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 2019

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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

Clifton House
75 Fort Street
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

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
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 the shareholders the annual results for the year ended 31 December 2019 of Add New Energy Investment Holdings Group Limited (the "Company") and its subsidiaries (the "Group"):

BUSINESS REVIEW:

During the year ended 31 December 2019, the total comprehensive loss from continuing operations of the Group was approximately RMB76.9 million, representing a decrease of 24.9% as compared to loss of RMB102.4 million of the year ended 31 December 2018; and the operating revenue increased by RMB106.1 million, representing an increase of 48.8% as compared to RMB217.2 million of the same period last year. 2019 marks the year that the industry faced challenges from safety production and environment supervision, it is also the year that the Company made every effort to consolidate the foundation of its principal business by taking the following main measures:

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 Company 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 verified with a current reserve of 28.80 Mt as assessed by the experts from the Department of Natural Resources of Shandong Province. The Group had also obtained 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, pending to be assessed by the Bureau of Natural Resources of Linyi City and to be approved by the Bureau of Natural Resources of Shandong Province.

III. A reserve of 3,549 tons of rubidium ore was detected 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 and land rehabilitation program in respect of Yangzhuang Iron Mine and expressed their opinion. Through environmental management and land restoration, the Company has explored quite a lot of ore, rubble and sandy soil. Among them, the ore 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 will be realized into economic benefits in the near future.

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. The implementation of this project can generate considerable economic income.

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.

VII. As the saying goes, the best is yet to come. To this end, the Company has committed to the continuous improvement of its management of internal control. More precisely, the Company will strengthen the management of internal control and engage an independent third party to constantly enhance the management level of internal control. The Company will strengthen its own capability in checking the management of internal control, thus continuously enhancing the overall management level.

Chairman's Statement

2020 DEVELOPMENT PLANS

By closely following market demands and trend changes, the Group will maintain its competitive edge in the sector of its traditional businesses, including mining, production, sales of and other services for iron and titanium ores and concentrates and other protective mining resources. At the same time, the Group will continue to invest in the expansion of the titanium industrial chain and substantially promote its new energy business. The Group will make greater efforts towards the following plans in 2020.

I. Utilising the brand new processing technique acquired and achieving mass production while maintaining its competitive edge in the sector of its principal businesses

The Group will continue to maintain its competitive edge in mining, production and sales of protective mining resources, while providing after sales services to establish close relationships with upstream and downstream businesses within the industrial value chain of the sector. In particular, the Company has recorded preliminary economic benefits since the intellectual proprietary rights of the brand new processing technique were acquired in 2018. The Group will strive to expand the production through this technique to bring favourable economic benefits for the Group.

II. The Group will continue to make greater efforts in the planning and implementation of a comprehensive industrial value chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. Based on internal research and development of production, the Group will continue to enhance research and development cooperation with the Chinese Academy of Sciences and technology transfer cooperation with the Russian Academy of Sciences with an aim to achieve significant technical breakthroughs. In response to market demands, the Group will make timely investments in technical transformation and strive to transform the above-mentioned technical advantages into productivity, with an aim to improve the profitability of the Company.

III. While in the mining of its own mines, 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 mines processing and blending, in order to generate further revenue.

IV. The reserve of Yangzhuang Iron Mine has been verified with a current reserve of 28.80 Mt as assessed by the experts from the Department of Natural Resources of Shandong Province. The Group had also obtained certificate of reserves, filed geological data and conducted the registration of occupying reserves. It is expected that the renewed mining permit will be obtained this year.

V. A reserve of 3,549 tons of rubidium ore was detected 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 mineral substance at present, the Group will also implement value assessment this year and conduct mining and processing in due course.

VI. The experts from the Department of Natural Resources of Shandong Province have reviewed the environmental management and land rehabilitation program in respect of Yangzhuang Iron Mine and expressed their opinion. After more than one decade's exploration and processing, the Yangzhuang Iron Mine is now stored with a great deal of tailings, which can serve as qualified raw materials of various cement factories. This business will become a new economic driver this year.

VII. The Group will actively integrate and utilize resources of existing wind power projects. The Group plans to cooperate with strong enterprises to provide the Company with opportunities of economic growth by efficiently using resources and assets.

VIII. Focusing on the continuous improvement of management of internal control, the Company will enhance its comprehensive management to pave solid foundation for improvement of results.

IX. Capitalising on the platform as a listed group and taking proactive measures for various projects in the capital market

Capitalising on the financing platform as a listed group, the Group will take proactive and adequate measures in respect of shareholders communication and investor relations, while continuing to strengthen its financing efforts, expand its shareholder base and enhance liquidity of its shares. Financing will also be provided for key construction projects, merger and acquisition projects, or expansion of the titanium industry value chain.

Last but not least, I express sincere gratitude to all members of the Board for their valuable opinions on the governance and development of the Company! I would also like to express my gratitude to the management and all staff for their effort and dedication in their respective job positions!

Li Yunde
Chairman

6 May 2020

Add New Energy Investment Holdings Group Limited

Environmental, Social and Governance Report

2019

Environmental, Social and Governance Report

Blossoming Flowers (Yangzhuang Iron Mine)

APPROACH TO SUSTAINABILITY

About this report: We are pleased to present our Environmental, Social and Governance (ESG) report to all our stakeholders. This 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 emphasizes 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: Our report covers the sustainability performance of our Yangzhuang Iron Mine in Shandong Province, PRC from 1 January 2019 to 31 December 2019, unless otherwise stated. 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 Zhuge Shangyu Ilmenite Mine owned by the Group has no production volume in the year, while Qinjiazhuang Ilmenite and the Gaozhuang Shangyu Ilmenite, also owned by the Group, remained dormant in production, therefore they are not included in the reporting boundary of this report.

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 this report, we conducted stakeholder engagements. These engagements aim to understand our stakeholders' concerns, prioritize the material topics, and decide the material themes. We conducted survey and workshop during this process, especially by engaging with our employees and department heads. Four material themes with prioritized topics are confirmed as follow: About Our Business, Internal and External Governance, Relationship with People and Relationship with the Environment.

We plan to engage more of our external stakeholders in further materiality analysis processes, including investors, customers, suppliers, communities, government, institutions, media and society. We will also strengthen our stakeholder engagement measures to include online survey and site visits.

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

Environmental, Social and Governance Report

APPROACH TO SUSTAINABILITY

Our Stakeholder Engagements

We value constructive opinions from both our internal and external stakeholders and shareholders. 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 this reporting year, we engaged our stakeholders on an ongoing basis via different kinds of channels as 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	Neighboring counties	Community activities
Research Institutions	Academic institutions Industry associations	Cooperation in study Investment in research
Government and Other Publics	Local governments	Online media

HIGHLIGHTS OF 2019

ZERO
Work-related fatality

ZERO
Lost day due to occupational injury

ZERO
Operation sewage discharge

100% water consumption in mining process came from recycled water

100%
Greening of afforestation area

400*
Job positions offered to neighboring community

CO_2

Over 2000
Trees can grow to over 5 meters offsetting Greenhouse gas emission

*Total amount since the company establishment

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 currently owned 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 titanium concentrate business. Our products are sold directly to iron pellets and steel producers.

Our major operation in this reporting year focused on Yangzhuang Iron Mine. In response to the global iron concentrate market downturn, we have not explored and produced any own ore in this 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 provided proper maintenance to the mines, 416,700 tons of iron ore concentrate were purchased, processed and sold in this reporting year.

Environmental, Social and Governance Report

ABOUT OUR BUSINESS

Social and Environmental 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). Our commitment to sustainability is reflected in our investment of over **RMB53.4 million** since the company was established. 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 neighboring communities.

Types of our environmental expenditures include but 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 minimizing tailing dam break;

– Afforestation to offset Greenhouse gas emissions;

– Land reclamation to enhance soil fertility;

Types of our social expenditures include but not limited to:

– Environmental management for neighboring community;

– 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 subject 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 responsibility and commitment to developing a sustainable green mine.

We successfully attained the exploration permit, mining right, and safety production permit of Yangzhuang Iron Mine and regularly extend their validity. Currently, the safety production permit is under the procedure for renewal and the mining right is valid to 2019 which also under the renewal procedure, with an approved annual mining production scale of 2.3 million ton. We have not taken any mining activities in 2019, affected by the national safety and environmental protection management.

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 set employee discipline policies and management system to prevent, monitor and report any misconduct in our daily operation.

Since company establishment, there is nil complaint or legal case regarding corrupt practices brought against the issuer or its employees.

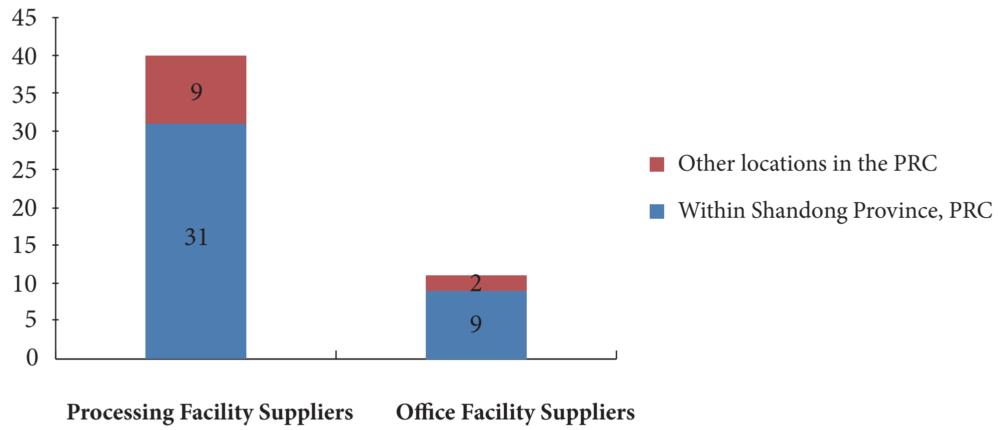
0 **Legal Cases**

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.

INTERNAL AND EXTERNAL GOVERNANCE

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 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 supplier accountable for product quality management, environmental and employment responsibilities, as well as community development.



One example of our efforts in reducing supplier's environmental impact – we are concerned about the carbon footprint produced by goods transportation from suppliers to us. Currently there are 78% processing facility suppliers and 82% office facility suppliers stationed within Shandong Province, thereby reducing unnecessary indirect GHG emissions.

Besides our facility suppliers, we care about 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 in ten-day periods with our blasting and mining contractors to ensure that all of their activities are under safe operation and strengthen their coping capacity during emergency situations.

INTERNAL AND EXTERNAL GOVERNANCE

Responsibility to Our Product

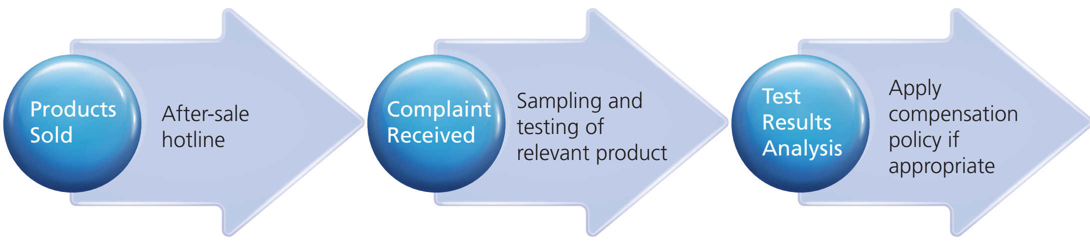
Production Quality Assurance

Producing high quality products give our stakeholders confidence, and is our ultimate pursuit as well. 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 products sold comply with relevant laws and regulations, and fully satisfy the needs of our customers.

After-sale Services

In order to improve our after-sale services, we formulated management policy 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 relevant products. All verified cases of quality issues caused by our company, compensation will be made to customers according to relevant policies.

With captioned management in place, no product or service has ever been returned or complaint received in the reporting period, neither has any product sold been recalled for safety or health reasons.



Privacy

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

Technology Innovation

We coordinated with the Institute of Process Engineering, China Academy of Sciences to research in technological innovation for enhancing iron concentrate and strengthening the company's competitiveness in the industry. We also worked with 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 standardize 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 utilization rate 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.

RELATIONSHIP WITH PEOPLE

Health and Safety

Recognizing the inherent hazards in the mining industry, we regard employees' health and safety as our highest priority. In order to ensure the occupational safety and health of our employees, we enhance safety management to reduce and eliminate accidents, enhance property security and avoid occupational diseases based on comprehensive personnel safety and health management policies.

0 **Number of deaths due to work**

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. 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.

To implement our safety policy, our detail approaches to 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;
- Organizing physical examination on occupational hazards for employees before, during and after operations;
- Setting up emergent sheltering system, monitoring and inspection system, personal location system (PLS), communication system, water and air supply system for the worker(s) underground;
- Upkeeping underground drainage system to prevent flooding;
- Building specific rooms and corridors for safety education and promotion.

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.

RELATIONSHIP WITH PEOPLE

Employment Relations

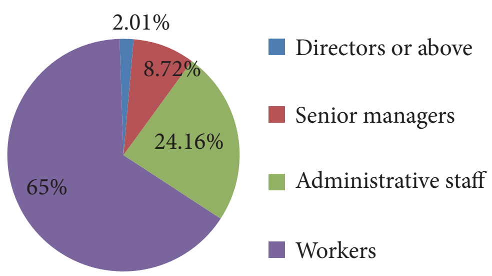
We value our human resources, which is reflected in our people-oriented management philosophy. We formulated rigorous regulations on recruitment and employment processes to standardize recruitment procedures and avoid any unfair recruitment issue as well as optimally strengthen the Company's core competitiveness. We mainly emphasize an open recruitment process in compliance with employment recruitment regulations. The HR department is responsible for the recruitment process while the supervisory department conducts handle internal audit on the process. If any process is found to be against regulations, including 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 according to regulations.

To further establish a harmonious labour relationship, all of our employees enjoy equality in career development and promotion regardless of gender, age, region, position or employment type. Meanwhile, to preserve the positivity and creativity of employees, and to encourage them to fully develop personal intelligence and talents, our reward and welfare distribution mechanisms are strictly based on personal contribution and performance.

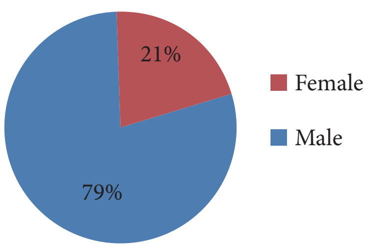
To protect employees' legal rights, we have set up employee social security management regulations as per relevant national regulations, guaranteeing to ensure employees' due benefits. Also, in order to guarantee employees' human rights and to improve their working efficiency, we have formulated regulations to standardize employee off-duty management.

