ended 31 December	
	2022	2021
Changes in inventories of finished goods	**3,276**	(4,124)
Cost of trading commodities sold	**1,620,697**	1,562,147
Raw materials and spare parts utilised	**6,697**	6,110
Transportation costs	**64,235**	19,497
Depreciation of property, plant and equipment *(Note 6)*	**22,267**	14,429
Depreciation of right-of-use assets *(Note 7)*	**1,136**	1,193
Amortisation of deferred income	**(78)**	(78)
(Gain)/loss on disposal of property, plant and equipment	**(86)**	6
Employee benefit expense *(Note 27)*	**25,543**	16,118
Land compensation expenses	**5,996**	5,714
Utilities and electricity	**18,439**	5,415
Professional fees	**5,628**	5,774
Auditors' remuneration		
– Audit services	**1,876**	1,390
– Non-audit services	**364**	316
Travelling expenses	**2,722**	5,628
Promotion and marketing expenses	**1,852**	1,831
Insurance	**232**	133
Other expenses	**19,941**	16,061
Total cost of sales, distribution expenses and administrative expenses	**1,800,737**	1,657,560

26. (IMPAIRMENT LOSS)/REVERSAL OF IMPAIRMENT LOSS OF FINANCIAL ASSETS

	Year ended 31 December	
	2022	2021
(Impairment loss)/reversal of impairment on trade receivables *(Note 13)*	**(653)**	395

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

27. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2022	2021
Wages, salaries and allowances	**22,267**	14,158
Pensions and others welfare expenses	**3,276**	1,960
	25,543	16,118

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2021: three) directors whose emoluments are reflected in the analysis shown in Note 37. The emoluments payable to the remaining two (2021: two) individuals during the year are as follows:

	Year ended 31 December	
	2022	2021
Basic salaries and allowances	**1,163**	1,054
Contribution to pension scheme	**31**	30
	1,194	1,084

The emoluments of the five highest paid individuals fell within the following band:

	Number of individuals Year ended 31 December	
	2022	2021
Emolument band		
HKD500,000 and below	**2**	2
HKD500,001 – HKD1,000,000	**3**	3

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

28. OTHER INCOME

	Year ended 31 December	
	2022	2021
Government grants	**67**	63
Consultancy fee income *(note (a))*	**9,585**	–
Compensation income *(note 20(a))*	**3,308**	–
Agency income	**–**	2,075
Others	**673**	–
	13,633	2,138

(a) Consultancy fee income

During the year ended 31 December 2022, the Group 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 approximately RMB9,585,000, for which, approximately RMB4,001,000 was received in previous years and included in contract liabilities as at 31 December 2021, and approximately RMB5,584,000 was received during the year ended 31 December 2022. The balance received net of value-added tax was recognised as consultancy fee income for the year ended 31 December 2022.

29. FINANCE COSTS – NET

	Year ended 31 December	
	2022	2021
Interest income:		
– Interest income on bank deposits	**3,040**	205
Interest expense:		
– Borrowings	**(11,510)**	(17,567)
– Provisions: unwinding of discount *(Note 22)*	**(757)**	(709)
– Lease liabilities *(Note 7)*	**(66)**	(85)
	(12,333)	(18,361)
Finance costs – net	**(9,293)**	(18,156)

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30. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2022 (expressed in dollar of respective currency):

