大愛無疆・德行天下

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

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2623

ANNUAL REPORT 2021

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Corporate Information

BOARD OF DIRECTORS

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

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

COMPANY SECRETARY
Chan Yuen Ying, Stella

AUTHORISED REPRESENTATIVES
Geng Guohua
Chan Yuen Ying, Stella

AUDIT COMMITTEE
Leung Nga Tat (Committee Chairman)
Li Xiaoyang
Zhang Jingsheng

REMUNERATION COMMITTEE
Leung Nga Tat (Committee Chairman)
Li Yunde
Zhang Jingsheng

NOMINATION COMMITTEE
Li Yunde (Committee Chairman)
Li Xiaoyang
Zhang Jingsheng

AUDITOR
Crowe (HK) CPA Limited

LEGAL ADVISER
As to Cayman Islands law:
Appleby

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

HEADQUARTERS IN THE PRC
Qin Jia Zhuang
Yangzhuang Town
Yishui County
Shandong Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suite 3105, 31/F
Tower 6, The Gateway
Harbour City, 9 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
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 of the Company (“Shareholders”) the annual results for the year ended 31 December 2021 of Add New Energy Investment Holdings Group Limited (the “Company”) and its subsidiaries (the “Group”).

BUSINESS REVIEW

During the year ended 31 December 2021, the total comprehensive loss of the Group was approximately RMB30.3 million, compared with total comprehensive income of approximately RMB61.8 million for the same period of the year ended 31 December 2020. Revenue increased by RMB667.8 million, representing an increase of 69.1% as compared to RMB966.0 million for the same period last year. In 2020, the entire industry chain was hit by the COVID-19 pandemic and the industry was challenged by the regulations on safety production and environment. The Board and management of the Company made all-out efforts to fight the pandemic and actively expand the market. Despite a substantial increase in revenue, the abnormal global economy and the lower profit margin of commodities in the second half of the year resulted in a decline in profitability. We have done the following major works:

MAJOR WORKS DONE IN 2021

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

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

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

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

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

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

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

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

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

2022 DEVELOPMENT PLANS

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

I. The Group will continue to maintain its competitive edge in mining, production and sales of protective mining resources, while providing after sales services to establish close relationships with upstream and downstream businesses within the industrial value chain of the sector. In particular, the Company will give special play to the advantages of processing technique to bring favourable economic benefits for the Group.

II. The Group will continue to make greater efforts in the planning and implementation of a comprehensive industrial value chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag and sponge titanium. In addition, the Group will continue to enhance research and development cooperation with the Chinese Academy of Sciences and technology transfer cooperation with the Russian Academy of Sciences with an aim to achieve substantial industrialization and technical breakthroughs.

III. By making full use of its market and location advantages, the Group will actively conduct the businesses of port trade as well as overseas mines processing, in order to improve revenue and profitability.

IV. The Group had also obtained certificate of reserves for Yangzhuang Iron Mine, filed geological data and conducted the registration of occupying reserves. It is expected that the renewed mining permit will be obtained this year.

V. A reserve of 3,549 tons of rubidium ore has been assessed and recorded in Yangzhuang Iron Mine with a contained metal of 4.47 tons and a grade of 0.126% (industrial grade of 0.12%). Pursuant to the demands of scarce mineral, the Group will conduct mining and production in due course.

VI. The Group will continue to implement the environmental management and land rehabilitation program in respect of Yangzhuang Iron Mine, and further process the tailings in the past ten years to turn waste into treasure for sales, which will become a new economic driver.

VII. The Group will speed up the comprehensive utilisation of low-carbon resources project of Zhuge Shangyu Ilmenite Mine, and strengthen cooperation with partners in new energy businesses such as wind power and photovoltaic power to form production capacity as soon as possible, thus providing new economic drivers of the Company.

VIII. The Group will make full use of the investment and operation advantages in Xinjiang over the logistics, new energy and trade to form scale advantages as soon as possible, thus generating better economic benefits.

IX. The Group will improve the management of internal control to ensure both the further improvement of the Company's comprehensive management and the law compliance, so as to lay the management foundation for better performance.

X. Capitalising on the platform as a listed group and taking proactive measures for various projects in the capital market, the Company will carry out financing and investment businesses in a timely manner.

XI. The Group will focus on the launch of carbon market opportunities, invest resources in carbon market projects and strive to become a shareholder of national carbon emission trading institutions.

Last but not least, I would like to express my sincere gratitude to all members of the Board for their valuable advice on the governance and production and operation of the Company. My gratitude also goes to the management and all employees for their hard work and dedication in their respective positions.

Li Yunde
Chairman
Hong Kong, 30 March 2022

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, Yangzhuang Town, Shandong Province, the PRC ("Yangzhuang Iron Mine"), Zhuge Shangyu Ilmenite Mine (諸葛上峪鈦鐵礦), an ilmenite and magnetite mine located in Yishui County, Shandong Province, the PRC ("Zhuge Shangyu Ilmenite Mine"), and owns the exploration rights over Yangzhuang Iron Mine, Qinjiazhuang Ilmenite Project, an ilmenite ore project located in Qinjiazhuang, Yishui County, Shandong Province, the PRC ("Qinjiazhuang Ilmenite Project"), Zhuge Shangyu Ilmenite Mine and Gaozhuang Shangyu Ilmenite Project, an ilmenite ore project located in Shangyu District, Yishui County, Shandong Province, the PRC ("Gaozhuang Shangyu Ilmenite Project").

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

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

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

Management Discussion and Analysis

MEASURES TAKEN BY THE MANAGEMENT IN 2021

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

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

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

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

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

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

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

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

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

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

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

OPERATION OVERVIEW AND CAPITAL EXPENDITURE

I. Production and operation of titanium and iron mines

1. Yangzhuang Iron Mine

The Group is in the progress of renewing a mining permit of Yangzhuang Iron Mine with an approved annual mining production scale of 2.3 Mt.

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

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

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

2. Zhuge Shangyu Ilmenite Mine

The Group is preparing the application for the renewal of a mining permit of Zhuge Shangyu Ilmenite Mine 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 further cooperation with national scientific and research institutions, such as the Chinese Academy of Sciences, in order to improve titanium processing techniques and control production costs and enhance the value of ilmenite ore.

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

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

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

3. Qinjiazhuang Ilmenite Mine

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

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

4. Gaozhuang Shangyu Ilmenite Mine

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

II. Development of green mines

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

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

RESOURCES AND RESERVES OF MINES

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

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

Yangzhuang Iron Mine

1. Resource reporting cutoff grade: 15% TFe.

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

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

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

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

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

7. Parameters for Short Hole Shrinkage mining method:

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

Reason for the changes in the resources and reserves estimates:

During the period from November 2011 to December 2013, reserves were reduced by approximately 4.6 Mt due to mining activities. There was no exploration or mining activities carried out in Yangzhuang Iron Mine from 1 January 2014 to 31 December 2021.

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 2021.

Based on (1) the resources and reserves under the JORC for the Yangzhuang Iron Mine, Zhuge Shangyu Ilmenite Mine and Qinjiazhuang Ilmenite Project as at November 2011 as disclosed in the prospectus of the Company dated 17 April 2012; and (2) the estimated amount of ores mined by the Group from November 2011 to December 2013, the Group's estimated resources and reserves as at 31 December 2021 were as follows:

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

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

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

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

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

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

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

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

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

Resources Category	**Resources** *(Mt)*	**SG** *(t/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 2021, the Group did not have any plan to carry out mining work or other expansion plan.

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES AND COSTS

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

	Year ended 31 December	
	2021	2020
	Kt	*Kt*
Production Volume		
Feed tonnage	–	–

Management Discussion and Analysis

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

Management Discussion and Analysis

FINANCIAL REVIEW

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

PRICES OF THE GROUP'S PRODUCTS

Iron Concentrates

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

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

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

Titanium Concentrates

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

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

Revenue

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

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

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

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

Management Discussion and Analysis

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

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

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

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

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

Cost of Sales

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

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

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

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

Gross profit and gross profit margin

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

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

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

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

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

Other income

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

Finance costs, net

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

Total comprehensive (loss)/income

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

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2021 is HK$10,510,600 divided into 5,255,299,920 shares with par value of HK$0.002 each.

The Group adopts a prudent treasury policy, and its gearing ratio (calculated as total borrowings divided by the aggregate amount of total equity and total borrowings) as at 31 December 2021 was approximately 38.6% (as at 31 December 2020: approximately 36.6%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2021 was approximately 1.11 times (as at 31 December 2020: approximately 2.07 times). The drop in current ratio is mainly attributed to the maturity of most of the issued bonds of the Company within 12 months after the end of the reporting period. Subsequent to the end of the reporting period, Mr. Li Yunde ("Mr. Li"), the Chairman of the Board, an executive Director and the controlling shareholder of the Company entered into a loan agreement with a wholly-owned subsidiary of the Company on 23 March 2022, under which an amount of RMB120 million has been agreed to lend to the subsidiary for making repayments to the bondholders of the Company. The loan is unsecured, interest-free and with no fixed repayment term.

LIQUIDITY AND FINANCIAL RESOURCES

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

EVENTS AFTER REPORTING PERIOD

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

2022 DEVELOPMENT AND FUTURE PLANS

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

I. The Group will continue to maintain its competitive edge in mining, production and sales of protective mining resources, while providing after sales services to establish close relationships with upstream and downstream businesses within the industrial value chain of the sector. In particular, the Company will give special play to the advantages of processing technique to bring favourable economic benefits for the Group.

II. The Group will continue to make greater efforts in the planning and implementation of a comprehensive industrial value chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag and sponge titanium. In addition, the Group will continue to enhance research and development cooperation with the Chinese Academy of Sciences and technology transfer cooperation with the Russian Academy of Sciences with an aim to achieve substantial industrialization and technical breakthroughs.

III. By making full use of its market and location advantages, the Group will actively conduct the businesses of port trade as well as overseas mines processing, in order to improve revenue and profitability.

IV. The Group had also obtained certificate of reserves for Yangzhuang Iron Mine, filed geological data and conducted the registration of occupying reserves. It is expected that the renewed mining permit will be obtained this year.

V. A reserve of 3,549 tons of rubidium ore has been assessed and recorded in Yangzhuang Iron Mine with a contained metal of 4.47 tons and a grade of 0.126% (industrial grade of 0.12%). Pursuant to the demands of scarce mineral, the Group will conduct mining and production in due course.