By the end of this reporting year, we had a total of 105 workers excluding our contractors, with the following distribution characteristics:

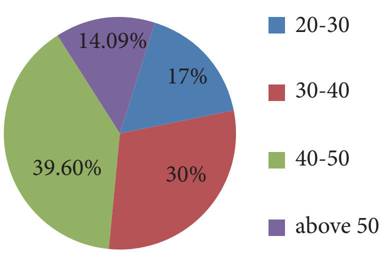
Distribution by Position



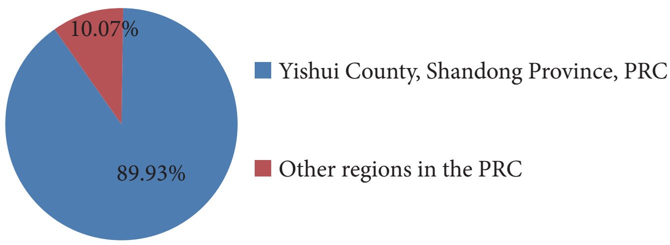
Distribution by Gender



Distribution by Age



Distribution by Region



Turnover Rate

By the end of this reporting year, our turnover rate was 2.9%.

Category	2019 Turnover Rate (%)
By Gender	
Male	2.9%
Female	0.0%
By Position	
Directors and above	0.0%
Senior Managers	0.7%
Administrative Staff	1.5%
Workers	0.7%
By Age	
Between 18-20	0.0%
Between 20-30	0.7%
Between 30-40	0.7%
Between 40-50	1.5%
Above 50	0.0%
By Region	
Yishui County, Shandong Province, PRC	2.9%
Other regions in the PRC	0.0%

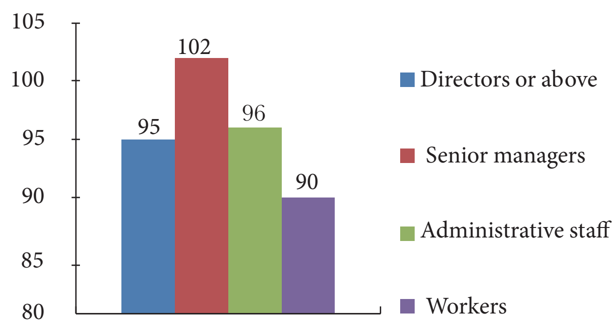
Our HR department has hold regular discussions and communications with employees and conduct annual satisfaction survey. At the end of each year, there would be an investigation sampling all employees on their opinions towards the Group's management, policies, culture, welfare and environment, etc. This communication approach helps the management to better understand its employees, and thereby reducing turnover rate. In this reporting year, types of investigations including face-to-face conversation, satisfaction questionnaire had been applied. The investigations involved 96 people and the results showed that employees reached a good balance of work and life, reflecting a positive feedback on the management of the company.

RELATIONSHIP WITH PEOPLE

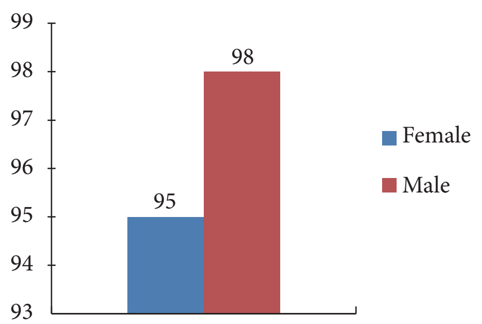
Training and Development

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 employee training management regulations and afford comprehensive training courses to sustain the development of our employees.

Annual Average Training Hours By Position



Annual Average Training Hours By Gender



All of our employees participated in internal training courses with an annual average of 97 hours in the reporting year. All of our staff are protected under equal opportunity policy, which shows no discriminatory treatment in gender.

RELATIONSHIP WITH PEOPLE

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 neighboring communities. We not only take comprehensive utilization of our by-products to mining reclamation and provide self-planted fruits and vegetables to villagers for free, but we also invested in greening barren mountains, greening villages and providing haze disaster relief, etc.

For poverty relief and charities, we had contributed over RMB263,500 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.

Land reclamation – flower scent in Yangzhuang Iron Mine

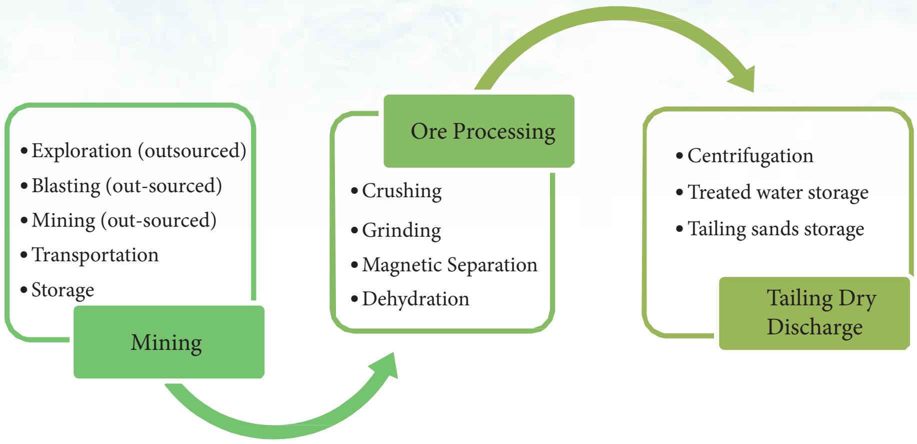
Environmental, Social and Governance Report

Flowers blossom in the Spring Season (Yuanzhuang Iron Mine)

RELATIONSHIP WITH THE ENVIRONMENT

We rely on the environment for existence, well-being 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 boundary and in 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.

Resource Type	Total Amount of Consumption	Resource Consumption Intensity (per ton output)
Water ***(mining, processing, municipal use)***	433,404 m^3	1.04 m^3
Electricity ***(mining, processing, municipal use)***	3,713,908 kwh	8.91 kwh
LPG ***(processing, municipal use)***	1,425 kg	0.003 kg
Diesel ***(transportation use)***	155,176 kg	0.37 kg



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
   – Greenhouse gases (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.

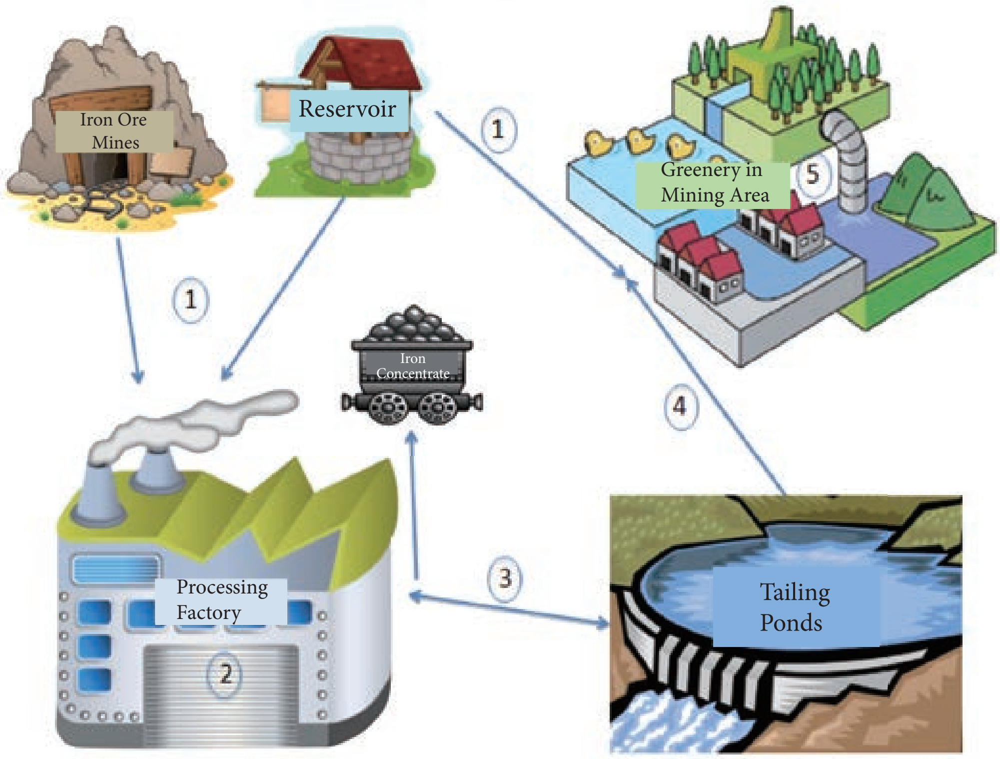
RELATIONSHIP WITH THE ENVIRONMENT

Water Resources Management

Spring lake (Yangzhuang Iron Mine)

Zero sewage discharge as one of the first listed green mine in China, 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. Amount of water used for dust suppression mitigation measures is considered minimal and evaporates quickly, and thus is not discussed in the report.

Our mining method utilizes physical processes, thus eliminating any impact potentially induced by chemical processes. We invented water reclamation and tailing dry discharge system to achieve zero sewage discharge and maximize utilization of tailing sands. The water utilization cycle is operated as follow:



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;

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, 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 comply with relevant national standards and are eligible to be used for corresponding production, daily living and greenery purposes.

RELATIONSHIP WITH THE ENVIRONMENT

Energy and Mineral Resources

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

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

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

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 Greenhouse gas 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.

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.

Almond flowers white like clouds (Yangzhuang Iron Mine)

GHG Emissions and Removals in 2019

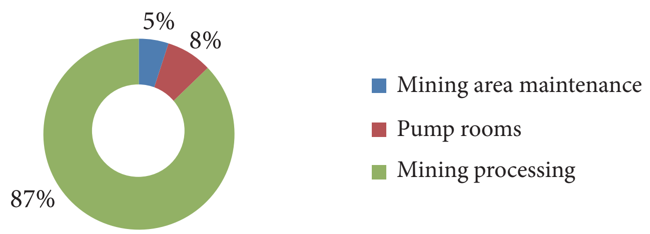
GHG Emissions	Tons of CO_2e	CO_2e/total output (tons of CO_2e/ton)
Scope 1 Stationary Sources	0.42	/
Scope 2 Non-renewable Grid Electricity	4,823.84	/
Total	4,824.26	0.14

Remark:

(a) The scope of data does not include exploration and blasting works outsourced to our contractors;

(b) Scope 1 GHG emission from mobile sources owned by the company is very minor as most logistics were outsourced to contractors, hence relevant data was not disclosed.

Scope 1 and Scope 2 GHG Emissions By Source
Total tons of CO_2e



Scope 3 Indirect GHG Removals	Planted Tree Quantity	Tons of CO_2e
Persimmon Tree	214	4.922
Gingko	74	1.702
Acacia	105	2.415
Willow	383	8.809
Lodgepole Pine	216	4.968
Cedar	200	4.6
Platanus	87	2.001
Locust	1	0.023
Elm	2	0.046
Pagoda	596	13.708
White Poplar	404	9.292
Total	**2,282**	**52.486**

Remark: trees being counted for GHG removals had been planted for years and have the ability to grow over 5 meters in height.

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.

Tree-lined road (Yangzhuang Iron Mine)

Our air pollutants during operation are mainly particulate matter (PM) arising from mines and outdoor storage yards. Those PM were controlled by water spray. Those arising from processing factories would initially be controlled by water spray, then collected by dust collecting tower and emitted with compliance to relevant national standards. Our owned vehicles were installed with exhaust gas purifier and emitted minimal SOX and NOX 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 this 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 dams break.

Municipal wastes of office buildings and living area are collected by regional refuse station.

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

RELATIONSHIP WITH THE ENVIRONMENT

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 this reporting year;
- High ore dressing recovering rate, improving mineral resource utilization 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;
- 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 government and community, and we eventually became one of the first mining companies being certified as "State Green Mine" by 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)

Management Discussion and Analysis

BUSINESS REVIEW

The principal activities of the Group are iron and ilmenite ore exploration, iron and ilmenite ore mining, iron ore processing to produce iron concentrates and titanium concentrates and trading of iron concentrates in Shandong Province, the People's Republic of China (the "PRC" or "China"). Since 2013, the Group has started to engage in ilmenite ore mining and ilmenite ore processing to produce and sell iron concentrates and titanium concentrates, establish the full titanium industrial chain and wind power electricity generation in Shandong Province, the PRC.

The Group possesses mining rights in respect of Yangzhuang Iron Mine (楊莊鐵礦), an iron ore mine located in Qinjiazhuang Village, Yangzhuang Town, Shandong Province, the PRC ("Yangzhuang Iron Mine"), Zhuge Shangyu Ilmenite Mine (諸葛上峪鈦鐵礦), an ilmenite and magnetite mine located in Yishui County, Shandong Province, the PRC ("Zhuge Shangyu Ilmenite Mine"). The Group's exploration rights over Yangzhuang Iron Mine, Qinjiazhuang Ilmenite Project, an ilmenite ore project located in Qinjiazhuang District, Yishui County, Shandong Province, the PRC ("Qinjiazhuang Ilmenite Project"), Zhuge Shangyu Ilmenite Mine and Gaozhuang Shangyu Ilmenite Project, an ilmenite ore project located in Shangyu District, Yishui County, Shandong Province, the PRC ("Gaozhuang Shangyu Ilmenite Project") expired on 26 February 2018 and 28 March 2019, respectively.

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 RMB106.1 million, or approximately 48.8%, to approximately RMB323.3 million for the year ended 31 December 2019, as compared with approximately RMB217.2 million for the year ended 31 December 2018. The increase in revenue was primarily due to the increase in turnover by approximately RMB125.1 million from trading of coarse iron powder for the year ended 31 December 2019.

The total comprehensive loss of the Group was approximately RMB76.9 million for the year ended 31 December 2019, representing a decrease of approximately RMB25.5 million or approximately 24.9% as compared to that of approximately RMB102.4 million for the year ended 31 December 2018.

This is mainly due to:

(1) Impairment losses decreased by approximately RMB34.6 million as compared to that of the same period last year; and (2) interest expenses decreased by approximately RMB3.6 million compared to that of the same period last year.

MEASURES TAKEN BY THE MANAGEMENT IN 2019

The total comprehensive loss from continuing operations of the Group was approximately RMB76.9 million as of 31 December 2019, representing a decrease of 24.9% as compared to loss of RMB102.4 million as of 31 December 2018; and the operating revenue increased by RMB106.1 million, representing an increase of 48.8% as compared to RMB217.2 million of the same period last year.

This was mainly due to the following reasons:

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 verified with a current reserve of 28.80 Mt as assessed by the experts from the Department of Natural Resources of Shandong Province. The Group had also obtained 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, pending to be assessed by the Bureau of Natural Resources of Linyi City and to be approved by the Bureau of Natural Resources of Shandong Province.

III. A reserve of 3,549 tons of rubidium ore was detected 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 and land rehabilitation program in respect of Yangzhuang Iron Mine and expressed their opinion. Through environmental management and land restoration, the Company has explored quite a lot of ore, rubble and sandy soil. Among them, the ore 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 will be realized into economic benefits in the near future.