Company name	Place and date of incorporation	Principal activities	Place of operation	Type of legal entity	Registered/ issued capital	Equity interest attributable to the Group
Directly held:						
Alliance Worldwide	The BVI/ 29 November 2010	Investment holding	Hong Kong	Limited liability company	USD50,000	100%
Active Fortune	The BVI/ 10 November 2014	Investment holding	Hong Kong	Limited liability company	HKD7.76	100%
Rongsheng	The Cayman Islands/ 27 March 2015	Investment holding	Hong Kong	Limited liability company	HKD0.06	100%
Indirectly held:						
Fortune Shine	The Cayman Islands/ 21 September 2010	Investment holding	Hong Kong	Limited liability company	USD50,000	100%
Shine Mining	Hong Kong/ 1 November 2010	Investment holding	Hong Kong	Limited liability company	HKD10,000	100%
Ishine Mining	Hong Kong/ 22 December 2010	Investment holding	Hong Kong	Limited liability company	HKD10,000	100%
Shandong Ishine	The PRC/ 4 December 2001	Iron ore mining, processing and sales of iron concentrates	The PRC	Limited liability company	USD42,614,183	100%
Alpha Charm	The BVI/ 10 November 2014	Investment holding	Hong Kong	Limited liability company	USD1	100%
Grandson	Hong Kong/ 3 October 2014	Investment holding	Hong Kong	Limited liability company	HKD1	100%
Hami Xinxing	The PRC/ 8 September 2021	Transportation and trading of minerals	The PRC	Limited liability company	RMB20,000,000	100%
Shandong Shengtai	The PRC/ 27 September 2022	Processing and sales of iron concentrates	The PRC	Limited liability company	RMB60,000,000	100%

As at 31 December 2022, there was no non-controlling interest in the subsidiaries of the Group.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

31. INCOME TAX

	Year ended 31 December	
	2022	2021
Current tax		
– PRC Corporate Income Tax	**9,770**	–
Deferred tax *(Note 10)*		
– Origination and reversal of temporary differences	**(5,413)**	–
	4,357	–

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 Acts of the British Virgin Islands are exempted from payment of the BVI income tax.

Hong Kong profits tax has not been provided for the subsidiaries in Hong Kong as there is no taxable income 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 incorporated 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.

For the year ended 31 December 2022, PRC corporate income tax has been provided for at the rate of 25% on the assessable profits of the Group's PRC subsidiaries, except for Shandong Ishine which had available tax losses brought forward from previous years which fully offset its assessable profit for the year, and Shandong Shengtai which has incurred a loss for the year.

For the year ended 31 December 2021, no provision for the PRC corporate income tax had been made as Shandong Ishine and Hami Xinxing incurred losses for the prior year.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the tax rates applicable to profit/(loss) of the consolidated entities as follows:

	Year ended 31 December	
	2022	2021
Profit/(loss) before tax	**61,992**	(30,057)
Tax calculated at domestic tax rates applicable in the respective jurisdictions	**17,881**	(4,729)
Tax effects of:		
– Income not taxable	**(95)**	(2,180)
– Expenses not deductible for tax purposes	**4,720**	4,439
– Tax loss not recognised	**98**	2,470
– Recognition of tax losses and other temporary differences previously not recognised	**(5,413)**	–
– Utilisation of tax losses previously not recognised	**(12,834)**	–
Income tax expense	**4,357**	–

32. 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
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

There was no dilutive instrument of the Company for the years ended 31 December 2022 and 2021, the diluted earnings/(loss) per share was same as basic earnings/(loss) per share.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

33. CASH GENERATED FROM OPERATIONS

(a) Cash generated from operations

	Year ended 31 December	
	2022	2021
Profit/(loss) before income tax	**61,992**	(30,057)
Adjustments for:		
– Depreciation of property, plant and equipment *(Note 6)*	**22,267**	14,429
– Depreciation of right-of-use assets *(Note 7)*	**1,136**	1,193
– Amortisation of deferred income *(Note 25)*	**(78)**	(78)
– Impairment loss/(reversal of impairment loss) on financial assets *(Note 26)*	**653**	(395)
– (Reversal of inventory provisioning)/write-down of inventories, net *(Note 12)*	**(3,761)**	3,834
– (Gain)/loss on disposal of property, plant and equipment *(Note 25)*	**(86)**	6
– Interest expense on bank borrowings *(Note 29)*	**11,510**	17,567
– Interest expense on unwinding of discount *(Note 29)*	**757**	709
– Interest expense on lease liabilities *(Note 29)*	**66**	85
– Interest income *(Note 29)*	**(3,040)**	(205)
– Compensation income *(Note 28)*	**(3,308)**	–
– Exchange loss/(gain)	**3,378**	(12,960)
Changes in working capital:		
– Inventories	**46,946**	(24,890)
– Trade and bill receivables and contract assets	**(14,889)**	11,007
– Prepayments and other receivables	**31,380**	13,114
– Trade payables	**6,981**	8,245
– Accruals and other payables and contract liabilities	**49,760**	81,664
Cash generated from operations	**211,664**	83,268

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

(b) Reconciliation of liabilities from financing activities

This section sets out an analysis of and the movements in liabilities from financing activities for each of the periods presented.