VI. The Group will continue to implement the environmental management and land rehabilitation program in respect of Yangzhuang Iron Mine, and further process the tailings in the past ten years to turn waste into treasure for sales, which will become a new economic driver.

VII. The Group will speed up the comprehensive utilisation of low-carbon resources project of Zhuge Shangyu Ilmenite Mine, and strengthen cooperation with partners in new energy businesses such as wind power and photovoltaic power to form production capacity as soon as possible, thus providing new economic drivers of the Company.

VIII. The Group will make full use of the investment and operation advantages in Xinjiang over the logistics, new energy and trade to form scale advantages as soon as possible, thus generating better economic benefits.

IX. The Group will improve the management of internal control to ensure both the further improvement of the Company's comprehensive management and the law compliance, so as to lay the management foundation for better performance.

X. Capitalising on the platform as a listed group and taking proactive measures for various projects in the capital market, the Company will carry out financing and investment businesses in a timely manner.

XI. The Group will focus on the launch of carbon market opportunities, invest resources in carbon market projects and strive to become a shareholder of national carbon emission trading institutions.

EMPLOYEES AND REMUNERATION POLICIES

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

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the Shareholders to attend and vote at the annual general meeting of the Company to be held on Friday, 17 June 2022 ("2022 AGM"), the register of members of the Company will be closed from Monday, 13 June 2022 to Friday, 17 June 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2022 AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 10 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

DIRECTORS' SECURITIES TRANSACTIONS

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

Management Discussion and Analysis

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. In the opinion of the Directors, the Company was in compliance with all the relevant code provisions set out in the CG Code throughout the year ended 31 December 2021.

AUDIT COMMITTEE

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

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 CG Code as its own code of corporate governance. In the opinion of the Directors, the Company was in compliance with all the relevant code provisions set out in the CG Code throughout the year ended 31 December 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the year ended 31 December 2021.

BOARD OF DIRECTORS

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

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

Executive Directors

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

Independent non-executive Directors

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

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 52 to 55 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 2021, the Board held 4 meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were also given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

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

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

General Meetings

During the year ended 31 December 2021, one general meeting was held, being the 2021 annual general meeting of the Company held on 28 May 2021 (the "2021 AGM").

The attendance record of the Directors at the 2021 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
Independent Non-Executive Directors	
Mr. Li Xiaoyang	1/1
Mr. Leung Nga Tat	1/1
Mr. Zhang Jingsheng	1/1

The Board is responsible for maintaining an on-going dialogue with Shareholders and in particular, uses annual general meeting or other general meetings to communicate with them and encourage their participation. Mr. Li Yunde, the Chairman of the Board and the chairman of the Nomination Committee attended the 2021 AGM to answer questions and collect views of 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 2021 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 2020 while Mr. Leung Nga Tat has been appointed for a term of two years commencing from 18 June 2019 and has been renewed on 26 March 2021 for a further term of two years from 18 June 2021.

NOMINATION COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2021, the Nomination Committee held one meeting. The Nomination Committee reviewed the Board composition, assessed the independence of the independent non-executive Directors and made recommendation on the re-election of Directors.

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

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

REMUNERATION COMMITTEE

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

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

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

During the year ended 31 December 2021, the Remuneration Committee held one meeting. The Remuneration Committee reviewed the remuneration of Directors and the senior management.

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

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

The Company has adopted a share option scheme on 9 April 2012 ("Share Option Scheme"). 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 Company adopted a restricted Share Award Scheme as an incentive to recognize the contributions by employees and to give incentives in order to retain them for their continuing operation and development and to attract suitable personnel for further development of the Group. Restricted shares under the Share Award Scheme will be comprised of shares of the Company subscribed for or purchased by the trustee out of cash arranged by the Company. No restricted shares were purchased or allotted since its adoption.

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

The emolument payable to the Directors and senior management will depend on their respective contractual terms under employment contracts, if any, and will be fixed by the Board after taking into account the recommendation from the Remuneration Committee, the performance of the Group and the prevailing marketing conditions. Details of the remuneration of the Directors and senior management for the year ended 31 December 2021 are set out in notes 38 and 40 to the consolidated financial statements.

AUDIT COMMITTEE

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

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

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

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

During the year ended 31 December 2021, the Audit Committee held 2 meetings.

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

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

During the year ended 31 December 2021, the Audit Committee reviewed, among others, the 2020 annual results and the 2021 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 2021, 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 2021, the remuneration paid/payable to the Company's auditor, Crowe (HK) CPA Limited, was as follows:

	RMB'000
Services rendered	
Audit services	1,390
Non-audit services	316
	1,706

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 2021.

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 2021.

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 2021, 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 2021, 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 2021, 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 2021 falls within the following bands:

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

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 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 33 to the consolidated financial statements.

BUSINESS REVIEW

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

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

Save as aforesaid, no significant events that have an effect on the Group subsequent to the year ended 31 December 2021.

Environmental Policies and Performance

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

The environmental policies and performance of the Group during the year ended 31 December 2021 which contained the information required under Appendix 27 to the Listing Rules is set out in "Environmental, Social and Governance Report" to be published on the Stock Exchange's website and the Company's website within five months after the financial year ended 31 December 2021.

Compliance with Laws and Regulations

During the year ended 31 December 2021, 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" to be published.

Report of the Directors

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2021 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 64 to 65 and 126, respectively.

FINAL DIVIDEND

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the Shareholders to attend and vote at the annual general meeting of the Company to be held on Friday, 17 June 2022 ("2022 AGM"), the register of members of the Company will be closed from Monday, 13 June 2022 to Friday, 17 June 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2022 AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 10 June 2022.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2021 are set out in note 19 to the consolidated financial statements.

SHARES ISSUED

The Company has not issued any shares during the year ended 31 December 2021.

DEBENTURES ISSUED

The Group has not issued any debenture during the year ended 31 December 2021.

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

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

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

In addition, during the year, the Company, through the trustee appointed for the Share Award Scheme purchased from the market 9,620,000 shares of the Company for the purpose of the Share Award Scheme.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB257,962,000 (2020: RMB278,110,000).

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

Independent non-executive Directors

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

In accordance with Article 108 of the Articles, Mr. Li Yunde and Mr. Geng Guohua shall retire from office at the 2022 AGM by rotation and, being eligible, offer themselves for re-election.

INDEPENDENCE CONFIRMATION

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

SHARE OPTION SCHEME

To attract and retain the best available personnel, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted 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 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 6.86% 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").

SHARE AWARD SCHEME

On 28 December 2020, the Board adopted the Share Award Scheme as an incentive to recognise the contributions by employees and to give incentives in order to retain them for their continuing operation and development and to attract suitable personnel for further development of the Group. Restricted shares under the Share Award Scheme will be comprised of shares of the Company subscribed for or purchased by the trustee out of cash arranged to be paid by the Company out of the Company's funds to the trustee. The Company has appointed Greenfield Services Limited as trustee for the Share Award Scheme. During the year ended 31 December 2021, 9,620,000 restricted shares were purchased by the trustee from the market for the purpose of the Share Award Scheme. There was no new share allotted and issued to the trustee by the Company and no restricted shares was granted to any of employees of the Group under the Share Award Scheme during the year ended 31 December 2021.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2021 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. Each of the executive Directors entered into a renewed service agreement with the Company on 26 March 2021 for the renewal of the term of three years commencing from 27 April 2021.

Mr. Li Xiaoyang and Mr. Zhang Jingsheng, the independent non-executive Directors, entered into a service agreement with the Company on 6 May 2020 for a fixed term of two years commencing from 27 April 2020 unless terminated by not less than three months' notice in writing served by either party on the other. Mr. Li Xiaoyang and Mr. Zhang Jingsheng entered into a renewed service agreement with the Company on 30 March 2022 for the renewal of the term of two years commencing from 27 April 2022.

Mr. Leung Nga Tat, an independent non-executive Director, entered into a 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. Mr. Leung Nga Tat entered into a renewed service agreement with the Company on 26 March 2021 for the renewal of the term of two years commencing from 18 June 2021.

None of the Directors proposed for re-election at the 2022 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 2021 or at any time during the year ended 31 December 2021, nor any transaction, arrangement or contract of significance has been entered into at 31 December 2021 or at any time during the year ended 31 December 2021 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 (2020: 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 2021.

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 2021, they had complied with the Deeds of Non-competition. The Committee also confirmed that they were not aware of any non-compliance with the Deeds of Non-competition by the Covenantors during the same period.

RETIREMENT SCHEMES

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

PERMITTED INDEMNITY PROVISION

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

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

As at 31 December 2021, the interest or short positions of the Directors or chief executives in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO) or pursuant to the Model Code, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, are set out below:

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

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

Notes:

1. Mr. Li beneficially holds the entire issued share capital of Hongfa 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 2021, 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 2021, 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	38.97%
Ms. Zhang Limei ("Ms. Zhang")	Interest of spouse	Long position	2,170,196,660 *(Note 1)*	41.30%
X.Mining Resources Group Limited	Beneficial owner	Long position	326,344,000 *(Note 2)*	6.21%
Mr. Wu Pun Yan ("Mr. Wu")	Interest of controlled corporation	Long position	326,344,000 *(Note 2)*	6.21%

Notes:

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

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

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2021.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the Group's related party transactions for the year ended 31 December 2021 are set out in Note 38 to the consolidated financial statements. Some of those transactions constituted connected transactions or continuing connected transactions and have complied with the relevant disclosure requirements under Chapter 14A of the Listing Rules

CONNECTED TRANSACTIONS

Trademark License Agreement

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

Key Management Compensation

The material related party transactions in relation to the key management compensation remuneration, which is exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.95 of the Listing Rules as disclosed in Note 38 to the consolidated financial statements in this annual report.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Coal Purchase and Sale Agreement

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

Xinjiang Jiangna Mining is indirectly wholly-owned by Mr. Li, the chairman of the Board, an executive Director and a controlling Shareholder of the Company (as defined under the Listing Rules). Mr. Li is interested in 2,048,138,660 Shares through Hongfa Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Li, and he holds 122,058,000 Shares personally, which in aggregate represents approximately 41.30% of the total issued Shares. Accordingly, Xinjiang Jiangna Mining is regarded as an associate of Mr. Li and a connected person of the Company.

The annual caps for Hami Xinxing to purchase blended coal from Xinjiang Jiangna Mining under the Coal Purchase and Sale Agreement for each year amounted to RMB1.5 billion.

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

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2021, 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 38 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, approximately 42% of the Group's turnover and approximately 80% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers, respectively. Approximately 17% of the Group's turnover and approximately 37% 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 2021.