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.

VII. The Group will strengthen the management of internal control and engage an independent third party to constantly enhance the management level of internal control. The Group will strengthen its own capability in checking the management of internal control, thus enhancing the overall management level.

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 2019, there was no processing nor production in relation to the iron ore in Yangzhuang Iron Mine.

In 2019, the Group invested approximately RMB0.6 million in Yangzhuang Iron Mine of which approximately RMB0.6 million was invested in equipment for the brand new processing lines. Due to the market condition, there was no exploration and mining activity carried out in the mine.

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 2019, the Group invested approximately RMB0.6 million in processing line and production line as well as infrastructure in Zhuge Shangyu Ilmenite Mine.

Due to the market condition, there was no exploration or production activities carried out in the mine in 2019.

3. Qinjiazhuang Ilmenite Mine

In 2019, the Group was determining whether it will make investment in or conduct production activities at Qinjiazhuang Ilmenite Mine based on market changes.

Due to the market condition, there was no investments made and no exploration or production activities carried out in the mine in 2019.

The exploration right expired on 26 February 2018.

4. Gaozhuang Shangyu Ilmenite Mine

In 2019, there was no capital expenditure and no exploration and mining activity carried out in the mine.

The exploration right expired on 28 March 2019.

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 2019, 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).

Management Discussion and Analysis

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 2019.

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 2019.

The exploration right expired on 26 February 2018.

Based on (1) the resources and reserves under the JORC for the Yangzhuang Iron Mine and, Zhuge Shangyu Ilmenite Mine 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 2019 were as follows:

JORC ore reserve estimate as of 31 December 2019: ***(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2019. 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
Ore reserves (Mt)		
– proved	5.86	199.40
– probable	31.20	204.50 (Note)
Total ore reserves	37.06	403.90
Grade of total iron (TFe) (%)		
– proved	24.15	12.78
– probable	24.65	12.83
Average grade of total iron (TFe) (%)	24.55	12.82
Grade of titanium dioxide (TiO_2) (%)		
– proved	N/A	5.76
– probable	N/A	5.65
Average grade of total titanium dioxide (TiO_2) (%)	N/A	5.69

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

JORC ore reserve estimate as of 31 December 2019: ***(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2019)***

	Yangzhuang Iron Mine	Zhuge Shangyu Ilmenite Mine
Ore reserves (Mt)		
– proved	5.86	199.40
– probable (Note)	31.20	204.50
Total ore reserves	37.06	403.90

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

Yangzhuang Iron Mine resources estimate as of 31 December 2019: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2019)***

Resources Category	Resources	SG	TFe	mFe
	(Mt)	*(t/m^3)*	*(%)*	*(%)*
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 2019: ***(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2019. On 2 November 2017, the Company disclosed the area of exploration was changed in Zhuge Shangyu, which deduced the total reserve.)***

Resources Category	Resources	SG	TiO_2	TFe
	(Mt)	*(t/m^3)*	*(%)*	*(%)*
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 2019: ***(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 2019)***

Resources Category	**Resources** *(Mt)*	**SG** *(t/m³)*	**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 Mining Industry Co., Ltd ("Shandong Ishine") has engaged an independent third party surveying agency to conduct preliminary exploration work in Gaozhuang Shangyu Ilmenite Project and the work was completed in 2012. It has exploration rights over an area of approximately 1.53 km^2, with the exploration term expiring in March 2019. According to Titanium Mine Detailed Survey Report in respect of the project, it was estimated that the exploration area had approximately 46.0 Mt of resources of Type 332 and 333 of ilmenite ores as at 2 September 2012 under PRC classification standard with an average grading of iron and titanium contents of approximately 12.4% and 6.8%. As there is no change in resources and reserves from October 2012 to December 2019, 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	
	2019	2018
	Kt	*Kt*
Production Volume		
Feed tonnage	–	–

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Mining Costs		
Workforce employment	**–**	–
Transportation	**–**	–
Fuel, electricity, water and other services	**–**	–
Non-income taxes, royalties and other governmental charges	**–**	–
Filling Expense	**–**	–
Subtotal	**–**	–
Processing Costs		
Workforce employment	**1,701**	2,777
Consumables and factory overheads	**144,132**	124,337
Fuel, electricity, water and other services	**7,808**	6,037
Transportation	**2,199**	13,939
Non-income taxes, royalties and other governmental charges	**61**	96
Subtotal	**155,901**	147,186
Management Expenses		
Land compensation expenses	**6,747**	6,069
Other administration cost	**29,255**	32,077
Product marketing and transportation	**1,708**	1,474
Subtotal	**37,710**	39,620
Other Costs		
Depreciation and Amortisation	**15,281**	15,359
Total	**208,892**	202,165

Management Discussion and Analysis

FINANCIAL REVIEW

For the year ended 31 December 2019, the Group recorded revenue of approximately RMB323.3 million as compared with approximately RMB217.2 million for the year ended 31 December 2018, representing an increase of approximately RMB106.1 million. For the year ended 31 December 2019, approximately 51.9% of the Group's total sales consisted of the sales of 64% iron and spodumene concentrates produced by the Group's processing plants, while approximately 48.1% of the Group's total sales consisted of the sales of coarse iron powder. The Group mainly sold iron concentrates and titanium concentrates produced by the Group to iron pellets and steel producers in Shandong Province, the PRC. In addition to the above customers of iron and titanium concentrates, the Group sold coarse iron powder to other customers engaged in trading and manufacturing of iron-related products in the PRC.

PRICES OF THE GROUP'S PRODUCTS

Iron Concentrates

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

The Group did not sell 65% iron concentrates for the year ended 31 December 2019.

The Group's average unit selling price of 64% iron concentrates for the year ended 31 December 2019 was approximately RMB691.0 per tonne as compared with approximately RMB614.0 per tonne for the year ended 31 December 2018.

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 2019.

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 2019 *RMB'000*		Year ended 31 December 2018 *RMB'000*	
Revenue				
Sales of iron and spodumene concentrates produced by the Group				
– from iron ore Yangzhuang Iron Mine (65% iron concentrates)	–	–	19,888	9.2%
– by magnetic minerals processing technology (64% iron and spodumene concentrates)	**167,672**	**51.9%**	127,292	58.5%
– from iron ore Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	–	–	1,250	0.6%
	167,672	**51.9%**	148,430	68.3%
Sales of titanium concentrates produced by the Group				
– from ilmenite ore Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	–	–	2,890	1.3%
	–	–	2,890	1.3%
Sales from trading activities				
– from coarse iron powder	**155,669**	**48.1%**	30,531	14.1%
– from mixed coals	–	–	35,357	16.3%
	155,669	**48.1%**	65,888	30.4%
	323,341	**100.0%**	217,208	100.0%

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

	Year ended 31 December 2019 *(Kt)*	Year ended 31 December 2018 *(Kt)*
Sales volume of iron and spodumene concentrates produced by the Group		
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**–**	34.7
– by magnetic minerals processing technology (64% iron and spodumene concentrates)	**310.8**	206.7
– from iron ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**–**	2.6
	310.8	244.0
Sales volume of titanium concentrates produced by the Group		
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**–**	3.2
	–	3.2
Sales volume of trading activities		
– from coarse iron powder	**230.0**	89.7
– from mixed coal	**–**	343.2
	230.0	432.9
	540.8	680.1

The following table shows the Group's total production volumes of iron concentrates and titanium concentrates by types of materials used.

	Year ended 31 December 2019		Year ended 31 December 2018	
	(Kt)	***(approximately)***	*(Kt)*	*(approximately)*
Iron and spodumene concentrates produced by the Group				
Amount of iron concentrates produced from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	**–**	**–**	–	–
Amount of iron concentrates produced by magnetic minerals processing technology (64% iron and spodumene concentrates)	**305.0**	**100.0%**	239.1	100.0%
Amount of iron concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	**–**	**–**	–	–
	305.0	**100.0%**	239.1	100.0%
Titanium concentrates produced by the Group				
Amount of titanium concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	**–**	**–**	–	–
	–	**–**	–	–

For the year ended 31 December 2019, revenue is mainly derived from sales of 64% iron concentrates produced by the Group. Revenue is also derived from trading of coarse iron powder.

The Group's revenue increased by approximately RMB106.1 million, or approximately 48.8%, to approximately RMB323.3 million for the year ended 31 December 2019, as compared with approximately RMB217.2 million for the year ended 31 December 2018. The increase in revenue was primarily due to the increase in turnover by approximately RMB125.1 million from trading of coarse iron powder for the year ended 31 December 2019.

In 2019, the iron and steel market is gradually rebounded, the demand in the iron concentrates is still not reached the normal level during the year ended 31 December 2019. The total sales is mainly generated from the sales of 64% iron concentrates produced by Yangzhuang Iron Mine since the selling price of 64% iron concentrates is slightly better than lower grade iron concentrates. The management still held a cautious attitude and it decided to protect its own mine resources by limiting the sales volume of the iron concentrates and titanium concentrates produced by the Group. The Group has also increased the trading activities in coarse iron powder by approximately 410%, approximately RMB125.1 million for the year ended 31 December 2019 compared to approximately RMB30.5 million for the year ended 31 December 2018. The management has strategically increased the trading activities in coarse iron powder due to the comparatively high selling price.

Cost of Sales

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

	Year ended 31 December 2019		Year ended 31 December 2018	
	RMB'000		*RMB'000*	
Cost of Sales				
Cost of sales of iron and spodumene concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	–	–	22,062	10.7%
– by magnetic minerals processing technology (64% iron and spodumene concentrates)	**167,711**	**52.1%**	121,630	59.0%
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	–	–	1,497	0.7%
	167,711	**52.1%**	145,189	70.4%
Cost of sales of titanium concentrates produced by the Group				
– from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	–	–	3,308	1.6%
	–	–	3,308	1.6%
Cost of sales of trading activities				
– from coarse iron powder	**154,337**	**47.9%**	30,714	15.0%
– from mixed coal	–	–	26,777	13.0%
	154,337	**47.9%**	57,491	28.0%
	322,048	**100.0%**	205,988	100.0%

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

Total cost of sales increased by approximately RMB116.0 million, or approximately 56.3%, to approximately RMB322.0 million for the year ended 31 December 2019, as compared with approximately RMB206.0 million for the year ended 31 December 2018, was mainly due to increase in cost of the raw materials used for trading and production. Such increase was caused by (1) the increase in sales volume of iron concentrates produced by the Group, and (2) the increase in sales volume of trading coarse iron powder for the year ended 31 December 2019.

Gross profit/(loss) and gross profit/(loss) margin

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

	Year ended 31 December 2019		Year ended 31 December 2018	
	RMB'000		*RMB'000*	
Gross (loss)/profit				
Gross (loss)/profit of iron and spodumene concentrates produced by the Group				
– from iron ore Yangzhuang Iron Mine (65% iron concentrates)	–	–	(2,174)	(19.4%)
– by magnetic minerals processing technology (64% iron and spodumene concentrates)	**(39)**	**(3.0%)**	5,662	50.4%
– from ilmenite ore Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	–	–	(247)	(2.2%)
	(39)	**(3.0%)**	3,241	28.8%
Gross loss of titanium concentrates produced by the Group				
– from ilmenite ore Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	–	–	(418)	(3.7%)
	–	–	(418)	(3.7%)
Gross profit/(loss) of trading activities				
– from coarse iron powder	**1,332**	**103.0%**	(183)	(1.6%)
– from mixed coal	–	–	8,580	76.5%
	1,332	**103.0%**	8,397	74.9%
	1,293	**100.0%**	11,220	100.0%

	Year ended 31 December 2019	Year ended 31 December 2018
Gross (loss)/profit margin		
Gross (loss)/profit margin of iron and spodumene concentrates		
– from iron ore Yangzhuang Iron Mine (65% iron concentrates)	–	(10.9)%
– by magnetic minerals processing technology (64% iron and spodumene concentrates)	**(0.02)%**	4.4%
– from ilmenite ore Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	–	(19.8)%
Gross loss margin of titanium concentrates		
– from ilmenite ore Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	–	(14.5)%
Gross profit/(loss) margin of trading activities of		
– coarse iron powder	**0.9%**	(0.6)%
– mixed coal	–	24.3%
Overall gross profit/(loss) margin	**0.4%**	5.2%

Gross profit is decreased by approximately RMB9.9 million from the gross profit of approximately RMB11.2 million for the year ended 31 December 2018 to the gross profit of approximately RMB1.3 million for the year ended 31 December 2019. The main reasons for the decrease were (i) the increase in gross loss of 64% iron and spodumene concentrates by approximately RMB5.7 million from the gross profit of approximately RMB5.7 million for the year ended 31 December 2018 to the gross loss of approximately RMB39,000 for the year ended 31 December 2019, (2) the decrease of gross profit from trading turnover of mixed coal by approximately RMB8.6 million for the year ended 31 December 2019, offset by the increase in gross profit from trading turnover of coarse iron powder by approximately RMB1.5 million for the year ended 31 December 2019.

Overall gross profit margin decrease from approximately 5.2% for the year ended 31 December 2018 to gross profit margin of approximately 0.4% for the year ended 31 December 2019. During the year, the gross loss of 64% iron and spodumene concentrates was approximately 0.02%, the gross profit of trading coarse iron powder was approximately 0.9%, with an overall gross profit margin of approximately 0.4%. The gross profit margin is limited by the market price in the district. The Group is unable to set a higher mark-up to offset the increased in cost of sales. The negative gross profit margin of 64% iron and spodumene concentrates mainly represented the increase in costs of raw materials during the year of 2019.

Other income

The Group's other income were approximately RMB1.4 million for the year ended 31 December 2019 as compared with other income of approximately RMB2.3 million for the year ended 31 December 2018. The decrease in amount mainly represented the decreased income from disposal of interests in an associate for the year ended 31 December 2018, offset by government grants of RMB1.0 million remediation subsidy obtained from the local government.

Finance expenses, net (including discontinued operations)

Net finance expenses mainly represented interest expense on bank loans, bonds and discount of bank acceptance notes of the Group, offsetting by interest income on bank deposits. Finance expenses decreased from approximately RMB24.3 million for the year ended 31 December 2018 to approximately RMB14.9 million for the year ended 31 December 2019.

Total comprehensive loss

The total comprehensive loss of the Group was approximately RMB76.9 million for the year ended 31 December 2019, representing a decrease of approximately RMB25.5 million or approximately 24.9% as compared to that of approximately RMB102.4 million for the year ended 31 December 2018.

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2019 is HK$11,075,660 divided into 5,537,829,920 shares with par value of HK$0.002 each.

