Add New Energy Investment Holdings Group Limited
愛 德 新 能 源 投 資 控 股 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02623)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

The Group recorded revenue of approximately RMB948.0 million for the six months ended 30 June 2023, representing an increase of approximately 81.9% from the revenue of approximately RMB521.1 million for the six months ended 30 June 2022.

The Group's total comprehensive income attributable to owners of the Company increased from approximately RMB17.1 million for the six months ended 30 June 2022 to approximately RMB31.3 million for the six months ended 30 June 2023, representing an increase of approximately 83.0%.

UNAUDITED INTERIM RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Add New Energy Investment Holdings Group Limited (the "**Company**") announces the unaudited interim consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2023 together with the comparative figures for the corresponding period in 2022. The unaudited interim financial information has not been audited but has been reviewed by the audit committee of the Company (the "**Audit Committee**").

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the six months ended 30 June 2023

(Amounts expressed in thousands of RMB, except for per share data)

	Note	**Six months ended 30 June** **2023** **(unaudited)**	2022 (unaudited)
Revenue	*6*	**947,996**	521,101
Cost of sales		**(873,292)**	(457,087)
Gross profit		**74,704**	64,014
Other income	*7*	**87**	224
Other gain	*8*	**–**	244
Distribution costs		**(1,824)**	(929)
Administrative expenses		**(30,369)**	(35,264)
Operating profit		**42,598**	28,289
Interest income		**1,113**	1,343
Interest expenses		**(2,102)**	(8,440)
Finance costs – net	*9*	**(989)**	(7,097)
Net foreign exchange gain/(loss)		**211**	(4,510)
Profit before income tax		**41,820**	16,682
Income tax expense	*10*	**(8,682)**	(1,741)
Net profit for the period		**33,138**	14,941

	Note	Six months ended 30 June 2023 (unaudited)	2022 (unaudited)
Other comprehensive (loss)/income:			
Item that will not be reclassified to profit or loss			
Change in the fair value of financial assets at fair value through other comprehensive income		**(1,839)**	2,154
Other comprehensive (loss)/income for the period		**(1,839)**	2,154
Total comprehensive income for the period		**31,299**	17,095
Earnings per share for profit attributable to owners of the Company (expressed in RMB cents per share)			
Basic earnings per share	*11*	**12.41**	5.70

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

(Amounts expressed in thousands of RMB)

	Note	**As at 30 June 2023 (unaudited)**	As at 31 December 2022 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**304,244**	299,379
Right-of-use assets		**12,046**	12,687
Financial assets at fair value through other comprehensive income		**11,557**	13,396
Prepayments for renewal of mining right		**76,815**	76,815
Other non-current assets		**30,247**	28,896
		434,909	431,173
Current assets			
Inventories		**52,597**	49,458
Contract assets		**36,524**	17,374
Trade and bill receivables	*13*	**9,995**	22,982
Prepayments and other receivables	*14*	**59,778**	100,393
Restricted bank deposits		**15**	–
Cash and cash equivalents		**72,771**	124,665
		231,680	314,872
Total assets		**666,589**	746,045
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**11,802**	8,571
Share premium	*15*	**774,217**	687,845
Other reserves		**(48,755)**	(46,917)
Accumulated losses		**(262,377)**	(295,515)
Total equity		**474,887**	353,984

	Note	**As at 30 June 2023 (unaudited)**	As at 31 December 2022 (audited)
LIABILITIES			
Non-current liabilities			
Provisions for close down, restoration and environmental costs		**12,515**	12,112
Lease liabilities – non-current portion		**1,391**	1,840
Deferred income		**135**	154
		14,041	14,106
Current liabilities			
Borrowings		**60,000**	68,002
Trade payables	*16*	**23,659**	34,412
Accruals and other payables		**36,837**	39,597
Amounts due to the controlling shareholder and the ultimate holding company		**–**	55,400
Contract liabilities		**44,846**	166,804
Lease liabilities – current portion		**997**	933
Deferred income – current portion		**39**	39
Income tax payable		**11,283**	12,768
		177,661	377,955
Total liabilities		**191,702**	392,061
Total equity and liabilities		**666,589**	746,045

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Amounts expressed in thousands of RMB)

1. GENERAL INFORMATION

Add New Energy Investment Holdings Group Limited (the "**Company**") was incorporated in the Cayman Islands on 8 February 2011 as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands. The addresses of its registered office and principal place of business are Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Suite 3105, 31/F, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively the "**Group**") are principally engaged in iron ore processing, and sales 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 ("**Hongfa**"), 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.