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 2021 before such documents were tabled at a meeting of the Board held on 30 March 2022 for the Board's review and approval, and was of the opinion that such documents had complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 28 to 40 of this annual report.

AUDITORS

PricewaterhouseCoopers retired as the auditor of the Company with effect from the conclusion of the annual general meeting of the Company held on 18 June 2019. The Board on analysis and recommendation by the Audit Committee, appointed Crowe (HK) CPA Limited as the auditor of the Company with effect from 25 October 2019 to fill the vacancy occasioned by the retirement of PricewaterhouseCoopers pursuant to article 176(a) of the Articles. Save as aforesaid, there is no other change in auditor during the past three years. A resolution will be submitted to the 2022 AGM to re-appoint Crowe (HK) CPA Limited as the auditor of the Company.

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

Li Yunde
Chairman

Hong Kong, 30 March 2022

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li Yunde

Mr. Li, aged 55, was appointed as a Director on 8 February 2011 and redesignated as an executive Director on 9 April 2012. Mr. Li is also the chairman of the Board, and a director of certain subsidiaries of the Group. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee. He is primarily responsible for the Group's overall strategic planning, business development and management. Mr. Li has over 23 years of experience in iron ore exploration, mining and processing in Shandong Province, the PRC. Mr. Li graduated from Shandong University (山東大學) in July 2002, majoring in marketing (市場行銷). He has also completed the China Private Enterprise Entrepreneur Training (中國民營企業總裁研修) held by Tsinghua University (清華大學) in March 2005. He has been the chairman of the Board of the Association of Industry and Commerce of Linyi City, Yishui County, Shandong Province (沂水縣工商業聯合會). Mr. Li was awarded the "Outstanding Member of the National People's Congress of Linyi City (臨沂市優秀人大代表)" in February 2007 by the Standing Committee of the National People's Congress of Linyi City and the "Model Worker of Shandong Province (山東省勞動模範)" in April 2008 by the People's Government of Shandong Province. Since November 2012, Mr. Li has been the Vice-President of China Mining Association (中國礦業聯合會) Australian Branch, and was elected as the Representative of the National People's Congress of Shandong Province in January 2013. He has been the Standing Director of China Federation of Industry & Commerce (全國工商業聯合會) Metallurgy Branch. He has also been the Standing Director of the Chinese Enterprises Investment Association since 2013 and also the Vice-Chairman of the board of directors of the Listed Companies Council of the Hong Kong Chinese Enterprises Association since November 2015. Mr. Li has also been selected as 2017-2018 National Excellent Entrepreneur by China Enterprise Confederation, China Enterprise Directors Association and China Enterprise Management Science Foundation. He is the sole director of Hongfa 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 52, 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.

Biographical Details of Directors and Senior Management

Mr. Lang Weiguo ("Mr. Lang")

Mr. Lang, aged 63, 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 66, 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 40, was appointed as an independent non-executive Director on 18 June 2019. He is the chairman of each of the Audit Committee and the Remuneration Committee. Mr. Leung graduated from The Hong Kong Polytechnic University, majoring in Accountancy. He is also a member of Hong Kong Institute of Certified Public Accountants starting from January 2010. He had been employed under an international auditing firm, KPMG for more than 8 years. He worked in Landsea Green 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 during February 2014 and July 2018 and has been an independent non-executive director of Xinhua News Media Holdings Limited (a company listed on the main board of the Stock Exchange; stock code: 309) since 1 November 2021. He started his own serviced apartment business in June 2018. With over 16 years of working experiences in the industry, Mr. Leung is equipped with comprehensive knowledge of accounting, financing, compliance and merger and acquisition.

Mr. Zhang Jingsheng ("Mr. Zhang")

Mr. Zhang, aged 76, was appointed as an independent non-executive Director on 9 April 2012. He is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. He has been an independent director of Shandong Ishine since 2008. He worked as an engineer, manager, deputy dean and dean of Changsha Research Institute of Mining and Metallurgy (長沙礦冶研究院) currently known as the Changsha Research Institute of Mining and Metallurgy Limited (長沙礦冶研究院有限公司) from 1981 to 2007, and was primarily responsible for human resources and financials. Mr. Zhang has been awarded various prizes in relation to ore dressing which include (among others):

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

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

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

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

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

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

SENIOR MANAGEMENT

Ms. Chan Wing Ki Michele ("Ms. Chan"), aged 40, was appointed as the Financial Controller of the Company on 9 April 2012 and was redesignated as the Chief Financial Officer of the Company on 25 August 2016. Ms. Chan graduated from Macquarie University, Sydney, Australia with Bachelor of Commerce (Accounting). She also obtained a Postgraduate Diploma, majoring in Commerce, granted by the University of Sydney, Sydney, Australia in October 2006. Ms. Chan was admitted as a Certified Practising Accountant of the Certified Practising Accountants, Australia in December 2009.

Ms. Chan began her career in Dell Australia Ltd as an accountant and was primarily responsible for preparing daily and monthly reports of assets, liabilities and inventories from 2006 to 2007. From 2007 to 2008, she was appointed as an assistant accountant in BEA System Pty Ltd, and was responsible for accounts receivable and payable function as well as supporting the senior accountant and finance function. From 2008 to 2010, she was appointed as a fund accountant in ING Real Estate Fund Investment Management Australia (INGREFIMA), and was primarily responsible for controlling and adjusting daily reports, and preparing cash, asset and liability forecasts. In 2010, she was appointed as a staff accountant of the Carlyle Management Hong Kong Limited and was responsible for assisting the establishment of a branch office in Australia and handling accounting duties for the branch offices located in Australia, Singapore and Korea.

COMPANY SECRETARY

Ms. Chan Yuen Ying, Stella ("Ms. Stella Chan"), aged 50, was appointed as the Company Secretary on 9 April 2012. Ms. Stella Chan is a fellow member of The Chartered Governance Institute (formerly known as The institute of Chartered secretaries and Administrator) and a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). She is also a member of the Hong Kong Institute of Directors. Ms. Stella Chan has over 25 years' experience in handling listed company secretarial matters.

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 **64** to **131**, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the"HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

The Key Audit Matter	How the matter was addressed in our audit
(a) Impairment assessment of property, plant and equipment, right-of-use assets, intangible assets and prepayments for renewal of mining right (Refer to notes 2.8, 4(a), 6, 7, 8 and 11 to the consolidated financial statements) As at 31 December 2021, the aggregate carrying amount of the property, plant and equipment, right-of-use assets, intangible assets and prepayments for renewal of mining right amounted to approximately RMB248.1 million which accounted for 35.1% of the Group's total assets. At 31 December 2021, one mining permit for the exploitation of iron ores are currently in the process of approval for renewal by the relevant competent authorities with which an agreement was reached at a total consideration of approximately RMB70.5 million of which approximately RMB35.5 million was paid up to the end of the reporting period. At 31 December 2021, the Group's property, plant and equipment, right-of-use assets, intangible assets, and prepayments for renewal of mining right 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 2021, the Group engaged a firm of independent professional valuers which have qualifications and experiences in valuing similar assets. Based on the assessment, the recoverable amount of the CGU exceeds its carrying amount at 31 December 2021. Accordingly,	Our procedures in relation to the impairment assessment of the Group's property, plant and equipment, right-of-use assets, intangible assets and prepayments for renewal of mining right included: • Obtaining an understanding of the key internal controls of management over impairment assessment of the Group's property, plant and equipment, right-of-use assets, intangible assets and prepayments for renewal of mining right; • Evaluating the independent external valuer's competence, capabilities and objectivity; • Obtaining and reviewing the underlying documents (including the agreement made with the relevant competent authorities) regarding renewal of the mining right for iron ores; • Considering the Group's intention to carry out significant ongoing exploration and evaluation activities in the areas of interest which included reviewing the future business plans and cash flow forecasts as approved by the senior management of the Group, and the reserves and resources of the Group's mines based on the relevant technical expert report; • Evaluating the appropriateness of the valuation methodology, technical information provided by external valuer and the key assumptions (including but not limited to, growth rate and discount rate) used in the valuation model against external benchmarks, our knowledge of the Group and its industry; • Comparing the input data in the cash flow forecast to the source documents;

The Key Audit Matter	How the matter was addressed in our audit
(a) Impairment assessment of property, plant and equipment, right-of-use assets, intangible assets and prepayment for renewal of mining right (continued) no impairment was recognised and charged to the consolidated profit or loss during the year ended 31 December 2021. Management of the Group exercised significant judgement in respect of the key assumptions applied in the VIU calculations, such as iron and ilmenite concentrates' future selling prices, recoverable reserves and resources, exploration potential, production cost estimates, future operating costs, growth rate and discount rate. We identified the impairment assessment of property, plant and equipment, right-of-use assets, intangible assets and prepayments for renewal of mining right as key audit matter due to significant management judgement involved in the impairment assessment.	• Assessing and challenging the reasonableness of the key assumptions used in the valuation model with reference to the historical accuracy of such forecasts and the current operational results; • Evaluating the sensitivity analysis for the key assumptions in the valuation model for risk assessment; and • Considering the adequacy of disclosures in respect of the impairment assessment of property, plant and equipment, right-of-use assets, intangible assets and prepayments for renewal of mining right made in the consolidated financial statements. We also assessed the adequacy of the disclosures in Notes 6, 7, 8 and 11 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
(b) Valuation of inventories (Refer to notes 2.11, 4(b) and 14 to the consolidated financial statements) As at 31 December 2021, inventories of the Group comprised of raw materials, commodities held for trading, finished goods and spare parts and others. The carrying amount of the Group's inventories as at 31 December 2021 amounted to approximately RMB92.6 million. The Group's inventories are valued at the lower of cost and net realisable value. The net realisable value is determined by management on an individual item basis by taking into account the estimated selling prices of the Group's inventories, the estimated costs of completion of work-in progress at the reporting date and the applicable variable selling expenses. The selling prices of the Group's products are mostly affected by the price volatility of commodities held for trading and finished goods, particularly if the market price of commodities held for trading and finished goods decline significantly after the reporting date, the net realisable value of the Group's commodities held for trading and finished goods may be less than the cost. We identified the valuation of inventories as a key audit matter because determining the net realisable value involves significant management judgement and estimation, which can be inherently subjective and increase the risk of error or potential management bias.	We reviewed and evaluated the valuation of inventories at the year end as outlined below: • Reviewed and assessed the design, implementation and operating effectiveness of management's key internal controls over inventory impairment; • Reviewed the management's basis of estimating the net realisable value and the key judgements involved in estimating the future selling prices of the Group's inventories; • Evaluated the calculations made by management in arriving at the net realisable values of the inventories by assessing the reasonableness of the estimated selling price of the Group's inventories with reference to the market price of commodities held for trading and finished goods and the accuracy of the costs of completion and the selling costs; and • Compared the carrying values of commodities held for trading and finished goods, on a sample basis, to their selling prices as indicated in sales invoices subsequent to the end of the reporting period and/or the market price of the relevant commodities based on public domain to evaluate management's estimates of net realisable value. We also assessed the adequacy of the disclosures in Note 14 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
(c) Revenue recognition (Refer to notes 2.22 and 26 to the consolidated financial statements) Revenue from the Group's processing and trading business amounted to approximately RMB1,634 million for the year ended 31 December 2021. The Group's top five customers accounted for 42% of the total revenue for the year ended 31 December 2021. The Group recognises revenue from contracts with customers when control of goods or services, as promised in the sales or service contracts, are transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. We identified revenue recognition as our audit focus because revenue is one of the key performance indicators of the Group and because there is an inherent risk of manipulation in the timing of recognition of revenue by management to meet specific targets or expectations.	We performed and reviewed the revenue recognised during the year as outlined below: • Evaluated and tested the design of key internal controls of management over the revenue recognition; • Reviewed the appropriateness of the revenue recognition policy applied by the Group. More specifically we reviewed how the terms of the sales or service arrangements were considered within the revenue recognition process, including the discretion in determining the pricing and the responsibility for the risk of price fluctuation, the responsibility for the quality of goods, inventory risk and the timing of transfer of the goods or services and delivery specifications, etc.; • Checked to the underlying documents on the sales cycle, particularly the delivery documents evidencing the transfer of control of the goods delivered to and accepted by the customers, for supporting the occurrence, accuracy and completeness of the revenue recognised during the year, on a sample basis; • Reviewed the sales transactions, on a sample basis, occurred immediately before and after the year end to ensure the relevant sales transactions were recorded in the proper accounting periods; 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. We also assessed the adequacy of the disclosures in Note 26 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, actions taken to eliminate threats or safeguards applied.