On 16 September 2019, the Company entered into a placing agreement with China Tonghai Securities Limited as the sole placing agent, pursuant to which, the Company has conditionally agreed to place, through the sole placing agent on a best effort basis, of up to 982,000,000 new shares to not less than six placees who are individual, corporation and/or institutional or professional investors and are independent third parties at the placing price of RMB0.081 (equal to HK$0.09) per placing share. The closing price on 16 September 2019 was HK$0.087 per share. The Company issued 447,220,000 shares on 2 October 2019 and raised net proceeds of approximately RMB35.25 million (equal to HK$38.82 million). The net proceeds raised were used as approximately HK$10.0 million as general working capital of the Group, and approximately HK$29.0 million remains unused and placed in licence bank pending for future investment opportunities as may be identified from time to time. The net proceeds were used according to the intentions previously disclosed by the Company in the announcement dated 16 September 2019.

The Group adopts a prudent treasury policy, and its gearing ratio (calculated as total borrowings divided by the aggregate amount of total equity and total borrowings) as at 31 December 2019 was approximately 37.8% (as at 31 December 2018: approximately 27.2%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2019 was approximately 2.34 times (as at 31 December 2018: approximately 3.6 times).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the total amount of the borrowings of the Group was approximately RMB162.5 million (as at 31 December 2018: approximately RMB116.0 million). The Group increased borrowings in the amount of approximately RMB46.5 million during the year ended 31 December 2019. The Group's cash and bank balances amounted to approximately RMB89.8 million as at 31 December 2019 (as at 31 December 2018: approximately RMB33.4 million).

2020 DEVELOPMENT AND FUTURE PLANS

By closely following market demands and trend changes, the Group will maintain its competitive edge in the sector of its traditional businesses, including mining, production, sales of and other services for iron and titanium ores and concentrates and other protective mining resources. At the same time, the Group will continue to invest in the expansion of the titanium industrial chain and substantially promote its new energy business. The Group will make greater efforts towards the following plans in 2020.

I. Utilising the brand new processing technique acquired and achieving mass production while maintaining its competitive edge in the sector of its principal businesses

The Group will continue to maintain its competitive edge in mining, production and sales of protective mining resources, while providing after sales services to establish close relationships with upstream and downstream businesses within the industrial value chain of the sector. In particular, the Company has recorded preliminary economic benefits since the intellectual proprietary rights of the brand new processing technique was acquired in 2018. The Group will strive to expand the production through this technique to bring favourable economic benefits for the Group.

II. The Group will continue to make greater efforts in the planning and implementation of a comprehensive industrial value chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. Based on internal research and development of production, the Group will continue to enhance research and development cooperation with the Chinese Academy of Sciences and technology transfer cooperation with the Russian Academy of Sciences with an aim to achieve significant technical breakthroughs. In response to market demands, the Group will make timely investments in technical transformation and strive to transform the above-mentioned technical advantages into productivity, with an aim to improve the profitability of the Company.

III. While in the mining of its own mines, 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 mines processing and blending, in order to generate further revenue.

IV. The reserve of Yangzhuang Iron Mine has been verified with a current reserve of 28.80 Mt as assessed by the experts from the Department of Natural Resources of Shandong Province. The Group had also obtained certificate of reserves, filed geological data and conducted the registration of occupying reserves. It is expected that the renewed mining permit will be obtained this year.

V. A reserve of 3,549 tons of rubidium ore was detected 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 mineral substance at present, the Group will also implement value assessment this year and conduct mining and processing in due course.

VI. The experts from the Department of Natural Resources of Shandong Province have reviewed the environmental management and land rehabilitation program in respect of Yangzhuang Iron Mine and expressed their opinion. After more than one decade's exploration and processing, the Yangzhuang Iron Mine is now stored with a great deal of tailings, which can serve as qualified raw materials of various cement factories. This business will become a new economic driver this year.

VII. The Group will actively integrate and utilize resources of existing wind power projects. The Group plans to cooperate with strong enterprises to provide the Company with opportunities of economic growth by efficiently using resources and assets.

VIII. Focusing on the continuous improvement of management of internal control, the Company will enhance its comprehensive management to pave solid foundation for improvement of results.

IX. Capitalising on the platform as a listed group and taking proactive measures for various projects in the capital market

Capitalising on the financing platform as a listed group, the Group will take proactive and adequate measures in respect of shareholders communication and investor relations, while continuing to strengthen its financing efforts, expand its shareholder base and enhance liquidity of its shares. Financing will also be provided for key construction projects, merger and acquisition projects, or expansion of the titanium industry value chain.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

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 2019.

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 2019, save and except those relating to the auditors where the office of auditors was vacated following the retirement of PricewaterhouseCoopers at the conclusion of the annual general meeting of the Company held on 18 June 2019, and the vacancy was subsequently filled on 25 October 2019 following the appointment of Crowe (HK) CPA Limited as auditor.

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 Audit Committee had reviewed the unaudited annual results for the year ended 31 December 2019 before such documents were tabled at a meeting of the Board held on 30 March 2020 for the Board's review and approval.

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 2019, save and except those relating to the auditors where the office of auditors was vacated following the retirement of PricewaterhouseCoopers at the conclusion of the annual general meeting of the Company held on 18 June 2019.

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 2019.

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. 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 77 to 80 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 2019, the Board held 6 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	6/6
Mr. Geng Guohua	6/6
Mr. Lang Weiguo	6/6
Non-Executive Director	
Ms. Chau Ching Note 1	2/2
Independent Non-Executive Directors	
Mr. Lin Chu Chang Note 2	2/2
Mr. Li Xiaoyang	6/6
Mr. Leung Nga Tat Note 3	3/3
Mr. Zhang Jingsheng	6/6

Notes:

1. Ms. Chau Ching resigned on 6 May 2019, 2 Board meetings were held before her resignation.

2. Mr. Lin Chu Chang retired on 18 June 2019, 2 Board meetings were held before his retirement.

3. Mr. Leung Nga Tat was appointed on 18 June 2019, 3 Board meetings were held after his appointment.

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.

General Meetings

During the year ended 31 December 2019, one general meeting was held, being the 2019 annual general meeting of the Company held on 18 June 2019 (the "2019 AGM").

The attendance record of the Directors at the 2019 AGM are as follows:

Name of Director	Number of attendance
Executive Directors	
Mr. Li Yunde	1/1
Mr. Geng Guohua	1/1
Mr. Lang Weiguo	1/1
Non-Executive Director	
Ms. Chau Ching [Note 1]	N/A
Independent Non-Executive Directors	
Mr. Li Xiaoyang	1/1
Mr. Lin Chu Chang [Note 2]	1/1
Mr. Leung Nga Tat [Note 3]	N/A
Mr. Zhang Jingsheng	1/1

Notes:

1. Ms. Chau Ching resigned on 6 May 2019, no general meeting was held before her resignation.

2. Mr. Lin Chu Chang retired on 18 June 2019, 1 general meeting was held before his retirement.

3. Mr. Leung Nga Tat was appointed on 18 June 2019, no general meeting was held after his appointment.

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 of the Company (the "Nomination Committee") attended the 2019 AGM to answer questions and collect views of shareholders of the Company (the "Shareholders").

Directors' Training

According to the code provision A.6.5 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 2019 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 term of two years commencing from 27 April 2018 while Mr. Leung Nga Tat has been appointed for a term of two years commencing from 18 June 2019.

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.

During the year ended 31 December 2019, 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 of the Company (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 2019, 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)* Note 1	N/A
Mr. Lin Chu Chang Note 2	1/1
Mr. Li Yunde	1/1
Mr. Zhang Jingsheng	1/1

Notes:

1. Mr. Leung Nga Tat was appointed on 18 June 2019, no meeting was held after his appointment.

2. Mr. Lin Chu Chang retired on 18 June 2019, 1 meeting was held before his retirement.

The Company has adopted a share option scheme on 9 April 2012. The purpose of the share option scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), Directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. Details of the share option scheme are set out in the Report of the Directors.

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 2019 are set out in note 39 to the consolidated financial statements.

AUDIT COMMITTEE

The Company established the audit committee of the Company (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, reappointment 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 2019, the Audit Committee held 5 meetings.

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

Name of Director	**Number of attendance**
Mr. Leung Nga Tat *(chairman)* Note 1	2/2
Mr. Lin Chu Chang Note 2	3/3
Mr. Li Xiaoyang	5/5
Mr. Zhang Jingsheng	5/5

Notes:

1. Mr. Leung Nga Tat was appointed on 18 June 2019, 2 meetings were held after his appointment.

2. Mr. Lin Chu Chang retired on 18 June 2019, 3 meetings were held before his retirement.

During the year ended 31 December 2019, the Audit Committee reviewed, among others, the 2018 annual results and the 2019 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.

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 2019, 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 2019, the remuneration paid/payable to the Company's auditor, Crowe (HK) CPA Limited, was as follows:

	RMB'000
Services rendered	
Audit services	1,254
Non-audit services	–
	1,254

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 2019.

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"), extraordinary general meeting shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings. 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.

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 be eligible for election to the office of Director at any general meeting unless a 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 lodgement of the notice 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.

Information of the Company is disseminated to the Shareholders in the following manner:

- 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

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

CONSTITUTIONAL DOCUMENTS

There had been no changes in the constitutional documents of the Company during the year ended 31 December 2019.

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 2019, 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 C.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: Analyze 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 2019, 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 analyzing 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 2019, 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.

SENIOR MANAGEMENT'S REMUNERATION

Senior management's remuneration payment of the Group in the year ended 31 December 2019 falls within the following bands:

	Number of Individuals
HKD500,000 or below	10
HKD500,001 to HKD1,000,000	3

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 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 32 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.

No significant events that have an effect on the Group subsequent to the year ended 31 December 2019.

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 Company has presented its environmental, social and governance report. Further information relating to the environmental policies and performance of the Group during the year ended 31 December 2019 is set out in "Environmental, Social and Governance Report".

Compliance with Laws and Regulations

During the year ended 31 December 2019, 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".

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2019 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 89 to 155.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders of the Company to attend and vote at the annual general meeting of the Company to be held on Tuesday, 30 June 2020 ("2020 AGM"), the register of members of the Company will be closed from Wednesday, 24 June 2020 to Tuesday, 30 June 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2020 AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 23 June 2020.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2019 are set out in note 18 to the consolidated financial statements.

SHARES ISSUED

During the year ended 31 December 2019, the Company has issued shares with details as follows:

An aggregate of 447,220,000 shares of the Company were allotted and issued to not less than six places at the price of RMB0.081 (equal to HK$0.09) per placing share upon completion of the placing on 2 October 2019 in accordance with the placing agreement entered into between the Company and China Tonghai Securities Limited on 16 September 2019. The net price was approximately RMB0.079 (equal to HK$0.087) per placing share.

Details of the Placing are set out in the paragraph headed "Placing of New Shares under General Mandate" in the "Management Discussion and Analysis" section.

DEBENTURES ISSUED

The Group has not issued any debenture during the year ended 31 December 2019.

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 2019.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB285,034,000 (2018: RMB322,068,000).

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

Non-Executive Director
Ms. Chau Ching *(resigned on 6 May 2019)*

Independent Non-Executive Directors
Mr. Li Xiaoyang
Mr. Zhang Jingsheng
Mr. Leung Nga Tat *(appointed on 18 June 2019)*
Mr. Lin Chu Chang *(retired on 18 June 2019)*

In accordance with Article 108(a) of the Articles, Mr. Geng Gouhua and Mr. Li Xiaoyang shall retire from office at the 2020 AGM by rotation and, being eligible, offer themselves for re-election.

Mr. Leung Nga Tat was appointed on 18 June 2019 and he is subject to re-election at the 2020 AGM pursuant to Article 112 of the Articles and, being eligible, offers himself 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 a share option scheme (the "Scheme") on 9 April 2012 (the "Adoption Date") whereby the Board was authorised, at its absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company 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 Scheme became unconditional on 27 April 2012.

The principal terms of the Scheme are summarised as follows:

1. The limit on the total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme(s) of any member of the Group must not exceed 10% of the nominal amount of all the issued share capital of the Company as at the listing date, i.e. 27 April 2012 (which was 360,435,790 shares, as adjusted by the share subdivision of every one share of HK$0.01 each into 5 shares of HK$0.002 each which became effective on 28 October 2014) unless Shareholders' approval has been obtained, and which must not in aggregate exceed 30% of the shares in issue from time to time. As at the date of this annual report, the total number of shares available for issue under the Scheme is 360,435,790 shares, representing approximately 6.73% of the shares in issue as at the date of this annual report.

2. The total number of shares issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted to any Participants in any 12-month period shall not exceed 1% of the issued shares as of the proposed grant date.

3. The subscription price for the shares under the options to be granted under the Scheme will be a price determined by the Board at the time of grant of the options, and shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the options, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares on the date of grant of the option.

4. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

5. HK$1.00 is payable by the Participants who accept the grant of an option in accordance with the terms of the Scheme on acceptance of the grant of an option.

6. The Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders of the Company in general meeting.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2019 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 service agreement with the Company on 28 March 2018 for a term of three years commencing from 27 April 2018 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 service agreement with the Company on 28 March 2018 for a fixed term of two years commencing from 27 April 2018 unless terminated by not less than three months' notice in writing served by either party on the other. On 6 May 2020, the Company entered into renewed service agreement with each of Mr. Li Xiaoyang and Mr. Zhang Jingsheng for a fixed term of two years with retrospective from 27 April 2020.

Mr. Leung Nga Tat, an independent non-executive Director, entered into a service agreement with the Company on 18 June 2019 for a term of two years commencing from 18 June 2019 unless terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors proposed for re-election at the 2020 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 2019 or at any time during the year ended 31 December 2019, nor any transaction, arrangement or contract of significance has been entered into at 31 December 2019 or at any time during the year ended 31 December 2019 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 (2018: Nil).

EQUITY-LINKED AGREEMENTS

Save for the 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 2019.

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 Holdings Limited (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 2019, 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 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 2019, 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)*	38.23%
	Beneficial owner	Long position	122,058,000	2.28%
Mr. Geng Guohua	Beneficial owner	Long position	18,644,000	0.35%
Mr. Lang Weiguo ("Mr. Lang")	Interest of controlled corporations	Long position	18,700,000 *(Note 2)*	0.35%

Notes:

1. Mr. Li beneficially holds the entire issued share capital of Hongfa Holdings Limited, 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 Holdings Limited.

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 2019, 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 2019, 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 of the Company 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	38.23%
Ms. Zhang Limei ("Ms. Zhang")	Interest of spouse	Long position	2,170,196,660 *(Note 1)*	40.51%
X. Mining Resources Group Limited	Beneficial owner	Long position	326,344,000 *(Note 2)*	6.09%
Mr. Wu Pun Yan ("Mr. Wu")	Interest of controlled corporation	Long position	326,344,000 *(Note 2)*	6.09%
Mr. Yeung Wai ("Mr. YW")	Interest of controlled corporations	Long position	444,442,000 *(Note 3)*	8.30%
Mr. Yeung Yun Chuen ("Mr. Yeung YC")	Interest of controlled corporations	Long position	444,442,000 *(Note 3)*	8.30%
Mr. Yeung Yun Kei ("Mr. Yeung YK")	Interest of controlled corporations	Long position	444,442,000 *(Note 3)*	8.30%

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.