This unaudited interim condensed consolidated financial information has been approved for issuance by the Board of Directors on 30 August 2023.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with the applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard ("**HKAS**") 34, 'Interim financial reporting'.

The unaudited interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

3. ACCOUNTING POLICIES

Overview

The unaudited interim condensed consolidated financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's unaudited interim condensed consolidated financial information:

Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of accounting policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The adoption of these amendments has had no significant financial effect on this interim financial information.

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current period.

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the unaudited interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

5. SEGMENT INFORMATION

(a) General information

The Group's chief operating decision-maker ("**CODM**") has been identified as the Senior Executive Management ("**SEM**") who reviews the Group's internal reporting in order to allocate resources and assess performance. The SEM has determined the operating segments based on these reports.

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

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

(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 in the annual financial statements for the year ended 31 December 2022.

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

The segment information provided to the SEM for the six months ended 30 June 2023 and 2022 and the information on segment assets and liabilities as at 31 December 2022 is as follows:

	Mining and ore processing	Trading of minerals	Unallocated	Inter-segment elimination	Total
Six months ended 30 June 2023 (unaudited)					
Revenue	**162,450**	**785,546**	**–**	**–**	**947,996**
Gross profit	**40,994**	**33,710**	**–**	**–**	**74,704**
Other income	**85**	**2**	**–**	**–**	**87**
Other gain	**–**	**–**	**–**	**–**	**–**
Interest income	**501**	**611**	**1**	**–**	**1,113**
Interest expenses	**(1,920)**	**–**	**(182)**	**–**	**(2,102)**
Exchange gain	**–**	**–**	**211**	**–**	**211**
Income tax expense	**(788)**	**(7,894)**	**–**	**–**	**(8,682)**
Net profit/(loss)	**16,004**	**23,718**	**(6,584)**	**–**	**33,138**
Other information					
Depreciation of property, plant and equipment	**(11,279)**	**(86)**	**–**	**–**	**(11,365)**
Amortisations of right-of-use assets	**(137)**	**–**	**(504)**	**–**	**(641)**
Research and development expenses	**–**	**–**	**–**	**–**	**–**
Expenditures for non-current assets	**16,230**	**–**	**–**	**–**	**(16,230)**
As at 30 June 2023 (unaudited)					
Segment assets and liabilities					
Total assets	**710,114**	**113,147**	**210,591**	**(367,263)**	**666,589**
Total liabilities	**(357,505)**	**(62,938)**	**(138,522)**	**367,263**	**(191,702)**
Six months ended 30 June 2022 (unaudited)					
Revenue	68,078	453,023	–	–	521,101
Gross profit	33,941	30,073	–	–	64,014
Other income	224	–	–	–	224
Other gain	244	–	–	–	244
Interest income	1,267	76	–	–	1,343
Interest expenses	(2,502)	–	(5,938)	–	(8,440)
Exchange loss	–	–	(4,510)	–	(4,510)
Income tax expense	–	(1,741)	–	–	(1,741)
Net profit/(loss)	15,197	15,687	(15,943)	–	14,941
Other information					
Depreciation of property, plant and equipment	(6,129)	(20)	–	–	(6,149)
Amortisations of right-of-use assets	–	–	(559)	–	(559)
Research and development expenses	(13,586)	–	–	–	(13,586)
Expenditures for non-current assets	23,457	18	–	–	23,475
As at 31 December 2022 (audited)					
Segment assets and liabilities					
Total assets	746,861	204,354	192,680	(397,850)	746,045
Total liabilities	(410,976)	(175,305)	(203,630)	397,850	(392,061)

6. REVENUE

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
Trading		
– Sales of coarse iron powder	**132,913**	274,569
– Sales of blended coal	**394,004**	157,555
– Sales of semi-coke	**223,573**	20,899
– Sales of coke	**35,056**	–
Processing service income		
– From processing of iron and other mineral ores	**162,450**	60,294
Production		
– Sales of iron concentrates	**–**	7,784
	947,996	521,101

7. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
Government grants	**77**	67
Agency income	**–**	157
Others	**10**	–
	87	224

There were no unfulfilled conditions and obligations attached to the grants received from the government.