	As at 31 December 2022	2021
Borrowings	**(68,002)**	(180,645)
Interest payable	**(222)**	(3,556)
Lease liabilities	**(2,773)**	(819)
Amounts due to the controlling shareholder and the ultimate holding company	**(55,400)**	–
	(126,397)	(185,020)

	Liabilities from financing activities: Borrowings	Interest payable	Lease liabilities	Amounts due to the controlling shareholder and the ultimate holding company	Total
As at 1 January 2021	(189,516)	(3,973)	(1,904)	–	(195,393)
Cash flows					
– Proceeds from borrowings	(60,000)	–	–	–	(60,000)
– Repayment of borrowings	60,000	–	–	–	60,000
– Payments for lease liabilities	–	–	1,132	–	1,132
– Payments of interests	–	13,324	–	–	13,324
Foreign exchange adjustments	13,531	–	38	–	13,569
Interest expense on borrowings	(4,660)	(12,907)	–	–	(17,567)
Interest expense on lease liabilities	–	–	(85)	–	(85)
As at 31 December 2021	(180,645)	(3,556)	(819)	–	(185,020)
As at 1 January 2022	**(180,645)**	**(3,556)**	**(819)**	**–**	**(185,020)**
Cash flows					
– Proceeds from borrowings	**(60,000)**	**–**	**–**	**–**	**(60,000)**
– Repayment of borrowings	**181,474**	**–**	**–**	**–**	**181,474**
– Payments for lease liabilities	**–**	**–**	**1,150**	**–**	**1,150**
– Payments of interests	**–**	**12,111**	**–**	**–**	**12,111**
– Advances from controlling shareholders	**–**	**–**	**–**	**(55,400)**	**(55,400)**
Foreign exchange adjustments	**(6,098)**	**–**	**(14)**	**–**	**(6,112)**
Inception of new lease	**–**	**–**	**(3,024)**	**–**	**(3,024)**
Interest expense on borrowings	**(2,733)**	**(8,777)**	**–**	**–**	**(11,510)**
Interest expense on lease liabilities	**–**	**–**	**(66)**	**–**	**(66)**
As at 31 December 2022	**(68,002)**	**(222)**	**(2,773)**	**(55,400)**	**(126,397)**

(c) Other investing activities cash in/out flows represent non-operating cash transactions with third parties.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

34. 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
Mining rights *(Note 9)*	**165,000**	35,000
Joint venture investment in Xinjiang Zhongtai *(Note (a))*	**–**	8,000
	165,000	43,000

Note:

(a) On 28 September 2018, 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.

35. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management of the Group and their close family members are also considered as related parties.

(a) The Company's directors were of the view that the following parties were related parties of the Group during the years ended 31 December 2022 and 2021:

Name of related party	**Nature of relationship**
Mr. Li Yunde	The controlling shareholder
Hongfa Holdings Limited ("Hongfa")	The ultimate holding company being wholly-owned by Mr. Li Yunde
Xinjiang Jiangna Mining Co. Ltd. ("Xinjiang Jiangna")	A company wholly-owned by Mr. Li Yunde

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(b) Significant transactions with related parties

During the year ended 31 December 2021 and as at 31 December 2021, the Group had no significant transactions or balances with the related parties.

On 29 December 2021, Hami Xinxing, an indirect wholly-owned subsidiary of the Company, and Xinjiang Jiangna entered into a coal purchase and sale agreement (the "Coal Purchase and Sale Agreement"), pursuant to which Hami Xinxing shall purchase blended coal from Xinjiang Jiangna 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.

On 23 March 2022, Mr. Li Yunde entered into a loan agreement with Shandong Ishine, under which an amount of RMB120 million has been agreed to lend to Shandong Ishine for making repayments to the bondholders of the Company.