3. These include (i) 211,110,000 Shares held through Fulum Management Limited, which is wholly-owned by Chung Ling Management & Logistics Holdings Limited, which is in turn wholly-owned by Chung Sing Holdings Limited, which is in turn wholly-owned by Fulum Group Holdings Limited, a company which is owned as to 71.28% by China Sage International Limited (a company wholly-owned by Mr. YW), Mr. YW, Mr. Yeung YC and Mr. Yeung YK; and (ii) 233,332,000 Shares held through Wealthy Land Investment Group Limited, which is owned as to 100% by Mr. YW, Mr. Yeung YC and Mr. Yeung YK. Mr. YW, Mr. Yeung YC and Mr. Yeung YK are siblings. For the purpose of the SFO, each of Mr.YW, Mr. Yeung YC and Mr. Yeung YK is deemed or taken to be interested in the same number of Shares in which Fulum Management Limited and Wealthy Land Investment Group Limited are interested.

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 of the Company as at 31 December 2019.

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 37(c) to the consolidated financial statements in this annual report.

The Group had not entered into any transactions which constituted non-exempt connected transactions or non-exempt continuing connected during the year ended 31 December 2019. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2019, 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 37 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, approximately 44% of the Group's turnover and approximately 49% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers, respectively. Approximately 15% of the Group's turnover and approximately 18% 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 2019.

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 2019 before such documents were tabled at a meeting of the Board held on 23 March 2020 for the Board's review and approval, and was of the opinion that such documents 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 53 to 66 of this annual report.

AUDITORS

PricewaterhouseCoopers retired as the auditor of the Company with effect from the conclusion of the 2019 AGM. 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 and to hold office until the conclusion of the 2020 AGM. A resolution will be submitted to the 2020 AGM to re-appoint Crowe (HK) CPA Limited as auditor of the Company.

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

Li Yunde
Chairman
Hong Kong, 6 May 2020

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li Yunde

Mr. Li, aged 53, 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 all of the subsidiaries of the Group, except Fortuneshine Investment Ltd. and Shine Mining Investment Limited. 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 21 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.

Mr. Geng Guohua ("Mr. Geng")

Mr. Geng, aged 50, 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 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 listed on the Stock Exchange; Stock code: 1886) from 2003 to 2007 and was responsible for its general management. Mr. Geng graduated at Correspondence Institute of the Party School of Central Committee of Communist Party of China (中共中央黨校函授學院) majoring in Law in December 2001. Mr. Geng was accredited as a Human Resources Developments and Project Technician (Enterprise Human Resource Management) (人力資源開發管理工程技術人員（企業人力資源管理人員))in October 2003 by the Occupational Skill Testing Authority (職業技能鑒定（指導）中心) of Shandong Province, the PRC. He has been a director of the Chinese Enterprises Investment Association since 2013 and the deputy president of the Listed Companies Council of the Hong Kong Chinese Enterprises Association since December 2015. Mr. Geng has been an enterprise mentor of MBA in Jiangnan University since December 2017.

Mr. Lang Weiguo

Mr. Lang, aged 61, was appointed as an executive Director on 9 April 2012. He joined the Group in 2010 and has been the vice chairman of the board of directors of Shandong Ishine since November 2010. He is primarily responsible for the Group's business development and investment. Mr. Lang is also a director of Fortuneshine Investment Ltd. and Shine Mining Investment Limited, both of which are the subsidiaries of the Group. He received a bachelor degree in Engineering from Agriculture University of Heilongjiang (黑龍江八一農墾大學) in July 1982 and further obtained his master's and doctorate degrees in Engineering from University of Saskatchewan in Canada in May 1989 and May 1993, respectively. From 1999 to 2004, he had been the president and a director of Q-Net Technologies Co., Ltd., a company which was quoted on the Over-The-Counter Bulletin Board Trading System ("OTCBB") (symbol: QNTI) in the United States of America, responsible for its general management and business development. From 2004 to 2005, he became the chairman of the board of directors of Savoy Resources Co., Ltd., a company quoted on the National Association of Securities Dealers Over-The-Counter Bulletin Board (symbol: SVYR) in the United States of America, responsible for its business development. From 2003 to 2008, he acted as a director of Vendtek Systems Inc., a company listed on Toronto Stock Exchange Venture (symbol: VSI) in Canada, responsible for its business development. From 2007 to 2011, Mr. Lang had also been a director of Zhongrun (Tianjin) Mining Development Co., Ltd (中潤（天津）礦業開發有限公司), a PRC company principally engaged in the development and exploration of metal mines and resources, and relevant consultancy services, responsible for its business development. Since June 2015, Mr. Lang has become the Director, CEO & President of Ultra Resources Inc., a company listed on Toronto Stock Exchange Venture (Symbol: ULT.V) in Canada.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Li XY, aged 64, 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. Leung Nga Tat ("Mr. Leung")

Mr. Leung, aged 38, 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. In February 2014, he joined Landsea Green Properties Co., Ltd. (formerly known as Landsea Green Group 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. He started his own serviced apartment business in June 2018. With over 14 years of working experiences in the industry, Mr. Leung is equipped with comprehensive knowledge of accounting, financing, compliance and merger and acquisition.

Mr. Zhang Jingsheng ("Mr. Zhang")

Mr. Zhang, aged 74, 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 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 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 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 National Planning Ministry of the PRC in 2001;

5. the first prize for science and technology 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

SENIOR MANAGEMENT

Ms. Chan Wing Ki Michele ("Ms. Chan"), aged 38, 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 48, was appointed as the Company Secretary on 9 April 2012. Ms. 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 Institute of Chartered Secretaries. She is also a member of the Hong Kong Institute of Directors. Ms. Stella Chan has over 20 years' experience in handling listed company secretarial matters.

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 89 to 155, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 and intangible assets (the"Mining Assets") (Refer to note 2.9, 4(a), 6 and 8 to the consolidated financial statements) As at 31 December 2019, the aggregate carrying amount of the property, plant and equipment for processing mine ores amounted to approximately RMB258 million which accounted for 50.6% of the Group's total assets. Prior to 2019 and at 31 December 2019, all the Group's two mining rights with aggregate costs of approximately RMB65 million had been fully impaired, with one mining right for the exploitation of iron ores having expired and being currently in the process of approval for renewal by the competent provincial authorities and the other mining right for the exploitation of ilmenite ores will expire in 31 December 2020. At 31 December 2019, the Group's mining rights and property, plant and equipment are allocated to the identified cash generating unit ("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 2019, 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 is approximate to its carrying	Our procedures in relation to the impairment assessment of the Group's intangible assets and property, plant and equipment included: • Obtaining an understanding of the key internal controls of management over impairment assessment of the Group's intangible assets and property, plant and equipment; • Evaluating the independent external valuer's competence, capabilities and objectivity; • Reviewing the renewal documents relating the iron ore mine and the approval documents issued by the local government authorities; • Obtaining and reviewing the legal opinion on the Group's 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 and intangible assets (the"Mining Assets") (continued)	
amount at 31 December 2019. Accordingly, no impairment was recognised and charged to profit or loss during the year ended 31 December 2019. 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, resources, exploration potential, production cost estimates, future operating costs, growth rate and discount rate. We identified the impairment assessment of mining rights and property, plant and equipment 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 and intangible assets made in the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
(b) Valuation of inventories (Refer to note 2.12, 4(b) and 13(d) to the consolidated financial statements) As at 31 December 2019, inventories of the Group comprised raw materials, finished goods and spare parts and others. The carrying amount of the Group's inventories as at 31 December 2019 amounted to approximately RMB65 million after deduction of provision for inventory write-down of approximately RMB45 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 raw materials and commodities held for trading, particularly if the market price of raw materials and commodities held for trading decline significantly after the reporting date, the net realisable value of the Group's raw materials and 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 raw materials and the accuracy of the costs of completion and the selling costs; and • Compared the carrying values of finished goods and commodities held for trading, 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 13 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
(c) Revenue recognition (Refer to note 2.22 and 25 to the consolidated financial statements) Revenue from the Group's mining and processing business amounted to approximately RMB323 million in the Group's consolidated financial statements for the year ended 31 December 2019. The Group's top five customers accounted for 44% of the total revenue for the year ended 31 December 2019. The Group recognises revenue from contracts with customers when control of goods, as promised in the sales contracts, is 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 of the timing of recognition of revenue by management to meet specific targets or expectations.	We performed and reviewed the revenue recognition 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 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 products 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; and • 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 We also assessed the adequacy of the disclosures in Note 25 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, in accordance with section 405 of the Hong Kong Companies Ordinance, 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, related safeguards.

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, 6 May 2020

Leung Chun Wa
Practising Certificate Number P0496

Consolidated Statement of Financial Position

As at 31 December 2019 (Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

		As at 31 December	
	Note	**2019**	2018
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**257,991**	265,714
Right-of-use assets	*7*	**6,222**	–
Intangible assets, net	*8*	**–**	–
Investments accounted for using the equity method	*9*	**834**	1,100
Financial assets at fair value through other comprehensive income	*10*	**3,393**	9,019
Other non-current assets	*12*	**10,996**	10,901
		279,436	286,734
Current assets			
Inventories	*13*	**65,249**	79,687
Trade receivables	*14*	**13,957**	23,224
Notes receivables	*15*	**11,762**	18,450
Prepayments and other receivables	*16*	**37,957**	25,527
Term deposits	*17*	**–**	30,000
Restricted bank deposits	*17*	**11,251**	3,424
Cash and cash equivalents	*17*	**89,796**	33,431
		229,972	213,743
Total assets		**509,408**	500,477
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	*18*	**706,067**	670,992
Reserves	*19*	**(26,006)**	(19,517)
Accumulated losses		**(412,291)**	(340,987)
Total equity		**267,770**	310,488

Consolidated Statement of Financial Position

As at 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

		As at 31 December	
	Note	**2019**	2018
LIABILITIES			
Non-current liabilities			
Borrowings	*22*	**122,514**	115,995
Provisions for close down, restoration and environmental costs	*23*	**9,981**	9,357
Lease liabilities – non-current portion	*7*	**5,082**	–
Deferred income		**310**	386
Deferred income tax liabilities	*11*	**5,413**	5,413
		143,300	131,151
Current liabilities			
Borrowings	*22*	**40,000**	–
Trade payables	*20*	**10,526**	12,377
Contract liabilities		**2,431**	168
Lease liabilities – current portion	*7*	**2,380**	–
Accruals and other payables	*21*	**42,962**	46,254
Current portion of deferred income		**39**	39
		98,338	58,838
Total liabilities		**241,638**	189,989
Total equity and liabilities		**509,408**	500,477

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 89 to 155 were approved by the Board of Directors on 6 May 2020 and were signed on its behalf.

Executive Director

Executive Director

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

		Year ended 31 December	
	Note	**2019**	2018
Revenue	*25*	**323,341**	217,208
Cost of sales	*26*	**(322,048)**	(205,988)
Gross profit		**1,293**	11,220
Distribution expenses	*26*	**(1,816)**	(1,442)
Administrative expenses	*26*	**(55,536)**	(53,668)
Reversal of impairment loss of financial assets	*27*	**43**	6,657
Write-down of inventories, net	*13*	**(1,703)**	(42,993)
Share of result of an associate	*9*	**(266)**	–
Other income	*29*	**1,413**	2,324
Other losses – net	*30*	**(141)**	(237)
Operating loss		**(56,713)**	(78,139)
Finance income	*31*	**280**	3,833
Finance expenses	*31*	**(14,871)**	(24,339)
Finance cost – net		**(14,591)**	(20,506)
Loss before income tax		**(71,304)**	(98,645)
Income tax credit	*33*	**–**	2,849
Loss for the year attributable to owners of the Company		**(71,304)**	(95,796)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

		Year ended 31 December	
	Note	**2019**	2018
Other comprehensive 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	*10*	**(5,626)**	(6,629)
Total comprehensive loss for the year attributable to the owners of the Company			
		(76,930)	(102,425)
Loss per share for loss attributable to owners of the Company (expressed in RMB per share)			
Basic loss per share	*34*	**(0.014)**	(0.020)

The above consolidated statement of 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)

	Note	Attributable to Owners of the Company			
		Share capital and share premium *(Note 18)*	**Reserves** *(Note 19)*	**Accumulated losses**	**Total equity**
At 1 January 2018		641,741	(9,570)	(248,198)	383,973
Comprehensive income					
Loss for the year		–	–	(95,796)	(95,796)
Other comprehensive loss		–	(6,629)	–	(6,629)
Total comprehensive loss for the year		–	(6,629)	(95,796)	(102,425)
Disposal of interests in investments accounted for using the equity method	*9(a)*	–	(311)	–	(311)
Transactions with owners in their capacity as owners					
Utilisations	*19(c)*	–	(3,007)	3,007	–
Proceeds from issuance of shares	*18(a)*	29,420	–	–	29,420
Repurchase of shares	*18(b)*	(169)	–	–	(169)
		29,251	(3,007)	3,007	29,251
At 31 December 2018		670,992	(19,517)	(340,987)	310,488
Balance at 31 December 2018		**670,992**	**(19,517)**	**(340,987)**	**310,488**
Comprehensive income					
Loss for the year		**–**	**–**	**(71,304)**	**(71,304)**
Other comprehensive loss		**–**	**(5,626)**	**–**	**(5,626)**
Total comprehensive loss for the year		**–**	**(5,626)**	**(71,304)**	**(76,930)**
Transactions with owners in their capacity as owners					
Utilisations	*19(c)*	**–**	**(863)**	**–**	**(863)**
Proceeds from issuance of shares	*18(a)*	**35,075**	**–**	**–**	**35,075**
		35,075	**(863)**	**–**	**34,212**
At 31 December 2019		**706,067**	**(26,006)**	**(412,291)**	**267,770**

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)

		Year ended 31 December	
	Note	**2019**	2018
Cash flows from operating activities			
Cash used in operations	*35(a)*	**(23,198)**	(91,593)
Interest received	*31*	**280**	3,833
Net cash used in operating activities		**(22,918)**	(87,760)
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	*6*	**(9,917)**	(28,127)
Proceeds from disposal of property, plant and equipment		**2,411**	1
Withdrawals of term deposits	*17*	**30,000**	130,000
(Placement)/withdrawals of restricted bank deposits	*17*	**(7,827)**	79,942
Advance construction funds from government		**–**	1,000
Investment in an associate	*9(a)*	**–**	(1,100)
Net cash generated from investing activities		**14,667**	181,716
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares	*18(a)*	**35,075**	29,420
Proceeds from borrowings	*22*	**40,000**	40,000
Payments for lease liabilities		**(306)**	–
Interests paid		**(9,974)**	(13,299)
Repayments of borrowings		**–**	(240,000)
Repurchase of shares	*18(b)*	**–**	(169)
Net cash generated from/(used in) financing activities		**64,795**	(184,048)
Net increase/(decrease) in cash and cash equivalents		**56,544**	(90,092)
Cash and cash equivalents at beginning of year	*17*	**33,431**	123,627
Effect of changes on exchange rates		**(179)**	(104)
Cash and cash equivalents at end of year	*17*	**89,796**	33,431

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 Law (2018 Revision) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

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

The directors considered Hongfa Holdings Limited, a company incorporated in the British Virgin Islands ("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 on 6 May 2020.