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

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2022

Leung Chun Wa
Practising Certificate Number P04963

Consolidated Statement of Financial Position

As at 31 December 2021 (Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

		As at 31 December	
	Note	**2021**	2020
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**211,800**	224,965
Right-of-use assets	*7*	**881**	2,074
Intangible assets, net	*8*	**–**	–
Financial assets at fair value through other comprehensive income	*10*	**4,257**	4,473
Prepayments for renewal of mining right	*11*	**35,466**	30,466
Other non-current assets	*13*	**10,985**	10,996
		263,389	272,974
Current assets			
Inventories	*14*	**92,643**	71,587
Trade and bill receivables	*15*	**18,539**	36,732
Contract assets	*16(a)*	**7,581**	–
Prepayments and other receivables	*17*	**131,773**	144,876
Restricted bank deposits	*18*	**760**	11,942
Cash and cash equivalents	*18*	**191,286**	124,398
		442,582	389,535
Total assets		**705,971**	662,509
EQUITY			
Equity attributable to owners of the Company			
Share capital	*19*	**8,571**	8,638
Share premium	*19*	**687,845**	695,493
Other reserves	*20*	**(55,827)**	(53,190)
Accumulated losses		**(353,379)**	(323,322)
Total equity		**287,210**	327,619

Consolidated Statement of Financial Position

As at 31 December 2021 (Amounts expressed in thousands of Renminbi ("RMB") unless otherwise stated)

		As at 31 December	
	Note	**2021**	2020
LIABILITIES			
Non-current liabilities			
Borrowings	*23*	**4,330**	129,516
Provisions for close down, restoration and environmental costs	*24*	**11,355**	10,646
Lease liabilities – non-current portion	*7*	**–**	724
Deferred income – non-current portion		**232**	310
Deferred income tax liabilities	*12*	**5,413**	5,413
		21,330	146,609
Current liabilities			
Borrowings	*23*	**176,315**	60,000
Trade payables	*21*	**27,431**	19,186
Contract liabilities	*16(b)*	**125,810**	47,391
Lease liabilities – current portion	*7*	**819**	1,180
Accruals and other payables	*22*	**67,017**	60,485
Deferred income – current portion		**39**	39
		397,431	188,281
Total liabilities		**418,761**	334,890
Total equity and liabilities		**705,971**	662,509

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

The financial statements on pages **64** to **131** were approved by the Board of Directors on 30 March 2022 and were signed on its behalf.

Li Yunde
Executive Director

Geng Guohua
Executive Director

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

		Year ended 31 December	
	Note	**2021**	2020
Revenue	*26*	**1,633,758**	965,975
Cost of sales	*27*	**(1,600,310)**	(887,744)
Gross profit		**33,448**	78,231
Distribution expenses	*27*	**(3,146)**	(3,279)
Administrative expenses	*27*	**(54,104)**	(49,946)
Reversal of impairment loss/(impairment loss) on financial assets	*28*	**395**	(3,557)
Write-down of inventories, net	*14*	**(3,834)**	–
Other income	*30*	**2,138**	60,364
Other gain – net	*31*	**–**	326
Operating (loss)/profit		**(25,103)**	82,139
Interest income	*32*	**205**	297
Interest expenses	*32*	**(18,361)**	(18,490)
Finance cost – net		**(18,156)**	(18,193)
Net foreign exchange gain/(loss)		**13,202**	(3,241)
(Loss)/profit before income tax		**(30,057)**	60,705
Income tax	*34*	**–**	–
(Loss)/profit for the year attributable to owners of the Company		**(30,057)**	60,705

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

		Year ended 31 December	
	Note	**2021**	2020
Other comprehensive (loss)/income:			
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*	**(216)**	1,080
Total comprehensive (loss)/income for the year attributable to the owners of the Company		**(30,273)**	61,785
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB per share)			
(Loss)/earnings per share – basic and diluted	*35*	**(0.006)**	0.011

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

Consolidated Statement of Changes in Equity

(Amounts expressed in thousands of RMB unless otherwise stated)

		Attributable to Owners of the Company				
	Note	**Share capital** *(Note 19)*	**Share premium** *(Note 19)*	**Other reserves** *(Note 20)*	**Accumulated losses**	**Total equity**
Balance at 1 January 2020		8,742	697,325	(26,006)	(412,291)	267,770
Comprehensive income						
Profit for the year		–	–	–	60,705	60,705
Other comprehensive income		–	–	1,080	–	1,080
Total comprehensive income for the year		–	–	1,080	60,705	61,785
Utilisations	*20(c)*	–	–	(659)	659	–
Repurchase of shares						
– Repurchase and cancelled	*19(a)*	(104)	(1,832)	–	–	(1,936)
Transfer	*20(e)*	–	–	(27,605)	27,605	–
At 31 December 2020		8,638	695,493	(53,190)	(323,322)	327,619
Balance at 1 January 2021		**8,638**	**695,493**	**(53,190)**	**(323,322)**	**327,619**
Comprehensive income						
Loss for the year		**–**	**–**	**–**	**(30,057)**	**(30,057)**
Other comprehensive loss		**–**	**–**	**(216)**	**–**	**(216)**
Total comprehensive loss for the year		**–**	**–**	**(216)**	**(30,057)**	**(30,273)**
Utilisations	*20(c)*	**–**	**–**	**(1,254)**	**–**	**(1,254)**
Repurchase of shares for cancellation						
– Repurchase and cancelled	*19(a)*	**(65)**	**(7,502)**	**–**	**–**	**(7,567)**
– Repurchase and pending for cancellation	*19(a)*	**(2)**	**(146)**	**–**	**–**	**(148)**
Repurchase of shares for share award scheme	*20(f)*	–	–	**(1,167)**	**–**	**(1,167)**
At 31 December 2021		**8,571**	**687,845**	**(55,827)**	**(353,379)**	**287,210**

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

Consolidated Statement of Cash Flows

(Amounts expressed in thousands of RMB unless otherwise stated)

	Note	Year ended 31 December	
		2021	2020
Cash flows from operating activities			
Cash generated from operations	*36(a)*	**83,268**	20,834
Interest received	*32*	**205**	297
Net cash generated from operating activities		**83,473**	21,131
Cash flows from investing activities			
Purchases of property, plant and equipment	*6*	**(1,324)**	(4,929)
Proceeds from disposal of property, plant and equipment		**54**	24,182
Withdrawals of restricted bank deposits	*18*	**11,942**	–
Placement of restricted bank deposits	*18*	**(760)**	(691)
Prepayments for renewal of mining right	*11*	**(5,000)**	(30,466)
Net cash generated from/ (used in) investing activities		**4,912**	(11,904)
Cash flows from financing activities			
Proceeds from borrowings	*23*	**60,000**	60,000
Payments for lease liabilities	*7*	**(1,132)**	(2,614)
Interests paid		**(13,324)**	(12,928)
Repayments of borrowings	*23*	**(60,000)**	(40,000)
Deposit received from a joint venture partner	*22(a)*	**2,450**	25,000
Repurchase of shares for cancellation	*19(a)*	**(7,715)**	(1,936)
Repurchase of shares for share award scheme	*20*	**(1,167)**	–
Net cash (used in)/generated from financing activities		**(20,888)**	27,522
Net increase in cash and cash equivalents		**67,497**	36,749
Cash and cash equivalents at beginning of year	*18*	**124,398**	89,796
Effect of changes on exchange rates		**(609)**	(2,147)
Cash and cash equivalents at end of year	*18*	**191,286**	124,398

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

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 of the Cayman Islands. The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

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

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

These consolidated financial statements have been approved for issuance by the Board of Directors (the "Board") on 30 March 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(a) Statement of compliance

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

(b) Historical cost convention

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

(c) Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – phase 2
Amendment to HKFRS 16	Covid-19-related rent concessions

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

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

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

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

(b) Associates

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

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

(c) Joint arrangements

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

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

(d) Equity method

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

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

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

(e) Changes in ownership interests

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

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

2.3 Separate financial statements

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

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

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

2.6 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

2.7 Intangible assets

(a) Mining rights

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

(b) Exploration rights

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

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

2.8 Impairment of non-financial assets

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

2.9 Discontinued operations

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

2.10 Investments and other financial assets

(a) Classification

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

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

- those to be measured at amortised cost.