The transactions and balances resulted from the abovementioned agreements and other transactions and balances of the Group with the related parties are as follows:

	Year ended 31 December	
	2022	2021
Advances from Mr. Li Yunde	**42,000**	–
Advances from Hongfa	**13,400**	–
Purchase from Xinjiang Jiangnan	**132,089**	–

	As at 31 December	
	2022	2021
Amount due to Mr. Li Yunde	**42,000**	–
Amount due to Hongfa	**13,400**	–

The amounts due to Mr. Li Yunde and Hongfa are unsecured, interest-free and with no fixed repayment term.

(c) Key management compensation

Key management includes directors (executive and non-executive), senior management and company secretary of the Company, as well as members of the executive committee of Shandong Ishine. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2022	2021
Wages, salaries and allowances	**3,516**	3,226
Contribution to pension scheme	**60**	58
	3,576	3,284

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	As at 31 December	
	2022	2021
ASSETS		
Non-current assets		
Interest in subsidiaries	**437,270**	435,991
Property, plant and equipment	**–**	–
Right-of-use assets	**2,810**	881
	440,080	436,872
Current assets		
Prepayments and other receivables	**1,281**	3,800
Cash and cash equivalents	**6,112**	9,359
	7,393	13,159
Total assets	**447,473**	450,031
EQUITY		
Equity attributable to owners of the Company		
Share capital *(Note 17)*	**8,571**	8,571
Share premium *(Note 17)*	**687,845**	687,845
Other reserves *(a)*	**118,382**	118,382
Accumulated losses *(a)*	**(576,758)**	(549,432)
Total equity	**238,040**	265,366
LIABILITIES		
Non-current liabilities		
Borrowings	**–**	4,330
Lease liability-non-current portion	**1,840**	–
	1,840	4,330
Current liabilities		
Borrowings	**8,002**	116,315
Accruals and other payables	**2,509**	5,452
Amounts due to subsidiaries	**182,749**	57,749
Amount due to the ultimate holding company	**13,400**	–
Lease liability-current portion	**933**	819
	207,593	180,335
Total liabilities	**209,433**	184,665
Total equity and liabilities	**447,473**	450,031

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

(a) Movements of other reserves and accumulated losses of the Company

	Other reserves			
	Capital contributed surplus *(note (i))*	**Share award scheme reserve** *(note 18(e))*	**Total**	**Accumulated losses**
At 31 December 2020	119,549	–	119,549	(536,932)
Loss for the year	–	–	–	(12,500)
Repurchase of shares for share award scheme	–	(1,167)	(1,167)	–
At 31 December 2021	119,549	(1,167)	118,382	(549,432)
Loss for the year	–	–	–	(27,326)
At 31 December 2022	**119,549**	**(1,167)**	**118,382**	**(576,758)**

Note:

(i) Capital contributed surplus

Capital contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued and the aggregate net asset value of the subsidiaries acquired pursuant to the reorganisation.

37. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments for the years ended 31 December 2022 and 2021 are set out below:

	Year ended 31 December	
	2022	2021
Basic salaries and allowances	**2,199**	2,113
Contribution to pension scheme	**46**	43
	2,245	2,156

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

	Fees	Salary	Housing Allowance	Pension-defined contribution plan	Other Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Year ended 31 December 2022						
Executive Directors						
Li Yunde	–	718	–	14	–	732
Geng Guohua	–	673	–	16	–	689
Lang Weiguo	–	269	–	16	–	285
Independent Non-executive Directors						
Zhang Jingsheng	135	–	–	–	–	135
Li Xiaoyang	135	–	–	–	–	135
Leung Nga Tat	269	–	–	–	–	269

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

	Fees	Salary	Housing Allowance	Pension-defined contribution plan	Other Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Year ended 31 December 2021						
Executive Directors						
Li Yunde	–	690	–	13	–	703
Geng Guohua	–	647	–	15	–	662
Lang Weiguo	–	259	–	15	–	274
Independent Non-executive Directors						
Zhang Jingsheng	129	–	–	–	–	129
Li Xiaoyang	129	–	–	–	–	129
Leung Nga Tat	259	–	–	–	–	259

During the years ended 31 December 2022 and 2021, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group, or as compensation for loss of office.