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 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 ("HKICPA"), accounting principles generally accepted in Hong Kong and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. These 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 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 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

New and Amendments to HKFRSs that are Mandatorily Effective for the Current Year

The Group has applied the following new and amendments to HKFRSs for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to apply the simplified transition approach and has not restated comparatives for the 2018 reporting period. This is disclosed in Note 2.2. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) New standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretations have been published that are not mandatory for 31 December 2019 reporting period and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020

None of these is expected to be relevant or have material impact to the consolidated financial statements of the Group.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

a) relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

b) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

c) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

d) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

e) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied weighted average incremental borrowing rate of 6.53% per annum at the date of initial application.

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

The impact to the Group's consolidated financial statements at 1 January 2019 was as follows:

	At 1 January 2019
Lease obligation as at 31 December 2018	4,900
Effect from discounting at the incremental borrowing rate as at 1 January 2019	(791)
Lease liability due to initial application of HKFRS 16 as at 1 January 2019	4,109

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	4,109
By class:	
Land and buildings	342
Equipment	3,767
	4,109

At the date of initial application, the adaptation of HKFRS 16 has no impact to the accumulated losses of the Group as at 1 January 2019. The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

	Carrying amounts previous reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
Non-current assets			
Right-of-use assets	–	4,109	4,109
Non-current liabilities			
Lease liabilities – non-current portion	–	4,109	4,109

2.3 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. The Group has a joint venture.

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

(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 2.9.

(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.

2.4 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.

2.5 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.

2.6 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 the income statement. 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 in the income statement within finance income or expenses.

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 balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each income statement and statement of 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.

2.7 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 the income statement 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	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 units 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 2.9).

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 Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2.8 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.

2.9 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.

2.10 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 comprehensive income.

2.11 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) through other comprehensive income, 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 finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of 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 expected credit loss (ECL) on the following items:

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

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 loss cash shortfalls are discounted using the following discount rates where the effect of discounting is material for the fixed-rate financial assets and trade and other receivables.

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 are always measured at an amount equal to lifetime ECLs. ECLs on these financial 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 grounded 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.

2.12 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.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 90 days and therefore are all classified as current.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.11 for further information about the Group's accounting 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 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 18).

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 balance sheet date 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 company 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 in the ordinary course of the Group’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Sales of goods

Revenue arising from sales of iron concentrates, titanium 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.

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

As explained in Note 2.1, the Group has change its accounting policy for leases where the Group is the lessee. The new accounting policy is described below and the impact of the change in Note 3.

Until the 2018 financial year, leases of property, plant and equipment in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. Up-front payments to acquire long-term interests in the usage of land were classified as land use rights, which were stated at cost and charged to the consolidated income statement over the remaining period of the lease on a straight-line basis, net of any impairment losses.

From 1 January 2019, 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 income 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 balance sheet 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 income statement 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 income statement on a straight-line basis over the expected lives of the related assets.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange 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 2019, if RMB had weakened/strengthened by 5% (2018: 5%) against HKD with all other variables held constant, loss before income tax for the year would have been RMB1,262,000 (2018: RMB5,712,000) higher/lower mainly as a result of foreign exchange losses/gains on translation of borrowings denominated in HKD.

As at 31 December 2018, if RMB had weakened/strengthened by 5% (2018: 5%) against USD with all other variables held constant, loss before income tax for the year would have been RMB39,000 (2018: RMB40,000) lower/higher mainly as a result of foreign exchange gains on translation of cash and cash equivalents denominated in USD.

(ii) Fair value interest rate risk

Credit risk arises from cash and cash equivalents, 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.

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 cash and cash equivalents, term deposits and restricted bank deposits and contractual cash flows of debt instruments carried at amortised cost, as well as credit exposures to customers, including outstanding receivables.

Bank deposits and restricted bank deposits are mainly placed in state-owned banks in the PRC and overseas banks that have investment grade ratings. Notes receivables represent bank acceptance notes issued either by state-owned banks with investment grade ratings or by local banks with good reputation. Management believes that these financial institutions are of high credit quality and there is no significant credit risk on bank deposits and bank acceptance notes.

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

Sales to the Group's top five largest customers accounted for 44% of total revenue for the year ended 31 December 2019 (2018: 71%). 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 and other receivables 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 cash and cash equivalents,term deposits,restricted bank deposits and notes receivables are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

As for trade receivables and other receivables, 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 other receivables.

To measure the expected credit losses, trade receivables and other receivables 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 2019 and 2018 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.

On that basis, the loss allowance as at 31 December 2019 and 2018 (on adoption of HKFRS 9) was determined as follows for both trade receivables:

	Current	More than 90 days past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
As at 31 December 2019						
Expected loss rate	1%	3%	4%	5%	15%	
Gross carrying amount-trade receivables	5,796	8,251	–	–	253	14,300
Loss allowance	58	247	–	–	38	343

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

	Current	More than 90 days past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
As at 31 December 2018						
Expected loss rate	1%	3%	4%	5%	15%	
Gross carrying amount-trade receivables	20,536	2,219	–	344	488	23,587
Loss allowance	205	67	–	18	73	363

Trade receivables 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 period of greater than 3 years past due.

Impairment losses on trade receivables are presented as net impairment losses 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. The 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.

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

Net impairment losses on financial assets recognized in profit or loss

During the year, the following gains were recognised in profit or loss in relation to impaired financial assets:

	2019	2018
Impairment losses reversal		
– trade receivables	**20**	6,225
– other receivables	**23**	432
Net impairment losses reversal on financial assets	**43**	6,657

(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 balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Within 1 year	**1-2 years**	**2-5 years**	**Over 5 years**
As at 31 December 2019				
Borrowings	**49,469**	**9,469**	**144,734**	**–**
Trade payables	**10,526**	**–**	**–**	**–**
Other payables	**16,829**	**–**	**–**	**–**
	76,824	**9,469**	**144,734**	**–**

	Within 1 year	1-2 years	2-5 years	Over 5 years
As at 31 December 2018				
Borrowings	9,261	9,261	146,570	–
Trade payables	12,377	–	–	–
Other payables	18,331	–	–	–
	39,969	9,261	146,570	–

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

(d) Concentration risk

Revenue of the Group is principally derived from Shandong Ishine Mining Industry Co., Ltd. ("Shandong Ishine") which owns the operating mines and processing facilities of the Group. Any disruptions to the operation of the mine may have a material adverse impact on the Group's financial position and results of operations.

During the year end 31 December 2019, 44% of the Group's revenue was derived from sales to the top five customers (2018: 71%). 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.

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 2019 and 31 December 2018 were as follows:

	As at 31 December	
	2019	2018
Total borrowings	**162,514**	115,995
Total equity and borrowings	**430,284**	426,483
Gearing Ratio	**37.8%**	27.2%

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 5.84% of the ordinary shares of Superior Lake Resources Limited ("Superior Lake") (note 10(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 2019 and 2018, fair values of long-term 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 and intangible assets

Property, plant and equipment and intangible assets 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. It's very difficult 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 inventory

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.

(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) Reserves

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 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 reserves may change from period to period, because the economic assumptions used to estimate 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; and

(v) identification of new remediation sites.

(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.

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 ore mining and processing and sales of concentrates as the identifiable segment which is carried out by Shandong Ishine during both years.

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.

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"), Active Fortune Group Limited ("Active Fortune")), Ever Grand and Yishui Shengrong New Energy Limited ("Yishui Shengrong") in the Group are presented as 'Unallocated' in the segment information.

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

The segment information provided to the SEM for the years ended 31 December 2019 and 2018 is as follows:

	Shandong Ishine	Unallocated	Inter-segment elimination	Total
Year ended 31 December 2019				
Revenue	**323,342**	**–**	**–**	**323,342**
Gross profit	**1,293**	**–**	**–**	**1,293**
Finance income	**278**	**2**	**–**	**280**
Finance expenses	**(1,623)**	**(13,245)**	**–**	**(14,868)**
Impairment losses (provision)/reversal	**(1,660)**	**–**	**–**	**(1,660)**
– Inventories	**(1,703)**	**–**	**–**	**(1,703)**
– Trade receivables	**20**	**–**	**–**	**20**
– Other receivables	**23**	**–**	**–**	**23**
Income tax expense	**–**	**–**	**–**	**–**
Net loss	**(39,269)**	**(32,035)**	**–**	**(71,304)**
Other information				
Depreciation of property, plant and equipment	**(15,088)**	**–**	**–**	**(15,088)**
Expenditures for non-current assets	**1,167**	**207**	**–**	**1,374**
As at 31 December 2019				
Segment assets and liabilities				
Total assets	**485,555**	**1,685,029**	**(1,661,176)**	**509,408**
Total liabilities	**291,335**	**864,217**	**(913,914)**	**241,638**
Year ended 31 December 2018				
Revenue	217,208	–	–	217,208
Gross profit	11,220	–	–	11,220
Finance income	3,810	23	–	3,833
Finance expenses	(5,252)	(19,087)	–	(24,339)
Impairment losses (provision)/reversal	(36,336)	–	–	(36,336)
– Inventories	(42,993)	–	–	(42,993)
– Trade receivables	6,225	–	–	6,225
– Other receivables	432	–	–	432
Income tax expense	2,849	–	–	2,849
Net loss	(55,481)	(40,315)	–	(95,796)
Other information				
Depreciation of property, plant and equipment	(15,356)	(3)	–	(15,359)
Expenditures for non-current assets	24,055	303	–	24,358
As at 31 December 2018				
Segment assets and liabilities				
Total assets	485,977	1,850,088	(1,835,588)	500,477
Total liabilities	245,996	852,315	(908,323)	189,988

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Mining infrastructures	Vehicles, equipment and others	Construction in progress	Total
Year ended 31 December 2018					
Opening net book amount	49,526	90,426	45,275	71,635	256,862
Additions	98	3,000	11,549	9,711	24,358
Transfers	5,169	–	4,542	(9,711)	–
Written off or disposals – cost	–	–	(2,873)	–	(2,873)
Written off or disposals – accumulated depreciation	–	–	2,726	–	2,726
Depreciation charge	(4,157)	(176)	(11,026)	–	(15,359)
Closing net book amount	50,636	93,250	50,193	71,635	265,714
At 31 December 2018					
Cost	124,139	121,005	208,694	71,635	525,473
Accumulated depreciation and impairment	(73,503)	(27,755)	(158,501)	–	(259,759)
Net book amount	50,636	93,250	50,193	71,635	265,714
Year ended 31 December 2019					
Opening net book amount	**50,636**	**93,250**	**50,193**	**71,635**	**265,714**
Additions	**5,595**	**–**	**2,948**	**1,374**	**9,917**
Transfers	**2,021**	**–**	**–**	**(2,021)**	**–**
Disposals – cost	**–**	**–**	**(9,831)**	**–**	**(9,831)**
Disposals – accumulated depreciation	**–**	**–**	**7,279**	**–**	**7,279**
Depreciation charge	**(4,160)**	**–**	**(10,928)**	**–**	**(15,088)**
Closing net book amount	**54,092**	**93,250**	**39,661**	**70,988**	**257,991**
At 31 December 2019					
Cost	**131,755**	**121,005**	**201,811**	**70,988**	**525,559**
Accumulated depreciation and impairment	**(77,663)**	**(27,755)**	**(162,150)**	**–**	**(267,568)**
Net book amount	**54,092**	**93,250**	**39,661**	**70,988**	**257,991**

Based on an outlook of the market price of iron concentrates and ilmenite concentrates during the year ended 31 December 2019, management of the Group carried out an impairment test on the related assets of Shandong Ishine, which was considered as a separate cash generating unit ("CGU").

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

As at 31 December 2019, 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, leased equipment (Note 7) and intangible assets (Note 8) 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 six-year period, which reflected cash flow from the sales of iron and ilmenite concentrates from the production of the mines of CGU less estimated costs, discounted at the pre-tax rate of 15.8%. Cash flows beyond the fifth-year period was extrapolated using a growth rate of 2% until the end of a ten-year period. The key assumptions used in the value in use calculations in the year ended 31 December 2019 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 were recognised during the year ended 31 December 2019 and 2018, as the present value of recoverable amount of the CGU, to which of the property, plant and equipment, leased equipment and intangibles are allocated, is approximate to their aggregate carrying amounts.

7. Leases

Movements of the leases during the year are as follows:

	Right-of-use assets	**Lease liabilities**
As at 1 January 2019	4,109	4,109
Inception of new lease	3,351	3,351
Depreciation of right-of -use assets	(1,238)	–
Amortisation of interest	–	318
Repayments	–	(306)
Exchange retranslation differences	–	(10)
As at 31 December 2019	6,222	7,462

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

(i) Amounts recognised in the consolidated financial statement

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

	As at 31 December 2019	As at 1 January 2019
Right-of-use assets		
Land and buildings	**3,378**	342
Equipment	**2,844**	3,767
	6,222	4,109
Lease liabilities		
Current portion	**2,380**	–
Non-current portion	**5,082**	4,109
	7,462	4,109

Additions to the right-of-use assets upon Inception of new lease during the 2019 financial year were RMB3,351,000.

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

	Year ended 31 December 2019
Depreciation charge of right-of-use assets	
Land and buildings	**316**
Equipment	**922**
	1,238
Interest expense (included in finance expenses)	**318**

The total cash outflow for leases in 2019 was RMB306,000.

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

8. INTANGIBLE ASSETS

	Exploration rights (a)	Exploration and evaluation assets (b)	Mining rights (c)	Total
At 31 December 2019				
Cost	–	–	65,177	65,177
Accumulated amortisation and impairment	–	–	(65,177)	(65,177)
Net book amount	–	–	–	–
At 31 December 2018				
Cost	10,902	16,142	65,177	92,221
Accumulated amortisation and impairment	(10,902)	(16,142)	(65,177)	(92,221)
Net book amount	–	–	–	–

(a) Exploration rights consist of exploration right of an iron ore mine in Shandong Province, the PRC, acquired by the Group in 2008.

All exploration rights have been fully impaired as at 31 December 2018 and 2019.

These mineral assets were derecognised at 31 December 2019 as the related exploration permits expired.