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

(b) Recognition and derecognition

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

(c) Measurement

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

(i) Debt instruments

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

(ii) Equity instruments

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

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

(d) Impairment of financial assets

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

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

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

– contract assets

Measurement of ECLs

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

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

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

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

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

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

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

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

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

Basis of calculation of interest income

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

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

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

– significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

2.11 Inventories

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

2.12 Contract assets and contract liabilities

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

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

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

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

2.13 Trade and other receivables

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

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

2.14 Cash and cash equivalents

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

2.15 Share capital

Ordinary shares are classified as equity (Note 19).

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

2.16 Trade and other payables

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

2.17 Borrowings

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

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

2.18 Borrowing costs

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

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

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

2.19 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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

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

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

2.20 Employee benefits

(a) Pension obligations

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

(b) Housing benefits

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

2.21 Provisions for close down, restoration and environmental costs

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

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

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

2.22 Revenue recognition

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

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

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

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

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

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

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

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

Sales of goods

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

Processing service income

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

2.23 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

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

(b) Diluted earnings per share

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

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24 Leases

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

- amounts expected to be payable by the Group under residual value guarantees

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

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

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

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

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

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

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

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

2.25 Dividend distribution

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

2.26 Government grants

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

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign currency risk

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

As at 31 December 2021, if RMB had weakened/strengthened by 5% (2020: 5%) against HKD with all other variables held constant, loss before income tax for the year would have been approximately RMB5,691,000 (2020: RMB5,372,000) higher/lower mainly as a result of foreign exchange losses/gains on translation of borrowings denominated in HKD.

As at 31 December 2021, if RMB had weakened/strengthened by 5% (2020: 5%) against USD with all other variables held constant, loss before income tax for the year would have been RMB46,000 (2020: RMB46,000) lower/higher mainly as a result of foreign exchange gains on translation of cash and cash equivalents denominated in USD.

(ii) Equity price risk

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

As at 31 December 2021, if the price of the listed equity securities has been 10% (2020: 10%) higher/lower, other comprehensive loss for the year ended 31 December 2021 would have decreased/increased by approximately RMB426,000 (2020: RMB447,000).

(iii) Fair value interest rate risk

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

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

(b) Credit risk

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

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

Sales to the Group's top five largest customers accounted for 42% of total revenue for the year ended 31 December 2021 (2020: 35%). Risk control assesses the credit quality of all the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. The Group's historical experience in collection of trade receivables and contract assets falls within the recorded allowance and directors are of the opinion that adequate provision for uncollectible receivables has been made in the consolidated financial statements.

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

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

To measure the expected credit losses, trade and bill receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2021 and 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

On the above basis, the identified impairment loss for contract assets has been assessed to be immaterial, while the loss allowance for trade and bill receivables as at 31 December 2021 and 2020 was determined as follows:

	At 31 December 2021					
	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**
Expected loss rate	**1.1%**	**12%**	**100%**	**100%**	**100%**	
Gross carrying amount						
– trade and bill receivables	**18,740**	**–**	**–**	**3,051**	**253**	**22,044**
Loss allowance	**201**	**–**	**–**	**3,051**	**253**	**3,505**

	At 31 December 2020					
	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
Expected loss rate	1.6%	12%	100%	100%	100%	
Gross carrying amount						
– trade and bill receivables	37,193	135	3,051	–	253	40,632
Loss allowance	580	16	3,051	–	253	3,900

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

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

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

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

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

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

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

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

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

	2021	2020
Reversal of impairment loss/(impairment loss) on		
– trade and bill receivables	**395**	(3,557)
Net reversal of impairment loss/(impairment loss) on financial assets	**395**	(3,557)

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(c) Liquidity risk

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

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

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

	Within 1 year	1-2 years	2-5 years	Over 5 years
As at 31 December 2020				
Borrowings	69,302	134,922	4,450	–
Trade payables	19,186	–	–	–
Other payables	15,606	–	–	–
	104,094	134,922	4,450	–

(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 Shandong Ishine may have a material adverse impact on the Group's financial position and results of operations.

During the year end 31 December 2021, 42% of the Group's revenue was derived from sales to the top five customers (2020: 35%). 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.

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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 2021 and 2020 were as follows:

	As at 31 December	
	2021	2020
Total borrowings	**180,645**	189,516
Total equity and borrowings	**467,855**	517,135
Gearing Ratio	**38.6%**	36.6%

3.3 Fair value estimation

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

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

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

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

The Group's FVOCI financial assets represent 3.79% (2020: 3.88%) 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 2021 and 2020, 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, right-of-use assets, intangible assets and prepayments for renewal of mining right

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

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

(b) Impairment of inventories

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

(c) Impairment of financial assets

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

(d) Mine reserves

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

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

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

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

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

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

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

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

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

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

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

(ii) extent of required clean-up efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements;

(v) identification of new remediation sites; and

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

(f) Income taxes and deferred taxes

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

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

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 processing and sales of concentrates carried out by Shandong Ishine, and trading of minerals carried out by Hami Xinxing Tianshan Logistics Company Limited ("Hami Xinxing") as the identifiable segments.

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

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

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

Shandong Ishine, the principal subsidiary of the Group has been considered as a reportable segment. During the current year, Hami Xinxing was incorporated in the PRC as a wholly-owned subsidiary of the Group. Hami Xinxing is principally engaged in trading of minerals in the Xinjiang region in the PRC and has been considered as a new reportable segment. Expenses, assets and liabilities of the holding companies (the Company, Alliance Worldwide Investment Limited ("Alliance Worldwide"), Fortune Shine Investment Limited ("Fortune Shine"), Shine Mining Investment Limited ("Shine Mining"), Ishine Mining International Limited ("Ishine Mining"), China Rongsheng Holdings Limited ("Rongsheng"), Alpha Charm Investments Limited ("Alpha Charm"), Grandson Holdings Limited ("Grandson") and Active Fortune Group Limited ("Active Fortune")) in the Group are presented as 'Unallocated' in the segment information.

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

The segment information provided to the SEM for the years ended 31 December 2021 and 2020 is as follows:

	Shandong Ishine	Hami Xinxing	Unallocated	Inter-segment elimination	Total
Year ended 31 December 2021					
Revenue	**1,614,821**	**18,937**	**–**	**–**	**1,633,758**
Gross profit	**33,445**	**3**	**–**	**–**	**33,448**
Other income	**2,138**	**–**	**–**	**–**	**2,138**
Interest income	**189**	**16**	**–**	**–**	**205**
Interest expenses	**(4,874)**	**–**	**(13,487)**	**–**	**(18,361)**
Net foreign exchange gain	**–**	**–**	**13,202**	**–**	**13,202**
Reversal of impairment loss					
– Trade and bill receivables	**395**	**–**	**–**	**–**	**395**
Income tax expense	**–**	**–**	**–**	**–**	**–**
Net loss	**(16,222)**	**(149)**	**(13,686)**	**–**	**(30,057)**
Other information					
Depreciation of property, plant and equipment	**14,428**	**1**	**–**	**–**	**14,429**
Depreciation of right-of-use assets	**–**	**–**	**1,193**	**–**	**1,193**
Expenditures for non-current assets	**1,178**	**146**	**–**	**–**	**1,324**
Prepayments paid for renewal of mining right	**5,000**	**–**	**–**	**–**	**5,000**
As at 31 December 2021					
Segment assets and liabilities					
Total assets	**716,803**	**25,542**	**196,476**	**(232,850)**	**705,971**
Total liabilities	**446,526**	**25,691**	**179,394**	**(232,850)**	**418,761**
Year ended 31 December 2020					
Revenue	965,975	–	–	–	965,975
Gross profit	78,231	–	–	–	78,231
Other income	60,089	–	275	–	60,364
Interest income	297	–	–	–	297
Interest expenses	(1,623)	–	(16,867)	–	(18,490)
Net foreign exchange loss	–	–	(3,241)	–	(3,241)
Impairment loss					
– Trade and bill receivables	(3,557)	–	–	–	(3,557)
Income tax expense	–	–	–	–	–
Net profit/(loss)	92,668	–	(31,963)	–	60,705
Other information					
Depreciation of property, plant and equipment	15,123	–	–	–	15,123
Depreciation of right-of-use assets	248	–	1,046	–	1,294
Expenditures for non-current assets	4,929	–	–	–	4,929
Prepayments paid for renewal of mining right	30,466	–	–	–	30,466
As at 31 December 2020					
Segment assets and liabilities					
Total assets	665,352	–	215,007	(217,850)	662,509
Total liabilities	377,382	–	175,358	(217,850)	334,890

For the year ended 31 December 2021 (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 2020					
Opening net book amount	54,092	93,250	39,661	70,988	257,991
Additions	326	–	4,603	–	4,929
Transfers	17	–	–	(17)	–
Disposals – cost	(21,830)	–	(28,043)	–	(49,873)
Disposals – accumulated depreciation	13,006	–	16,678	–	29,684
Disposals of a subsidiary	–	–	–	(2,643)	(2,643)
Depreciation charge	(5,170)	–	(9,953)	–	(15,123)
Closing net book amount	40,441	93,250	22,946	68,328	224,965
At 31 December 2020					
Cost	110,268	121,005	178,371	68,328	477,972
Accumulated depreciation and impairment	(69,827)	(27,755)	(155,425)	–	(253,007)
Net book amount	40,441	93,250	22,946	68,328	224,965
Year ended 31 December 2021					
Opening net book amount	**40,441**	**93,250**	**22,946**	**68,328**	**224,965**
Additions	**60**	–	**799**	**465**	**1,324**
Written off or disposals – cost	–	–	**(1,175)**	**–**	**(1,175)**
Written off or disposals – accumulated depreciation	–	–	**1,115**	**–**	**1,115**
Depreciation charge	**(5,122)**	–	**(9,307)**	**–**	**(14,429)**
Closing net book amount	**35,379**	**93,250**	**14,378**	**68,793**	**211,800**
At 31 December 2021					
Cost	**110,328**	**121,005**	**177,995**	**68,793**	**478,121**
Accumulated depreciation and impairment	**(74,949)**	**(27,755)**	**(163,617)**	**–**	**(266,321)**
Net book amount	**35,379**	**93,250**	**14,378**	**68,793**	**211,800**

Since the renewal of the mining right certificates for Yangzhuang iron ore mine and Zhuge Shangyu ilmenite ore mine has not yet been completed at 31 December 2020 and 2021, no mining operation was conducted by the Group on these mines and in consequence, no depreciation was provided on the mining structures for the two years ended 31 December 2020 and 2021. The accounting policies and method for providing depreciation of the mining structures and other property, plant and equipment are disclosed in Note 2.6 to the consolidated financial statements.