(b) Directors' retirement benefits

No retirement benefits were paid to the directors during the years ended 31 December 2022 and 2021 by defined benefit pension plans operated by the Group in respect of their services as directors of the Company and its subsidiaries in connection with the management of the affairs of the Company or its subsidiary undertaking.

(c) Directors' termination benefits

No termination benefits were paid to the directors during the years ended 31 December 2022 and 2021 as compensation for the termination of the appointment of directors.

(d) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2022 and 2021, no consideration was paid to the former employers of directors for making available the services of directors of the Company.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans or other dealings entered into by the Company or subsidiary undertaking of the Company in favour of directors during the years ended 31 December 2022 and 2021.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2022 and 2021.

38. COMPARATIVE FIGURES

Certain comparative figures have been amended to conform with current year's presentation.

39. EVENTS AFTER THE 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 any) 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.

40. ULTIMATE CONTROLLING PARTY

At the end of the reporting period and up to the date of approval of the consolidated financial statements, the ultimate controlling party of the Company is Mr. Li Yunde.

For the year ended 31 December 2022 (Amounts expressed in thousands of RMB unless otherwise stated)

41. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3]
HKFRS 17	*Insurance Contracts* [1]
Amendments to HKFRS 17	*Insurance Contracts* [1, 5]
Amendments to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9—Comparative Information* [1]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback* [2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* [1, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies* [1]
Amendments to HKAS 8	*Definition of Accounting Estimates* [1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction* [1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Financial Highlights

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations					
Revenue	**1,865,892**	1,633,758	965,975	323,341	217,208
Cost of sales	**(1,720,793)**	(1,600,310)	(887,744)	(322,048)	(205,988)
Gross profit	**145,099**	33,448	78,231	1,293	11,220
Distribution expenses	**(1,127)**	(3,146)	(3,279)	(1,816)	(1,442)
Administrative expenses	**(78,817)**	(54,104)	(49,946)	(55,536)	(53,668)
Impairment losses on assets, net	**(653)**	(3,439)	(3,557)	(1,660)	(36,336)
Other income and other gain, net	**13,633**	2,138	60,690	1,272	2,087
Finance costs, net	**(9,293)**	(18,156)	(18,193)	(14,677)	(14,387)
Net foreign exchange (loss)/gain	**(6,850)**	13,202	(3,241)	86	(6,119)
Share of loss of an associate	**–**	–	–	(266)	–
Profit/(loss) before tax	**61,992**	(30,057)	60,705	(71,304)	(98,645)
Income tax (expense)/credit	**(4,357)**	–	–	–	2,849
Profit/(loss) attributable to:					
Owners of the Company	**57,635**	(30,057)	60,705	(71,304)	(95,796)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	**314,872**	442,582	389,535	229,972	213,743
Non-current assets	**431,137**	263,389	272,974	279,436	286,734
Current liabilities	**377,955**	397,431	188,281	98,338	58,838
Non-current liabilities	**14,106**	21,330	146,609	143,300	131,151
Equity attributable to:					
Owners of the Company	**353,984**	287,210	327,619	267,770	310,488

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash generated from/(used in) operating activities	**212,300**	83,473	21,131	(22,918)	(101,059)
Net cash (used in)/generated from investing activities	**(178,178)**	4,912	(11,904)	14,667	181,716
Net cash (used in)/ generated from financing activities	**(103,477)**	(20,888)	27,522	64,795	(170,749)

SELECTED FINANCIAL RATIOS

	For the year ended 31 December				
	2022	2021	2020	2019	2018
Gross profit margin	**7.78%**	2.05%	8.10%	0.40%	5.20%
Net profit/(loss) margin	**3.09%**	(1.84)%	6.28%	(22.05)%	(44.10)%
Gearing ratio	**25.85%**	38.61%	36.65%	37.80%	27.20%