(b) Exploration and evaluation assets represent capitalised expenditures incurred for application of the mining rights in Shandong Province, the PRC.

All exploration and evaluation assets have been fully impaired as at 31 December 2018 and 2019.

These mineral assets were derecognised at 31 December 2019 as the related exploration permits expired.

(c) In the previous years, the Group's two mining rights in the exploitation of iron ores and ilmenite ores were fully impaired. During the year, the application for the renewal of the mining right of iron ores, which expired in 2018, is currently under approval by the relevant provincial government authorities and based on the PRC legal opinion sought by the Group, there would be no material legal obstacle and costs in obtaining the successful renewal for the mining right certificate for the iron ores. The other mining certificate for ilmenite ores will expire on 31 December 2020. Based on the assessment, as disclosed in Note 6, no reversal of the previous impairment for the mining rights was recognised during the year ended 31 December 2019.

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Interests in associates

On 23 February 2018, Shandong Ishine's interests in Superior Lake was diluted from 30.22% to 8.73% after a share issuance by Superior Lake, Shandong Ishine no longer has significant influence over this investment and the investment was reclassified from an associate to financial assets at fair value through other comprehensive income. The fair value change from the day it was treated as an associate to the day ceased to have significant influence, and amounts previously recognised in other comprehensive income were recognised in profit or loss (Note 29).

On 4 March 2018, Shandong Ishine and a third party natural person entered into an investment agreement to set up Baosheng New Energy Technology Limited ("Baosheng New Energy") to subscribe 37.04% and 62.96% of Baosheng New Energy's equity, respectively. Baosheng New Energy was established on 30 March 2018.

Set out below is the information of Baosheng New Energy as at 31 December 2019. It has share capital consisting solely of ordinary shares, which are held directly by Shandong Ishine. The country of incorporation or registration is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	2019	2018
As at January	**1,100**	–
Investment in an associate	**–**	1,100
Share of losses for the year	**(266)**	–
As at 31 December	**834**	1,100

Place of business/ country of incorporation	**% of ownership interest 2019**	**Nature of relationship**	**Measurement method**	**Carrying amount 31 December 2019**
China	37.04%	Associate	Equity method	834

In the opinion of the SEM, the associate is immaterial to the Group.

(b) Interests in a joint venture

On 28 September 2018, Grandson and other three parties entered into an investment agreement to set up Xinjiang Zhongtai Aide Energy Technology Co., Ltd. ("Xinjiang Zhongtai"). Grandson's share of equity is 40%. Xinjiang Zhongtai was established on 15 November 2018. Xinjiang Zhongtai has not carried out any operations and the Group had not made capital contribution to Xinjiang Zhongtai as of 31 December 2019.

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

Further to the dilution of Shandong Ishine's equity interest in Superior Lake disclosed in Note 9(a), on 2 July 2019 and 24 August 2018, Shandong Ishine's interests in Superior Lake was diluted further from 7.52% to 5.84% and 8.73% to 7.52% after a share issuance by Superior Lake, respectively. As at 31 December 2019, the Group's remaining interests in Superior Lake (Note 9) was classified as level 1 financial instrument since Superior Lake is a listed company in Australia and the quoted price is easily accessed.

(b) Amounts recognised in profit or loss and other comprehensive income

	As at 31 December	
	2019	2018
Losses recognised in OCI (Note 19)	**(5,626)**	(6,629)

(c) Fair value, impairment and risk exposure

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

11. 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	
	2019	2018
Deferred tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**(5,413)**	(5,413)

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

	Year ended 31 December	
	2019	2018
At 1 January	**(5,413)**	(8,262)
Charge to the statement of comprehensive income *(Note 33)*	–	2,849
At 31 December	**(5,413)**	(5,413)

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:

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

(a) Deferred income tax assets

	Provisions for close down, restoration and environmental costs	Tax losses	Impairment losses	Others	Total
At 1 January 2018	207	880	11,780	(750)	12,117
Credited to the statement of comprehensive income	60	–	3,080	834	3,974
At 31 December 2018 and 2019	267	880	14,860	84	16,091

(b) Deferred income tax liabilities

	Depreciation of mining infrastructure	Total
At 1 January 2018	(20,379)	(20,379)
Charged to the statement of comprehensive income	(1,125)	(1,125)
At 31 December 2018 and 2019	(21,504)	(21,504)

(i) As at 31 December 2019, the Group has not recognised deferred income tax assets of approximately RMB40,467,000 (2018: RMB34,577,000) in respect of accumulated losses arising from Shandong Ishine amounting to RMB269,779,000 (2018: RMB230,510,000), that can be carried forward against future taxable income.

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

	As at 31 December	
	2019	2018
Year of expiry		
2025	**106,933**	106,933
2026	**57,687**	57,687
2027	**10,410**	10,410
2028	**55,480**	55,480
2029	**39,269**	–
	269,779	230,510

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

12. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2019	2018
Land restoration deposits	**7,224**	7,224
Prepaid taxes	**3,772**	3,677
	10,996	10,901

13. INVENTORIES

	As at 31 December	
	2019	2018
Raw materials		
– Iron ore and ilmenite ore	**74**	74
Commodities held for trading		
– Spodumene	**67,693**	67,693
– Others	**590**	14,818
Finished goods	**37,082**	36,241
Spare parts and others	**4,506**	3,854
Provision for inventory write-down	**(44,696)**	(42,993)
	65,249	79,687

For the year ended 31 December 2019, the costs of inventories recognised as 'cost of sales' amounted to RMB311,709,000 (2018: RMB182,210,000) (Note 26).

During the year ended 31 December 2019, impairment loss of RMB1,703,000 (2018: RMB40,002,000) has been charged to the consolidated profit or loss, including RMB2,467,000 (2018: RMB39,595,000) of spodumene and reversal of impairment loss of RMB764,000 (2018: impairment loss of RMB407,000) of other raw materials and finished goods.

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

14. TRADE RECEIVABLES

	As at 31 December	
	2019	2018
Trade receivables	**14,300**	23,587
Less: allowance for impairment of trade receivables	**(343)**	(363)
Trade receivables – net	**13,957**	23,224

The ageing analysis of trade receivables was as follows:

	As at 31 December	
	2019	2018
Within 3 months	**5,796**	20,535
3 to 6 months	**326**	2,219
6 months to 1 year	**7,925**	–
Over 1 year	**253**	833
	14,300	23,587

The carrying amounts of the Group's trade receivables are denominated in RMB.

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

	Year ended 31 December	
	2019	2018
At 1 January	**363**	6,588
Reversal for trade receivables impairment	**(20)**	(6,225)
At 31 December	**343**	363

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.

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

15. NOTES RECEIVABLES

	As at 31 December	
	2019	2018
Bank acceptance notes	**11,762**	18,450

As at 31 December 2019 and 2018 all bank acceptance notes are due within 12 months.

16. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
Trade deposits to suppliers	**11,749**	1,256
Prepaid taxes	**7,278**	7,278
Land restoration deposits	**38**	38
Deductible input value-added tax	**15,565**	13,092
Advance to employees	**11**	100
Others	**3,316**	3,763
	37,957	25,527

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

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

	As at 31 December	
	2019	2018
Cash and cash equivalents		
– Cash on hand	**7**	363
– Cash at bank	**89,789**	33,068
	89,796	33,431
Term deposits – maturity over 3 months	**–**	30,000
Restricted bank deposits		
– Deposits for land restoration	**11,251**	3,424
	101,047	66,855

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

	As at 31 December	
	2019	2018
RMB	**75,094**	49,169
HKD	**25,249**	16,315
USD	**701**	1,368
AUD	**3**	3
	101,047	66,855

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 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

18. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	Share capital	Share premium	Total
At 1 January 2018	4,590,421,920	7,413	634,328	641,741
Issuance of shares *(a)*	322,348,000	528	28,892	29,420
Repurchase of shares *(b)*	(2,160,000)	(4)	(165)	(169)
At 31 December 2018	4,910,609,920	7,937	663,055	670,992
Issuance of shares *(a)*	447,220,000	805	34,270	35,075
At 31 December 2019	**5,357,829,920**	**8,742**	**697,325**	**706,067**

(a) Issuance of shares

On 2 October 2019 and 4 June 2018, the Company completed a placement of shares, with an aggregate of 447,220,000 and 322,348,000 placing shares placed to no less than six Placees who are independent third parties, at the placing price of HKD0.090 (equivalent to RMB0.081) and HKD0.115 (equivalent to RMB0.093) per share, respectively. Commissions of the issuance was approximately HKD1,278,000 (equivalent to RMB1,150,000) and HKD1,120,000 (equivalent to RMB917,000), respectively. The net proceeds from the placing was approximately HKD38,972,000 (equivalent to RMB35,075,000) and HKD35,950,000 (equivalent to RMB29,420,000), respectively.

(b) Repurchase of shares

During the year ended 31 December 2018, the Group purchased and cancelled 2,160,000 of its own shares on the Stock Exchange of Hong Kong Limited, with total consideration paid amounted to HKD195,000, equivalent to RMB169,000, which had been deducted from shareholders' equity.

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

19. RESERVES

	Merger reserve (a)	Capital reserve	Statutory reserve fund (b)	Safety fund (c)	Future development fund (d)	Share-based payment reserve	Available-for-sale investments	FVOCI	Currency translation differences	Total
At 1 January 2018	(162,269)	53,129	48,483	18,674	4,497	27,605	585	–	(274)	(9,570)
Utilisations	–	–	–	(3,007)	–	–	–	–	–	(3,007)
Change in value on FVOCI	–	–	–	–	–	–	–	(6,629)	–	(6,629)
Disposal of interests in investments accounted for using equity method	–	–	–	–	–	–	(585)	–	274	(311)
At 31 December 2018	(162,269)	53,129	48,483	15,667	4,497	27,605	–	(6,629)	–	(19,517)
Utilisations	–	–	–	(863)	–	–	–	–	–	(863)
Change in value on FVOCI	–	–	–	–	–	–	–	(5,626)	–	(5,626)
At 31 December 2019	**(162,269)**	**53,129**	**48,483**	**14,804**	**4,497**	**27,605**	**–**	**(12,255)**	**–**	**(26,006)**

(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 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 years ended 31 December 2019 and 2018, these PRC registered subsidiaries did not make appropriation to the statutory reserve fund due to making losses for the respective years.

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

(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.

20. TRADE PAYABLES

	As at 31 December	
	2019	2018
Trade payables	**10,526**	12,377

As at 31 December 2019 and 2018, the ageing analysis of trade payables was as follows:

	As at 31 December	
	2019	2018
Within 6 months	**7,046**	6,648
6 months to 1 year	**2,474**	2,392
Over 1 year	**1,006**	3,337
	10,526	12,377

As at 31 December 2019 and 2018, all the Group's trade payables were denominated in RMB.

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

21. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2019	2018
Accrued land compensation costs	**7,217**	7,713
Advance construction funds from government	**19,882**	20,882
Guarantee deposits	**2,327**	2,954
Employee benefits payable	**3,389**	5,779
Interest payable	**3,896**	4,238
Others	**6,251**	4,688
	42,962	46,254

22. BORROWINGS

	As at 31 December	
	2019	2018
Non-current		
Bonds	**122,514**	115,995
Current		
Bank borrowings	**40,000**	–
Total Borrowings	**162,514**	115,995
Representing:		
Unsecured		
– Bonds wholly payable within 5 years (a)	**122,514**	115,995
– Bank borrowings within/year (b)	**40,000**	–
	162,514	115,995

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

At 31 December 2019 and 2018, the Group's borrowings were repayable as follows:

	As at 31 December	
	2019	2018
Within 1 year	**40,000**	–
1 year to 5 years	**122,514**	115,995
	162,514	115,995

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

	As at 31 December	
	2019	2018
RMB	**40,000**	–
HKD	**122,514**	115,995
	162,514	115,995

(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 2019 and 2018, the aggregate carrying amount of the bonds was approximately HKD136,727,000 (equivalent to RMB122,514,000) and HKD132,384,000 (equivalent to RMB115,995,000).

(b) Bank borrowings

As at 31 December 2019, bank borrowing of RMB40,000,000 were unsecured. The interest rate at 31 December 2019 was 6.53%.

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

23. PROVISIONS FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	As at 31 December	
	2019	2018
At 1 January	**9,357**	8,955
Unwinding of discount charged to the statement of comprehensive income *(Note 31)*	**624**	402
At 31 December	**9,981**	9,357

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.

24. DIVIDENDS

The Board of Directors did not recommend a final dividend for the year ended 31 December 2019 (2018: nil).

25. REVENUE

	Year ended 31 December	
	2019	2018
Production		
– Sales of iron and spodumene concentrates	**167,672**	148,430
– Sales of titanium concentrates	**–**	2,890
Trading		
– Sales of coarse iron powder	**155,669**	30,531
– Sales of coal (a)	**–**	35,357
	323,341	217,208

(a) In the fourth quarter of 2018, the Company's wholly owned subsidiary, Shandong Ishine, recorded coal trading transactions amounted to RMB35,357,000, together with the related cost of sales of RMB26,777,000 and a gross profit of RMB8,580,000, representing a gross margin of 24.3%. During the last year ended 31 December 2018, the coals were purchased by the Group from a state-owned enterprise as an independent third party supplier to which the coals were first supplied from 新疆疆納礦業有限公司 (referred to as "Jiangna Mining") and the controlling shareholder of Jiangna Mining is Mr. Li Yunde, who is also the controlling shareholder and a director of the Company; and based on the information made available to the directors of the Company, the two customers to which all these coals were sold by the Group were also parties neither related to the Group nor its management. The Group did not have such coal transactions during the year ended 31 December 2019.