8. OTHER GAIN

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	**–**	244

9. FINANCE COSTS – NET

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
Interest expense:		
– Borrowings	**(1,612)**	(8,045)
– Provisions: unwinding of discount	**(403)**	(378)
– Lease liabilities	**(87)**	(17)
	(2,102)	(8,440)
Interest income:		
– Interest income on bank deposits	**1,113**	1,343
Finance costs – net	**(989)**	(7,097)

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
Current tax – Corporate Income Tax	**(8,682)**	(1,741)

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

Hong Kong profits tax has not been provided for the subsidiaries in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the six months ended 30 June 2023 and 2022.

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

For the six months ended 30 June 2023 and 2022, PRC corporate income tax has been provided for at the rate of 25% on the assessable profits of the Group's PRC subsidiaries, except for Shandong Ishine which had available tax losses brought forward from previous years which fully offset its assessable profit for the period.

11. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
Profit attributable to owners of the Company	**33,138**	14,941
Weighted average number of ordinary shares in issue	**267,056,330**	262,217,196
Basic earnings per share (Expressed in RMB cents per share)	**12.41**	5.70

On 20 June 2023, the Company completed the rights issue (as detailed in Note 15 below). As the subscription price of the rights shares was higher than the market price of the Company's ordinary shares immediately before the completion of the rights issue, there was no bonus element in the rights issue. Accordingly, the weighted average number of ordinary shares for the six months ended 30 June 2023 and 2022 has not been adjusted in respect of the rights issue.

The weighted average number of ordinary shares for the six months ended 30 June 2023 and 2022 has only been adjusted in respect of the share consolidation being effective on 9 May 2023 (as detailed in Note 15 below).

(b) Diluted

During the six months ended 30 June 2023 and 2022, there was no dilutive instruments of the Company, no diluted earnings per share is presented.

12. DIVIDENDS

The Board of Directors has resolved not to declare any interim dividends related to the six months ended 30 June 2023 (2022: Nil).

13. TRADE AND BILL RECEIVABLES

	As at 30 June 2023 (unaudited)	As at 31 December 2022 (audited)
Trade receivables	**14,153**	23,790
Less: allowance for impairment of trade receivables	**(4,158)**	(4,158)
	9,995	19,632
Bill receivables	**–**	3,350
Trade and bill receivables – net	**9,995**	22,982

As at 30 June 2023 and 31 December 2022, the ageing analysis of trade receivables (before deduction of provision for impairment loss) presented based on invoice date, is as follows:

	As at 30 June 2023 (unaudited)	As at 31 December 2022 (audited)
Within 3 months	**10,438**	18,075
3 to 6 months	**–**	2,000
6 months to 1 year	**–**	–
Over 1 year	**3,715**	3,715
	14,153	23,790

14. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2023 (unaudited)	As at 31 December 2022 (audited)
Trade deposits to suppliers	**19,130**	70,081
Utility deposits	**5,194**	4,047
Prepaid taxes	**7,278**	7,278
Rights issue proceeds receivable *(Note(i))*	**4,178**	–
Land restoration deposits	**36**	36
Deductible input value-added tax	**4,951**	874
Advances to employees	**174**	914
Compensation receivable *(Note(ii))*	**15,000**	15,000
Others	**3,837**	2,163
	59,778	100,393

Note:

(i) The amount represents proceeds from the rights issue received by the Company's branch share registrar in Hong Kong on behalf of the Company. Details of the rights issue were disclosed in Note 15 below. The proceeds were received from the Company's branch share registrar in Hong Kong on 10 July 2023.

(ii) In accordance with a settlement agreement dated 15 January 2021 which was entered into with a state-owned highway operator which is the defendant (the "**Defendant**") under the legal actions taken by the Group for unlawful encroachment of the mining areas of the Group's Yangzhuang iron mine in the previous years, compensation payable to the Group amounting to RMB50,000,000 was agreed by the Defendant, including an amount of RMB35,000,000 received by the Group during the year ended 31 December 2021 and the remaining RMB15,000,000 to be received upon the change in mining area as stipulated in the Group's renewed mining certificate for the Yangzhuang iron mine, which is under the process of renewing by the relevant authorities at the end of the reporting period. The relevant compensation income of RMB50,000,000 was recognised in the consolidated profit or loss for the year ended 31 December 2020. At 30 June 2023, there was no significant increase in credit risk of the defendant and the default risk on the remaining compensation receivable to be insignificant and no provision for expected credit loss for the compensation receivable is necessary.

15. SHARE CAPITAL AND SHARE PREMIUM

At the adjourned extraordinary general meeting of the Company held on 5 May 2023 (the "**Adjourned EGM**"), share consolidation of the Company's ordinary shares, for which every 20 shares of the Company of HK$0.002 each were consolidated into 1 share of HK$0.04 each, was approved by the shareholders of the Company. The share consolidation was become effective on 9 May 2023.