Based on an outlook of the market price of iron concentrates and ilmenite concentrates during the year ended 31 December 2021, 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").

Impairment testing

As at 31 December 2021, the Group engaged APAC Appraisal and Consulting Limited, being a firm of independent valuers with experiences and qualifications in valuing similar assets, for determining the recoverable amount of the CGU, being the higher of the value in use or fair value less costs of disposal.

The recoverable amount of the CGU, to which the property, plant and equipment, right-of-use assets (Note 7), intangible assets (Note 8) and prepayments for renewal of mining right (Note 11) 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% (2020: 13%). Cash flows beyond the fifth-year period was extrapolated using a growth rate of 2.0% (2020: 2.6%) until the end of a ten-year period. The key assumptions used in the value in use calculations in the year ended 31 December 2021 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 (2020: Nil) were recognised during the year ended 31 December 2021, as the present value of recoverable amount of the CGU, to which of the property, plant and equipment, right-of-use assets, intangible assets and prepayments for renewal of mining right are allocated, exceeded their aggregate carrying amounts at 31 December 2021.

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7. LEASES

Movements of the leases during the year are as follows:

	Right-of-use assets	Lease liabilities
As at 1 January 2020	6,222	7,462
Derecognition upon termination of lease	(2,854)	(2,930)
Depreciation of right-of-use assets	(1,294)	–
Amortisation of interest	–	215
Repayments	–	(2,614)
Exchange retranslation differences	–	(229)
As at 31 December 2020 and 1 January 2021	2,074	1,904
Depreciation of right-of-use assets	**(1,193)**	**–**
Amortisation of interest	**–**	**85**
Repayments	**–**	**(1,132)**
Exchange retranslation differences	–	**(38)**
As at 31 December 2021	**881**	**819**

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

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

	As at 31 December	
	2021	2020
Right-of-use assets		
Land and buildings	**881**	2,074
	881	2,074
Lease liabilities		
Current portion	**819**	1,180
Non-current portion	–	724
	819	1,904

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

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

	Year ended 31 December	
	2021	2020
Depreciation of right-of-use assets		
Land and buildings	**1,193**	1,067
Plant and equipment	–	227
	1,193	1,294
Interest expense (included in finance costs – net)	**85**	215

8. INTANGIBLE ASSETS

	Mining rights
At 31 December 2021	
Cost	–
Accumulated amortisation and impairment	–
Net book amount	–
At 31 December 2020	
Cost	–
Accumulated amortisation and impairment	–
Net book amount	–

Note:

At 31 December 2020, the Group's two mining rights in the exploitation of iron ores and ilmenite ores at Yangzhuang and Zhuge Shangyu, respectively, expired. At 31 December 2020, the expired mining rights were derecognised and the related costs and accumulated amortisation and impairment were written off.

In relation to the mining right of Yangzhuang iron ore mine which expired on 20 June 2019, the Group has applied for the renewal and approval has been obtained during the year ended 31 December 2020. Pursuant to an agreement dated 3 August 2020 entered into between Shandong Ishine and the relevant PRC authorities, Shandong Ishine is required to pay a total consideration of RMB70,466,000 for the renewal of mining right in relation to Yangzhuang iron ore mine for which the new mining right certificate has not yet been issued by the relevant authorities to the Group up to date of approval of the consolidated financial statements. Further details are set out in note 11 to the consolidated financial statements.

The mining right of Zhuge Shangyu ilmenite ore mine expired on 31 December 2020, and the Group is in the progress of preparing the application for the renewal of the mining right.

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Interests in associates

On 23 February 2018, the Group's equity interests in Superior Lake was diluted from 30.22% to 8.73% after a share issuance by Superior Lake, and the Group no longer had 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 the consolidated profit or loss for the year ended 31 December 2018.

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.

During the year ended 31 December 2020, Baosheng New Energy was dissolved and the loss on derecognition of this associate of RMB834,000 was charged to the consolidated profit or loss.

(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 2021 (2020: Nil).

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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 the Group's equity interests in Superior Lake as disclosed in Note 9(a), up to 31 December 2021, the Group's interests in Superior Lake have been further diluted from 8.73% to 3.79% after a number of share issuance made by Superior Lake. As at 31 December 2021, the Group's remaining interests in Superior Lake was classified as level 1 financial instrument since Superior Lake is a listed company in Australia and the quoted price can be easily accessed.

(b) Amounts recognised in other comprehensive income

	As at 31 December	
	2021	2020
(Loss)/profit recognised in OCI *(Note 20)*	**(216)**	1,080

(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. PREPAYMENTS FOR RENEWAL OF MINING RIGHT

The Group applied for the renewal of the mining right of Shandong Ishine's Yangzhuang iron ore mine which was expired on 20 June 2019. Pursuant to an agreement dated 3 August 2020 entered into between Shandong Ishine and the relevant PRC authorities, Shandong Ishine is required to pay a total consideration of RMB70,466,000 for the renewal of mining right in relation to Shandong Ishine's Yangzhuang iron ore mine. As at 31 December 2021, Shandong Ishine has paid in aggregate RMB35,466,000 (2020: RMB30,466,000), which was recognised as prepayments for renewal of mining right. The remaining amount of RMB35,000,000 (2020: RMB40,000,000) will be payable in seven (2020: eight) instalments from 2022 to 2028 (2020: 2021 to 2028). The renewal of the mining right has not yet been completed at the end of the reporting period.

12. 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	
	2021	2020
Deferred tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**(5,413)**	(5,413)

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

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

	Year ended 31 December 2021	2020
At 1 January	**(5,413)**	(5,413)
Charged to the consolidated profit or loss *(Note 34)*	**–**	–
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:

(a) Deferred income tax assets

	Provisions for close down, restoration and environmental costs	Tax losses	Impairment loss	Others	Total
At 1 January 2020, 31 December 2020 and 31 December 2021	267	880	14,860	84	16,091

(b) Deferred income tax liabilities

	Depreciation of mining infrastructure	Total
At 1 January 2020, 31 December 2020 and 31 December 2021	(21,504)	(21,504)

(i) As at 31 December 2021, the Group has not recognised deferred income tax assets of approximately RMB36,697,000 (2020: RMB26,567,000) in respect of accumulated losses arising from Shandong Ishine amounting to RMB244,645,000 (2020: RMB177,111,000), that can be carried forward against future taxable income.

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

	As at 31 December	
	2021	2020
Year of expiry		
2025	**95,050**	14,265
2026	**51,371**	57,687
2027	**29,859**	10,410
2028	**14,160**	55,480
2029	**47,115**	39,269
2030	**7,090**	–
	244,645	177,111

13. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2021	2020
Land restoration deposits	**7,224**	7,224
Prepaid taxes	**3,761**	3,772
	10,985	10,996

14. INVENTORIES

	As at 31 December	
	2021	2020
Raw materials		
– Iron ore and ilmenite ore	**74**	74
Commodities held for trading		
– Iron concentrates	**84,505**	52,624
– Semi-coke	–	11,731
Finished goods	**7,498**	3,374
Spare parts and others	**5,355**	4,739
Provision for inventory write-down	**(4,789)**	(955)
	92,643	71,587

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

For the year ended 31 December 2021, the costs of inventories recognised as 'cost of sales' amounted to RMB1,600,310,000 (2020: RMB887,744,000).

As at 31 December 2021, inventories amounting to RMB4,789,000 (2020: RMB955,000) was considered to be impaired and accordingly, additional write-down of inventories amounting to RMB3,834,000 (2020: Nil) has been charged to the consolidated profit or loss for the year ended 31 December 2021, included in 'distribution expenses'.

15. TRADE AND BILL RECEIVABLES

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

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

	As at 31 December	
	2021	2020
Within 3 months	**17,883**	26,193
3 to 6 months	**857**	11,000
6 months to 1 year	**–**	135
Over 1 year	**3,304**	3,304
	22,044	40,632

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

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

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

	Year ended 31 December	
	2021	2020
At 1 January	**3,900**	343
(Reversal of impairment loss)/impairment loss on trade and bill receivables *(Notes 3.1(b) and 28)*	**(395)**	3,557
At 31 December	**3,505**	3,900

Due to the short-term nature of the trade and bill 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.

16. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2021	2020
Rights to consideration recoverable from customers for obligations under contracts for processing services	**7,581**	–

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

– Processing services

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

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

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

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

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

(b) Contract liabilities

	2021	2020
Receipt in advance from customers	**125,810**	47,391

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

– Trading of minerals

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

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

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

Movements in contract liabilities

	2021	2020
Balance at 1 January	**47,391**	2,431
Decrease in contract liabilities as a result of recognised revenue during the year that was included in the contract liabilities at the beginning of the year	**(44,080)**	(2,431)
Increase in contract liabilities as a result of receipt in advance	**122,499**	47,391
	125,810	47,391

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

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

17. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
Trade deposits to suppliers (a)	**103,053**	80,737
Prepaid taxes	**7,278**	7,278
Land restoration deposits	**38**	38
Deductible input value-added tax	**2,411**	5,553
Advances to employees	**111**	11
Compensation receivable *(Note 30(a))*	**15,000**	50,000
Others	**3,882**	1,259
	131,773	144,876

(a) Trade deposits to suppliers

Trade deposits of approximately RMB103,053,000 (2020: RMB80,737,000) were paid to independent third-party suppliers of trading commodities in accordance with the relevant purchase contracts under which the trading commodities were not yet delivered to the Group at 31 December 2021. Subsequent to 31 December 2021 and up to the date of the approval of these consolidated financial statements, approximately RMB74,262,000 out of these trade deposits have been applied to settle for the purchase costs of the trading commodities when the control of the trading commodities were transferred from the suppliers to the Group. No impairment is necessary on the trade deposits paid at the end of the reporting period as the selling prices and subsequent market prices of the trading commodities exceeded their purchase prices.

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

	As at 31 December	
	2021	2020
Cash and cash equivalents		
– Cash on hand	**21**	23
– Cash at bank	**191,265**	124,375
	191,286	124,398
Restricted bank deposits		
– Bank deposit restricted for withdrawal *(Note)*	**760**	–
– Deposits for land restoration	–	11,942
	192,046	136,340

Note:

As at 31 December 2021, bank deposit amounting to RMB760,000 was frozen pursuant to a court order in relation to a legal dispute with a customer. Subsequent to the end of the reporting period, the restriction on the bank deposit was released in January 2022.