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

26. EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
Changes in inventories of finished goods, iron ore and ilmenite ore	**16,907**	(9,586)
Raw materials used for trading	**154,337**	57,490
Raw materials used for production	**140,465**	131,317
Utilization of safety fund and future development fund	**–**	7
Spare parts and others	**3,948**	2,982
Employee benefit expense *(Note 28)*	**11,753**	10,044
Land compensation expenses	**6,747**	6,069
Depreciation *(Note 6)*	**15,088**	15,359
Transportation expenses	**2,197**	13,971
Utilities and electricity	**5,667**	6,037
Professional fees	**6,188**	3,236
Auditors' remuneration:		
Charge for the year:		
– Audit services	**1,254**	2,760
– Non-audit services	**–**	761
Underprovision for the previous year	**39**	–
Travelling expenses	**2,715**	3,468
Rental and insurance fee	**1,327**	1,225
Other expenses	**10,768**	15,958
Total cost of sales, distribution expenses and administrative expenses	**379,400**	261,098

27. REVERSAL OF IMPAIRMENT LOSS OF FINANCIAL ASSETS

	Year ended 31 December	
	2019	2018
Reversal of impairment in trade receivables	**20**	6,225
Reversal of impairment in other receivables	**23**	432
	43	6,657

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

28. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2019	2018
Wages, salaries and allowances	**9,715**	7,900
Pensions and others welfare expenses	**2,038**	2,144
	11,753	10,044

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2018: four) directors whose emoluments are reflected in the analysis shown in Note 39. The emoluments payable to the remaining two (2018: one) individuals during the year are as follows:

	Year ended 31 December	
	2019	2018
Basic salaries and allowances	**2,277**	567
Contribution to pension scheme	**67**	15
	2,344	582

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

	Number of individuals	
	Year ended 31 December	
	2019	2018
Emolument band		
HKD500,000 and below	**2**	2
HKD500,001 – HKD1,000,000	**3**	3

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

29. OTHER INCOME

	Year ended 31 December	
	2019	2018
Government grants	**1,413**	195
Gain on disposal of interests in an associate	**–**	2,129
	1,413	2,324

30. OTHER LOSSES

	Year ended 31 December	
	2019	2018
Losses on disposal of property, plant and equipment	**141**	146
Others	**–**	91
	141	237

31. FINANCE COSTS – NET

	Year ended 31 December	
	2019	2018
Interest expense:		
– Borrowings	**(13,804)**	(17,406)
– Provisions: unwinding of discount *(Note 23)*	**(624)**	(402)
– Discount of bank acceptance notes	**–**	(165)
– Lease liabilities	**(318)**	–
Net foreign exchange (losses)/gains	**86**	(6,119)
Other finance expenses	**(211)**	(247)
Finance costs	**(14,871)**	(24,339)
Finance income:		
– Interest income on bank deposits	**280**	3,833
Finance costs – net	**(14,591)**	(20,506)

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

32. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2019 and 2018 (expressed in dollar of respective currency):

Company name	Place and date of incorporation	Principal activities	Type of legal entity	Issued/paid-up capital	Equity interest attributable to the Group
Directly held:					
Alliance Worldwide	BVI/ 29 November 2010	Investment holding	Limited liability company	USD50,000	100%
Active Fortune	BVI/ 10 November 2014	Investment holding	Limited liability company	HKD7.76	100%
Rongsheng	Cayman Islands/ 27 March 2015	Investment holding	Limited liability company	HKD0.06	100%
Indirectly held:					
Fortune Shine	Cayman Islands/ 21 September 2010	Investment holding	Limited liability company	USD50,000	100%
Shine Mining	Hong Kong/ 1 November 2010	Investment holding	Limited liability company	HKD10,000	100%
Ishine Mining	Hong Kong/ 22 December 2010	Investment holding	Limited liability company	HKD10,000	100%
Shandong Ishine	The PRC/ 4 December 2001	Iron ore mining, processing and sales of iron concentrates	Limited liability company	USD42,614,183	100%
Alpha Charm	BVI/ 10 November 2014	Investment holding	Limited liability company	USD1	100%
Grandson	Hong Kong/ 3 October 2014	Investment holding	Limited liability company	HKD1	100%
Ever Grand	The PRC/ 3 April 2015	Finance lease	Limited liability company	USD30,000,000	100%
Yishui Shengrong	The PRC/ 9 October 2015	Wind power generation	Limited liability company	RMB182,000,000	100%

As at 31 December 2018 and 2019, there were no non-controlling interests of the subsidiaries in the Group.

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

33. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
Deferred tax *(Note 11)*:		
Origination and reversal of temporary differences	–	2,849

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

The subsidiaries incorporated in BVI under the International Business Companies Acts of the British Virgin Islands are exempted from payment of BVI income tax.

Hong Kong profit tax has not been provided for the subsidiaries in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the years ended 31 December 2019 and 2018.

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.

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

The tax rate for the Company's other PRC subsidiaries is 25% for the year ended 31 December 2019 (2018: 25%).

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

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

	Year ended 31 December	
	2019	2018
Loss before tax	**(71,304)**	(98,645)
Tax calculated at domestic tax rates applicable in the respective countries	**(11,231)**	9,066
Tax effects of:		
– Expenses not deductible for tax purposes	**2,340**	5
– Tax losses for which no deferred income tax asset was recognised	**8,895**	(6,222)
– Income not taxable	**(4)**	–
Income tax expense	**–**	2,849

34. LOSS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2019	2018
Loss attributable to owners of the Company	**(71,304)**	(95,796)
Weighted average number of ordinary shares in issue	**5,022,108,605**	4,801,242,715
Basic loss per share (Expressed in RMB per share)	**(0.014)**	(0.020)

(b) Diluted

As at 31 December 2018 and 2019, there were no dilutive instruments of the Company, the diluted loss per share were calculated in the same way as basic losses per share.

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

35. CASH GENERATED FROM/(USED IN) OPERATIONS

(a) Cash generated from operations

	Year ended 31 December	
	2019	2018
Loss before income tax	**(71,304)**	(98,645)
Adjustments for:		
– Depreciation of property, plant and equipment *(Note 6)*	**15,088**	15,359
– Depreciation of right-of-use assets *(Note 7)*	**1,238**	–
– Amortisation of deferred income	**(76)**	(77)
– Reversal of impairment loss of financial assets *(Note 27)*	**(43)**	(6,657)
– Write-down of inventories, net *(Note 13)*	**1,703**	42,993
– Loss on disposal of property, plant and equipment *(Note 30)*	**141**	146
– Gain on disposal of interests in an associate *(Note 29)*	**–**	(2,129)
– Interest expense on bank borrowings *(Note 31)*	**13,804**	17,406
– Interest expense on unwinding of discount *(Note 31)*	**624**	402
– Interest expense on lease liabilities *(Note 31)*	**318**	–
– Share of results of an associate *(Note 9)*	**266**	–
– Interest income *(Note 31)*	**(280)**	(3,833)
– Exchange losses	**2,516**	5,271
Changes in working capital:		
– Inventories	**11,872**	(89,558)
– Trade receivables	**9,287**	9,152
– Notes receivables	**6,688**	16,750
– Prepayments and other receivables and other non-current assets	**(12,502)**	(2,468)
– Trade payables	**(1,851)**	5,596
– Accruals and other payables and contract liabilities	**(687)**	(1,301)
Cash used in operations	**(23,198)**	(91,593)

For the year ended 31 December 2019 (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	
	2019	2018
Borrowings	**(162,514)**	(115,995)
Interest payable	**(3,896)**	(4,238)
Lease liabilities	**(7,462)**	–
	(173,872)	(120,233)

	Liabilities from financing activities			
	Borrowings	**Interest payable**	**Lease liabilities**	**Total**
At 1 January 2018	(207,210)	(3,749)	–	(210,959)
Cash flows				
– Payments for borrowings	100,000	–	–	100,000
– Payments of interests	–	13,299	–	13,299
Foreign exchange adjustments	(5,167)	–	–	(5,167)
Interest expense on borrowings	(3,618)	(13,788)	–	(17,406)
As at 31 December 2018	(115,995)	(4,238)	–	(120,233)
Effect due to initial application of HKFRS 16	–	–	(4,109)	(4,109)
As at 1 January 2019	**(115,995)**	**(4,238)**	**(4,109)**	**(124,342)**
Cash flows				
– Proceeds from borrowings	**(40,000)**	**–**	**–**	**(40,000)**
– Payments for lease liabilities	**–**	**–**	**306**	**306**
– Payments of interests	**–**	**9,974**	**–**	**9,974**
Foreign exchange adjustments	**(2,347)**	**–**	**10**	**(2,337)**
Interest expense on borrowings	**(4,172)**	**(9,632)**	**–**	**(13,804)**
Interest expense on lease liabilities	**–**	**–**	**(318)**	**(318)**
Capitalisation of right-of-use assets upon lease inception	**–**	**–**	**(3,351)**	**(3,351)**
As at 31 December 2019	**(162,514)**	**(3,896)**	**(7,462)**	**(173,872)**

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

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

36. COMMITMENTS

Capital commitments

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

	As at 31 December	
	2019	2018
Property, plant and equipment	**–**	1,516
Joint venture investment	**8,000**	8,000
	8,000	9,516

37. 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) During the years ended 31 December 2019 and 2018, the Company's directors were of the view that the following individual was a related party of the Group:

Name of related party	**Nature of relationship**
Mr. Li Yunde	The Controlling Shareholder

(b) Significant transactions with related parties

In 2019 and 2018, the Group had no significant transactions or balances with related parties.

(c) Key management compensation

Key management includes directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2019	2018
Wages, salaries and allowances	**2,583**	2,284
Contribution to pension scheme	**59**	55
	2,642	2,339

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

38. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2019	2018
ASSETS		
Non-current assets		
Property, plant and equipment	**–**	–
Right-of-use assets	**3,119**	–
Interest in subsidiaries	**433,629**	430,867
	436,748	430,867
Current assets		
Prepayments and other receivables	**1,974**	3,756
Cash and cash equivalents	**24,350**	15,746
	26,324	19,502
Total assets	**463,072**	450,369
EQUITY		
Equity attributable to owners of the Company		
Share capital and share premium	**706,067**	670,992
Reserves (a)	**142,547**	142,547
Accumulated losses (a)	**(529,702)**	(499,574)
Total equity	**318,912**	313,965
LIABILITIES		
Non-current liabilities		
Borrowings	**122,514**	115,995
Lease liability-non-current portion	**1,906**	–
	124,420	115,995
Current liabilities		
Accruals and other payables	**18,560**	20,409
Lease liability-current portion	**1,180**	–
	19,740	20,409
Total liabilities	**144,160**	136,404
Total equity and liabilities	**463,072**	450,369

The balance sheet of the Company was approved by the Board of Directors on 6 May 2020, and was signed on its behalf.

Executive Director　　　　　　　　Executive Director

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

(a) Reserve movement of the Company

	Accumulated losses	Capital reserve	Share-based payment reserve
At 1 January 2018	(385,981)	119,549	22,998
Loss for the year	(113,593)	–	–
At 31 December 2018	(499,574)	119,549	22,998
Loss for the year	(30,128)	–	–
At 31 December 2019	**(529,702)**	**119,549**	**22,998**

39. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments for the years ended 31 December 2019 and 2018 are set out below:

	Year ended 31 December	
	2019	2018
Basic salaries and allowances	**1,779**	1,717
Contribution to pension scheme	**43**	40
	1,822	1,757

For the year ended 31 December 2019 (Amounts expressed in thousands of RMB unless otherwise stated)

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

	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 2019						
Executive Directors						
Li Yunde	–	573	–	16	–	589
Geng Guohua	–	537	–	16	–	553
Lang Weiguo	–	215	–	11	–	226
Independent Non-executive Directors						
Lin Chu Chang	100	–	–	–	–	100
Zhang Jingsheng	108	–	–	–	–	108
Li Xiaoyang	108	–	–	–	–	108
Leung Nga Tat	115	–	–	–	–	115
Non-executive Director						
Chau Ching	23	–	–	–	–	23

For the year ended 31 December 2019 (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 2018						
Executive Directors						
Li Yunde	–	540	–	15	–	555
Geng Guohua	–	507	–	15	–	522
Lang Weiguo	–	203	–	10	–	213
Independent Non-executive Directors						
Lin Chu Chang	203	–	–	–	–	203
Zhang Jingsheng	101	–	–	–	–	101
Li Xiaoyang	101	–	–	–	–	101
Non-executive Director						
Chau Ching	62	–	–	–	–	62

During the year ended 31 December 2019 and 2018, 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 year ended 31 December 2019 and 2018 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 year ended 31 December 2019 and 2018 as compensation for the termination of the appointment of directors.

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

During the year ended 31 December 2019 and 2018, 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 year ended 31 December 2019 and 2018.

(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 year ended 31 December 2019 and 2018.

40. EVENT AFTER THE REPORTING PERIOD

The COVID-19 outbreak since the end of 2019 has brought about additional uncertainties to the Group's operating environment and may have impact on the Group's operations and financial position. However, the actual impacts cannot be estimated as the situation continues to evolve. The Group has been closely monitoring the impact from the COVID-19 epidemic on the Group's businesses and has commenced to put in place various measures.

As of the date of approval of the consolidated financial statements, the directors of the Company consider that there is no material uncertainty as a result of COVID-19 outbreak that may cast a doubt on the Group's ability to carry on its business as a going concern in the next twelve months.

41. COMPARATIVE FIGURES

Certain comparative figures have been amended to conform with current year's presentation.

42. ULTIMATE CONTROLLING PARTY

At the end of the reporting period and up to the date of approval for the consolidated financial statements,the ultimate controlling party of the Company is Mr. Li Yunde.

Financial Highlights

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations					
Revenue	**323,341**	217,208	30,306	57,278	294,481
Cost of sales	**(322,048)**	(205,988)	(68,004)	(55,182)	(329,224)
Gross (loss)/profit	**1,293**	11,220	(37,698)	2,096	(34,743)
Selling and distribution expenses	**(1,816)**	(1,442)	(62)	(249)	(3,034)
Administrative expenses	**(55,536)**	(53,668)	(40,612)	(76,907)	(210,474)
Finance costs, net	**(14,591)**	(20,506)	(7,380)	(22,554)	(21,603)
Share of loss of an associate	**(266)**	–	–	–	–
(Loss)/profit before tax	**(71,304)**	(98,645)	(85,646)	(96,230)	(282,057)
Income tax credit/(expense)	**–**	2,849	(365)	(9,348)	18,641
Loss from discontinued operations	**–**	–	(55,586)	(12,477)	–
(Loss)/Profit attributable to:					
Owners of the Company	**(71,304)**	(95,796)	(139,633)	(117,240)	(261,414)
Non-controlling interests	**–**	–	(1,964)	(815)	(2,002)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	**229,972**	213,743	493,011	499,131	585,876
Non-current assets	**279,436**	286,734	279,475	384,366	481,345
Current liabilities	**98,338**	58,838	263,623	196,002	312,541
Non-current liabilities	**143,300**	131,151	124,890	156,338	128,952
Equity attributable to:					
Equity holders of the Company	**267,770**	310,488	383,973	525,910	624,302
Non-controlling interests	**–**	–	–	5,247	1,426

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash (used in)/generated from operating activities	**(22,918)**	(101,059)	4,228	51,707	(101,274)
Net cash generated from/(used in) investing activities	**14,667**	181,716	(98,897)	19,645	(144,348)
Net cash (used in)/generated from financing activities	**64,795**	(170,749)	97,348	(48,953)	201,943

SELECTED FINANCIAL RATIOS

	For the year ended 31 December				
	2019	2018	2017	2016	2015
Gross profit/(loss) margin	**0.4%**	5.20%	(124.39)%	3.50%	(11.80)%
Net (loss)/profit margin	**(22.05)%**	(44.10)%	(467.22)%	(202.68)%	(89.45)%
Gearing ratio	**37.80%**	27.20%	35.10%	28.50%	30.20%