At the Adjourned EGM, the rights issue of the Company on the basis of 1 rights share of HK$0.04 each of the Company (the "**Rights Share**") for every 3 ordinary shares of HK$0.04 each of the Company held by the qualifying shareholders (the "**Rights Issue**") was also approved. On 5 June 2023, being the latest time for acceptance of the Rights Issue, applications for a total of 37,308,277 Rights Shares were received. Pursuant to the underwriting agreement dated 11 January 2023 entered into between the Company and Hongfa, Hongfa would take up 50,280,055 unsubscribed Rights Shares, resulting in the issue and allotment of 87,588,332 Rights Shares in total on 20 June 2023.

Proceeds from the Rights Issue were approximately HK$99,851,000 (equivalent to approximately RMB92,062,000) and the expenses directly attributable to the Rights Issue were approximately HK$2,702,000 (equivalent to approximately RMB2,459,000), resulting in net proceeds from the Rights Issue of approximately HK$97,149,000 (equivalent to approximately RMB89,603,000). Upon the issuance of Rights Shares on 20 June 2023, amounts of approximately RMB3,231,000 and RMB86,372,000 were credited to share capital and share premium accounts of the Company, respectively.

16. TRADE PAYABLES

As at 30 June 2023 and 31 December 2022, the ageing analysis of trade payables presented based on invoice date, is as follows:

	As at 30 June 2023 (unaudited)	As at 31 December 2022 (audited)
Within 6 months	**20,004**	32,015
6 months to 1 year	**1,824**	289
Over 1 year	**1,831**	2,108
	23,659	34,412

17. COMPARABLE FIGURES

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

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2023 (30 June 2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal activities of the Group are iron ore and ilmenite ore exploration, mining and processing as well as trading of iron concentrates and other minerals in the Shandong Province, the PRC. 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, and establish the full titanium industrial chain in Shandong Province, the PRC. The Group's major customers are iron pellets makers and steel manufacturers located in close proximity.

The Group possesses mining rights in respect of Yangzhuang Iron Mine (楊莊鐵礦), an iron ore mine located in Qinjiazhuang Village, Yangzhuang Town, Shandong Province, the PRC ("**Yangzhuang Iron Mine**"), Zhuge Shangyu Ilmenite Mine (諸葛上峪鈦鐵礦), an ilmenite and magnetite mine located in Yishui County, Shandong Province, the PRC ("**Zhuge Shangyu Ilmenite Mine**"), and owns the exploration rights over Yangzhuang Iron Mine, Qinjiazhuang Ilmenite Project, an ilmenite ore project located in Qinjiazhuang District, Yishui County, Shandong Province, the PRC ("**Qinjiazhuang Ilmenite Project**"), 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 recorded revenue of approximately RMB948.0 million for the six months ended 30 June 2023, representing an increase of approximately 81.9% over the revenue of approximately RMB521.1 million for the six months ended 30 June 2022. The increase in revenue of the Group was primarily due to the combined effect of (1) the increase in turnover of trading of blended coal, coke and semi-coke by approximately RMB474.2 million from approximately RMB178.4 million for the six months ended 30 June 2022 to approximately RMB652.6 million for the six months ended 30 June 2023; (2) the increase in service income from processing of iron and other mineral ores by approximately RMB102.2 million; (3) the decrease in sales of coarse iron powder by approximately RMB141.7 million from approximately RMB274.6 million for the six months ended 30 June 2022 to approximately RMB132.9 million for the six months ended 30 June 2023; and (4) no revenue was generated from sales of iron concentrates for the six months ended 30 June 2023 (30 June 2022: approximately RMB7.8 million).

The total comprehensive income attributable to owners of the Company was approximately RMB31.3 million for the six months ended 30 June 2023, representing an increase of approximately RMB14.2 million, or 83.0%, as compared with that of RMB17.1 million for the six months ended 30 June 2022. This was mainly due to (1) the net foreign exchange gain of approximately RMB0.2 million for the six months ended 30 June 2023 as compared with net foreign exchange loss of approximately RMB4.5 million for the same period in 2022; and (2) the decrease in net finance costs by approximately RMB6.1 million due to the repayment of bonds issued by the Company.

Summary of work in the first half of 2023

In 2023, the Group further released the new production capacity in adapting to market changes, and continued to strengthen its traditional principal business of protective mining, production, sales and services of iron and titanium mines. The Group continued to invest in scientific research for the expansion of the entire titanium industrial chain. Progress in the construction of the Zhuge Shangyu comprehensive low-carbon environmental protection project was further strengthened.