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

	As at 31 December	
	2021	2020
RMB	**181,309**	106,959
HKD	**9,815**	28,466
USD	**919**	912
AUD	**3**	3
	192,046	136,340

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 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

19. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

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

(a) Repurchase of shares

During the year ended 31 December 2021, the Group repurchased and cancelled 38,694,000 (2020: 63,836,000) of its own shares listed on the Stock Exchange, and repurchased 1,336,000 (2020: Nil) of its own shares listed on the Stock Exchange pending for cancellation, at considerations paid of approximately HKD9,119,000 (2020: HKD2,201,000) and HKD182,000 (2020: Nil) respectively, being equivalent to approximately RMB7,715,000 (2020: RMB1,936,000) in total. The amount had been deducted from shareholders' equity against share capital and share premium.

(b) Share premium

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

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

20. OTHER RESERVES

	Merger Reserve (a)	Capital reserve	Statutory reserve fund (b)	Safety fund (c)	Future development fund (d)	Share-based payment reserve (e)	Share award scheme reserve (f)	FVOCI	Total
At 1 January 2020	(162,269)	53,129	48,483	14,804	4,497	27,605	–	(12,255)	(26,006)
Utilisations	–	–	–	(659)	–	–	–	–	(659)
Transfer to accumulated losses *(e)*	–	–	–	–	–	(27,605)	–	–	(27,605)
Change in value on FVOCI	–	–	–	–	–	–	–	1,080	1,080
At 31 December 2020	(162,269)	53,129	48,483	14,145	4,497	–	–	(11,175)	(53,190)
Utilisations	–	–	–	(1,254)	–	–	–	–	(1,254)
Repurchase of shares for share award scheme *(f)*	–	–	–	–	–	–	(1,167)	–	(1,167)
Change in value on FVOCI	–	–	–	–	–	–	–	(216)	(216)
At 31 December 2021	**(162,269)**	**53,129**	**48,483**	**12,891**	**4,497**	**–**	**(1,167)**	**(11,391)**	**(55,827)**

(a) Merger reserve

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

(b) Statutory reserve fund

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

For the year ended 31 December 2021, these PRC registered subsidiaries did not make appropriation to the statutory reserve fund due to making losses for the year (2020: accumulated losses brought forward from previous years available to offset current year profit).

(c) Safety fund

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

(d) Future development fund

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

(e) Share-based payment reserve

The balance of share-based payment reserve was related to those share options and share warrants issued and expired in previous years. During the year ended 31 December 2020, the balance of share-based payment reserve was transferred to accumulated losses as a reserve movement in equity.

(f) Share award scheme reserve

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

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

21. TRADE PAYABLES

	As at 31 December	
	2021	2020
Trade payables	**27,431**	19,186

As at 31 December 2021 and 2020, the ageing analysis of trade payables was presented based on invoice date as follows:

	As at 31 December	
	2021	2020
Within 6 months	**25,792**	16,996
6 months to 1 year	**244**	875
Over 1 year	**1,395**	1,315
	27,431	19,186

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

22. ACCRUALS AND OTHER PAYABLES

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

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

(a) Refundable deposit received

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

23. BORROWINGS

	As at 31 December	
	2021	2020
Non-current		
Bonds	**4,330**	129,516
Current		
Bonds	**116,315**	–
Bank borrowings	**60,000**	60,000
	176,315	60,000
Total Borrowings	**180,645**	189,516
Representing:		
Unsecured		
– Bonds payable beyond 1 year but within 5 years *(a)*	**4,330**	129,516
– Bonds payable within 1 year *(a)*	**116,315**	–
– Bank borrowings payable within 1 year *(b)*	**60,000**	60,000
Total Borrowings	**180,645**	189,516

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

At 31 December 2021 and 2020, the Group's borrowings were repayable as follows:

	As at 31 December	
	2021	2020
Within 1 year	**176,315**	60,000
1 year to 5 years	**4,330**	129,516
	180,645	189,516

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

	As at 31 December	
	2021	2020
RMB	**60,000**	60,000
HKD	**120,645**	129,516
	180,645	189,516

(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 2021 and 2020, the aggregate carrying amount of the bonds was approximately HKD147,560,000 (equivalent to RMB120,645,000) and HKD146,043,000 (equivalent to RMB129,516,000).

(b) Bank borrowings

As at 31 December 2021 and 2020, the bank borrowings of RMB60,000,000 were unsecured, bearing interests at 7% per annum and repayable with 1 year.

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

24. PROVISIONS FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	As at 31 December	
	2021	2020
At 1 January	**10,646**	9,981
Unwinding of discount charged to the consolidated profit or loss *(Note 32)*	**709**	665
At 31 December	**11,355**	10,646

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.

25. DIVIDENDS

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

26. REVENUE

	Year ended 31 December	
	2021	2020
Production		
– Sales of iron and spodumene concentrates	**7,999**	125,009
– Sales of iron ore tailings	**11,563**	28,133
Trading		
– Sales of coarse iron powder	**1,526,573**	725,503
– Sales of spodumene	**–**	46,015
– Sales of semi-coke	**34,766**	41,315
– Sales of blended coal	**18,937**	–
Processing service income		
– from processing of iron and other mineral ores	**33,920**	–
	1,633,758	965,975

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

27. EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
Changes in inventories of finished goods, iron ore and ilmenite ore	**(4,124)**	(33,475)
Cost of commodities sold	**1,556,882**	750,997
Raw materials used for production	**7,491**	157,247
Spare parts and others	**3,884**	3,833
Transportation expenses	**19,497**	2,784
Depreciation of property, plant and equipment *(Note 6)*	**14,429**	15,123
Depreciation of right-of-use assets *(Note 7)*	**1,193**	1,294
Amortisation of deferred income	**(78)**	–
Loss on disposal of property, plant and equipment	**6**	–
Employee benefit expense *(Note 29)*	**16,118**	9,285
Land compensation expenses	**5,714**	6,182
Utilities and electricity	**5,415**	3,444
Professional fees	**5,774**	5,509
Auditors' remuneration		
– Audit services	**1,390**	1,422
– Non-audit services	**316**	392
Travelling expenses	**5,628**	3,106
Promotion and marketing expenses	**1,831**	317
Insurance	**133**	336
Other expenses	**16,061**	13,173
Total cost of sales, distribution expenses and administrative expenses	**1,657,560**	940,969

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

	Year ended 31 December	
	2021	2020
Reversal of impairment/(impairment loss) on trade and bill receivables *(Note 15)*	**395**	(3,557)

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

29. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2021	2020
Wages, salaries and allowances	**14,158**	7,844
Pensions and others welfare expenses	**1,960**	1,441
	16,118	9,285

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2020: three) directors whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining two (2020: two) individuals during the year are as follows:

	Year ended 31 December	
	2021	2020
Basic salaries and allowances	**2,650**	2,685
Contribution to pension scheme	**73**	78
	2,723	2,763

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

	Number of individuals Year ended 31 December	
	2021	2020
Emolument band		
HKD500,000 and below	**2**	2
HKD500,001 – HKD1,000,000	**3**	3

30. OTHER INCOME

	Year ended 31 December	
	2021	2020
Government grants	**63**	8,557
Compensation income *(a)*	**–**	50,000
Agency income	**2,075**	1,807
	2,138	60,364

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

(a) Compensation income

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

31. OTHER GAIN – NET

	Year ended 31 December	
	2021	2020
Gain on disposal of property, plant and equipment	–	1,350
Net gain arising from lease termination	–	76
Loss on deregistration of subsidiary	–	(266)
Loss on deregistration of an associate *(Note 9(a))*	–	(834)
	–	326

32. FINANCE COSTS – NET

	Year ended 31 December	
	2021	2020
Interest income:		
– Interest income on bank deposits	**205**	297
Interest expense:		
– Borrowings	**(17,567)**	(17,589)
– Provisions: unwinding of discount *(Note 24)*	**(709)**	(665)
– Lease liabilities *(Note 7)*	**(85)**	(215)
Other finance expenses	–	(21)
	(18,361)	(18,490)
Finance costs – net	**(18,156)**	(18,193)

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

33. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2021 (expressed in dollar of respective currency):

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

As at 31 December 2021, there was no non-controlling interest of the subsidiaries in the Group.

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

34. INCOME TAX

	Year ended 31 December	
	2021	2020
Deferred tax *(Note 12)*:		
Origination and reversal of temporary differences	**–**	–

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

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

Hong Kong profits tax has not been provided for the subsidiaries in Hong Kong as there is no taxable income arising in or derived from Hong Kong during the years ended 31 December 2021 and 2020.

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. Up to the end of 2021, Shandong Ishine was in the progress of renewing the abovementioned qualification.

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

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

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

	Year ended 31 December	
	2021	2020
(Loss)/profit before tax	**(30,057)**	60,705
Tax calculated at domestic tax rates applicable in the respective jurisdictions	**(4,729)**	8,995
Tax effects of:		
– Income not taxable	**(2,180)**	–
– Expenses not deductible for tax purposes	**4,439**	4,597
– Tax loss not recognised	**2,470**	–
– Utilisation of tax loss previously not recognised	**–**	(13,592)
Income tax expense	**–**	–

35. (LOSS)/EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

There was no dilutive instrument of the Company for the years ended 31 December 2021 and 2020, the diluted (loss)/earnings per share was same as basic (loss)/earnings per share.

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

36. CASH GENERATED FROM/(USED IN) OPERATIONS

(a) Cash generated from/(used in) operations

	Year ended 31 December	
	2021	2020
(Loss)/profit before income tax	**(30,057)**	60,705
Adjustments for:		
– Depreciation of property, plant and equipment *(Note 6)*	**14,429**	15,123
– Depreciation of right-of-use assets *(Note 7)*	**1,193**	1,294
– Amortisation of deferred income *(Note 27)*	**(78)**	–
– (Reversal of impairment loss)/impairment loss on financial assets *(Note 28)*	**(395)**	3,557
– Write-down of inventories, net *(Note 14)*	**3,834**	–
– Loss on disposal of property, plant and equipment *(Note 27)*	**6**	–
– Gain on disposal of property, plant and equipment *(Note 31)*	**–**	(1,350)
– Interest expense on bank borrowings *(Note 32)*	**17,567**	17,589
– Interest expense on unwinding of discount *(Note 32)*	**709**	665
– Interest expense on lease liabilities *(Note 32)*	**85**	215
– Interest income *(Note 32)*	**(205)**	(297)
– Exchange (gain)/loss	**(12,960)**	4,259
– Loss on deregistration of associate *(Note 9(a))*	**–**	834
– Net gain arising from lease termination *(Note 31)*	**–**	(76)
– Loss on deregistration of subsidiary *(Note 31)*	**–**	266
Changes in working capital:		
– Inventories	**(24,890)**	(6,338)
– Trade and bill receivables and contract assets	**11,007**	(14,570)
– Prepayments and other receivables and other non-current assets	**13,114**	(107,185)
– Trade payables	**8,245**	8,660
– Accruals and other payables and contract liabilities	**81,664**	37,483
Cash generated from operations	**83,268**	20,834

For the year ended 31 December 2021 (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	
	2021	2020
Borrowings	**(180,645)**	(189,516)
Interest payable	**(3,556)**	(3,973)
Lease liabilities	**(819)**	(1,904)
	(185,020)	(195,393)

	Liabilities from financing activities			
	Borrowings	**Interest payable**	**Lease liabilities**	**Total**
As at 1 January 2020	(162,514)	(3,896)	(7,462)	(173,872)
Cash flows				
– Proceeds from borrowings	(60,000)	–	–	(60,000)
– Repayment of borrowings	40,000	–	–	40,000
– Payments for lease liabilities	–	–	2,614	2,614
– Payments of interests	–	12,928	–	12,928
Foreign exchange adjustments	(2,418)	–	229	(2,189)
Interest expense on borrowings	(4,584)	(13,005)	–	(17,589)
Interest expense on lease liabilities	–	–	(215)	(215)
Derecognition upon termination of lease *(Note 7)*	–	–	2,930	2,930
As at 31 December 2020	(189,516)	(3,973)	(1,904)	(195,393)
As at 1 January 2021	**(189,516)**	**(3,973)**	**(1,904)**	**(195,393)**
Cash flows				
– Proceeds from borrowings	**(60,000)**	**–**	**–**	**(60,000)**
– Repayment of borrowings	**60,000**	**–**	**–**	**60,000**
– Payments for lease liabilities	**–**	**–**	**1,132**	**1,132**
– Payments of interests	**–**	**13,324**	**–**	**13,324**
Foreign exchange adjustments	**13,531**	**–**	**38**	**13,569**
Interest expense on borrowings	**(4,660)**	**(12,907)**	**–**	**(17,567)**
Interest expense on lease liabilities	**–**	**–**	**(85)**	**(85)**
As at 31 December 2021	**(180,645)**	**(3,556)**	**(819)**	**(185,020)**

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

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

37. COMMITMENTS

Capital commitments

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

	As at 31 December	
	2021	2020
Mining rights *(Note 11)*	**35,000**	40,000
Joint venture investment in Xinjiang Zhongtai *(Note 9(b))*	**8,000**	8,000
	43,000	48,000

38. RELATED PARTY TRANSACTIONS

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

(a) The Company's directors were of the view that the following individual was a related party of the Group during the years ended 31 December 2021 and 2020:

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

(b) Significant transactions with related parties

In 2021 and 2020, the Group had no significant transactions or balances with the related party.

Subsequent to the end of the reporting period, Mr. Li Yunde entered into a loan agreement with Shandong Ishine on 23 March 2022, under which an amount of RMB120 million has been agreed to lend to Shandong Ishine for making repayments to the bondholders of the Company. The loan is unsecured, interest-free and with no fixed repayment term.

(c) Key management compensation

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

	Year ended 31 December	
	2021	2020
Wages, salaries and allowances	**3,226**	3,626
Contribution to pension scheme	**58**	78
	3,284	3,704

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

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

Statement of financial position of the Company

	As at 31 December 2021	2020
ASSETS		
Non-current assets		
Property, plant and equipment	**–**	–
Right-of-use assets	**881**	2,073
Interest in subsidiaries	**435,991**	435,006
	436,872	437,079
Current assets		
Prepayments and other receivables	**3,800**	2,495
Cash and cash equivalents	**9,359**	27,803
	13,159	30,298
Total assets	**450,031**	467,377
EQUITY		
Equity attributable to owners of the Company		
Share capital *(Note 19)*	**8,571**	8,638
Share premium *(Note 19)*	**687,845**	695,493
Other reserves *(a)*	**118,382**	119,549
Accumulated losses *(a)*	**(549,432)**	(536,932)
Total equity	**265,366**	286,748
LIABILITIES		
Non-current liabilities		
Borrowings	**4,330**	129,516
Lease liability-non-current portion	**–**	724
	4,330	130,240
Current liabilities		
Borrowings	**116,315**	–
Accruals and other payables	**63,201**	49,209
Lease liability-current portion	**819**	1,180
	180,335	50,389
Total liabilities	**184,665**	180,629
Total equity and liabilities	**450,031**	467,377

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2022, and was signed on its behalf.

Li Yunde	**Geng Guohua**
Executive Director	Executive Director

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

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

	Other reserves				
	Capital contributed surplus *(note (i))*	Share-based payment reserve *(note 20(e))*	Share award scheme reserve *(note 20(f))*	Total	Accumulated losses
At 31 December 2019	119,549	22,998	–	142,547	(529,702)
Loss for the year	–	–	–	–	(30,228)
Transfer	–	(22,998)	–	(22,998)	22,998
At 31 December 2020	119,549	–	–	119,549	(536,932)
Loss for the year	–	–	–	–	(12,500)
Repurchase of shares for share award scheme	–	–	(1,167)	(1,167)	–
At 31 December 2021	**119,549**	**–**	**(1,167)**	**118,382**	**(549,432)**

Note:

(i) Capital contributed surplus

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

40. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments for the years ended 31 December 2021 and 2020 are set out below:

	Year ended 31 December	
	2021	2020
Basic salaries and allowances	**2,113**	2,296
Contribution to pension scheme	**43**	46
	2,156	2,342

For the year ended 31 December 2021 (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 2021						
Executive Directors						
Li Yunde	–	**690**	–	**13**	–	**703**
Geng Guohua	–	**647**	–	**15**	–	**662**
Lang Weiguo	–	**259**	–	**15**	–	**274**
Independent Non-executive Directors						
Zhang Jingsheng	**259**	–	–	–	–	**259**
Li Xiaoyang	**129**	–	–	–	–	**129**
Leung Nga Tat	**129**	–	–	–	–	**129**

For the year ended 31 December 2021 (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 2020						
Executive Directors						
Li Yunde	–	745	–	16	–	761
Geng Guohua	–	698	–	16	–	714
Lang Weiguo	–	282	–	14	–	296
Independent Non-executive Directors						
Zhang Jingsheng	144	–	–	–	–	144
Li Xiaoyang	144	–	–	–	–	144
Leung Nga Tat	283	–	–	–	–	283

During the years ended 31 December 2021 and 2020, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group, or as compensation for loss of office.

(b) Directors' retirement benefits

No retirement benefits were paid to the directors during the years ended 31 December 2021 and 2020 by defined benefit pension plans operated by the Group in respect of their services as directors of the Company and its subsidiaries in connection with the management of the affairs of the Company or its subsidiary undertaking.

(c) Directors' termination benefits

No termination benefits were paid to the directors during the years ended 31 December 2021 and 2020 as compensation for the termination of the appointment of directors.

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

During the years ended 31 December 2021 and 2020, no consideration was paid to the former employers of directors for making available the services of directors of the Company.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans or other dealings entered into by the Company or subsidiary undertaking of the Company in favour of directors during the years ended 31 December 2021 and 2020.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2021 and 2020.

41. COMPARATIVE FIGURES

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

42. EVENTS AFTER REPORTING PERIOD

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

43. 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.

For the year ended 31 December 2021 (Amounts expressed in thousands of RMB unless otherwise stated)

44. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework* [1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3]
HKFRS 17	*Insurance Contracts* [2]
Amendments to HKFRS 17	*Insurance Contracts* [2, 5]
Amendments to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9—Comparative Information* [2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* [2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies* [2]
Amendments to HKAS 8	*Definition of Accounting Estimates* [2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction* [2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use* [1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract* [1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 [1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Financial Highlights

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations					
Revenue	**1,633,758**	965,975	323,341	217,208	30,306
Cost of sales	**(1,600,310)**	(887,744)	(322,048)	(205,988)	(68,004)
Gross profit/(loss)	**33,448**	78,231	1,293	11,220	(37,698)
Distribution expenses	**(3,146)**	(3,279)	(1,816)	(1,442)	(62)
Administrative expenses	**(54,104)**	(49,946)	(55,536)	(53,668)	(38,031)
Impairment losses of assets, net	**(3,439)**	(3,557)	(1,660)	(36,336)	(2,581)
Other income and other gain, net	**2,138**	60,690	1,272	2,087	106
Finance costs, net (restated)	**(18,156)**	(18,193)	(14,677)	(14,387)	(12,506)
Net foreign exchange gain/(loss)	**13,202**	(3,241)	86	(6,119)	5,126
Share of loss of an associate	**–**	–	(266)	–	–
(Loss)/profit before tax	**(30,057)**	60,705	(71,304)	(98,645)	(85,646)
Income tax credit/(expense)	**–**	–	–	2,849	(365)
Loss from discontinued operations	**–**	–	–	–	(55,586)
(Loss)/profit attributable to:					
Owners of the Company	**(30,057)**	60,705	(71,304)	(95,796)	(139,633)
Non-controlling interests	**–**	–	–	–	(1,964)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	**442,582**	389,535	229,972	213,743	493,011
Non-current assets	**263,389**	272,974	279,436	286,734	279,475
Current liabilities	**397,431**	188,281	98,338	58,838	263,623
Non-current liabilities	**21,330**	146,609	143,300	131,151	124,890
Equity attributable to:					
Equity holders of the Company	**287,210**	327,619	267,770	310,488	383,973
Non-controlling interests	**–**	–	–	–	–

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash generated from/(used in) operating activities	**83,473**	21,131	(22,918)	(101,059)	4,228
Net cash generated from/(used in) investing activities	**4,912**	(11,904)	14,667	181,716	(98,897)
Net cash (used in)/ generated from financing activities	**(20,888)**	27,522	64,795	(170,749)	97,348

SELECTED FINANCIAL RATIOS

	For the year ended 31 December				
	2021	2020	2019	2018	2017
Gross profit/(loss) margin	**2.05%**	8.10%	0.40%	5.20%	(124.39)%
Net (loss)/profit margin	**(1.84)%**	6.28%	(22.05)%	(44.10)%	(467.22)%
Gearing ratio	**38.61%**	36.65%	37.80%	27.20%	35.10%