I. Continued Brazil coarse powder processing business

In 2023, the Group continued to promote the production of Brazil coarse powder processing, and the estimated Brazil coarse powder processing volume was 1,240,600 tons in the first half of the year.

II. Trading of coal and coal products

The Group captured suitable business opportunities and took advantage of the logistics advantages of Xinjiang and the favorable geographical conditions of Yumen Office in Gansu Province in making full use of the existing customer relationship resources to increase the trade volume of coal and coal products, and recorded sales revenue of RMB652,633,000.

III. Shangyu mining and processing plant construction

In August 2022, Shangyu Mine is ready to start infrastructure construction, and the Mine is ready to start mining during the infrastructure construction period. A lot of basic work was done in the first half of the year.

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

IV. Increased the release of production capacity of Yangzhuang Iron Mine after the production and processing technology transformation and strived to stabilize economic benefits. Currently, the technical transformation has been basically completed.

V. Continued to release the existing production capacity of Zhuge Shangyu Processing, and strived to increase production with guaranteed quantity with production of 456,200 tons.

VI. Strengthened internal control management and made comprehensive assessment of all market transactions. The Group conducted strict internal control review and management, improved integrated and standardized management level, monitored the supply, production and sales in a timely manner, and laid the management foundation for performance improvement.

VII. Focused on low-carbon, environmental protection and new energy sustainable growth projects in the first half of the year for examining and selecting, and planned to adjust our industrial structure for the benefit of investors.

VIII. The Group is dealing with Shandong Provincial Department of Land and Resources in respect of the application for mining rights for Yangzhuang Iron Mine in the first half of the year, which is expected to be completed in October. The application for exploration rights has been completed and is within the term of validity.

IX. In the first half of the year, while developing the principal business, the Group followed up the market on the new technologies, new materials and new business opportunities, so as to respond to market changes in a timely manner.

Connected Transactions

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 (the "**Coal Purchase and Sale Agreement**"), pursuant to which Hami Xinxing shall purchase blended coal from Xinjiang Jiangna Mining from 22 April 2022 (being the date immediately after fulfilling all the conditions precedent as set out in the Coal Purchase and Sale Agreement) to 31 December 2024.

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.

Xinjiang Jiangna Mining is wholly and beneficially owned by Mr. Li Yunde ("**Mr. Li**"), the chairman of the Board, an executive Director and a controlling shareholder of the Company (as defined under The Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")), and therefore the Coal Purchase and Sale Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. An extraordinary general meeting of the Company was convened and held on 22 April 2022 approving the same. For details, please refer to the circular of the Company dated 30 March 2022.

Shareholder's Loan

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 "**Shareholder's Loan**") to Shandong Ishine Mining Industry Co., Ltd ("**Shandong Ishine**"), an indirect wholly-owned subsidiary of the Company, pursuant to a loan agreement entered into between Mr. Li and Shandong Ishine on 23 March 2022 (the "**Loan Agreement**"). The Shareholder's 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 due for repayment within the year ended 31 December 2022 (the "**Bonds**"). The repayment of the Bonds can enable the Group to reduce the interest payment of the Bonds.

During the six months ended 30 June 2023, an additional amount of approximately RMB17.9 million has been advanced to the Company by Hongfa Holdings Limited ("**Hongfa**"), a company wholly-owned by Mr. Li and being the ultimate holding company of the Company. The advance is interest-free, unsecured and with no fixed repayment term.

On 13 June 2023, the Shareholder's Loan in the principal amount of HK$71.2 million has been repaid by the proceeds from the Rights Issue (as defined below). The remaining balance of the Shareholder's Loan of approximately RMB9.0 million was also fully repaid during the six months ended 30 June 2023.

SHARE CONSOLIDATION AND RIGHTS ISSUE

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

Subject to the Share Consolidation having become effective, the Board also proposed to implement the rights issue (the "**Rights Issue**"), on the basis of one (1) rights share ("**Rights Share**") for every three (3) Shares held as at the record date at the subscription price of HK$1.14 per Rights Share (the "**Subscription Price**"), to raise gross proceeds of up to HK$99,850,698 before the offset of the part amount of subscription monies payable by Mr. Li and Hongfa, for the Rights Shares to which each of them is entitled to and/or is required to subscribe for (if any) under the Rights Issue and the Underwriting Agreement (as defined below)(the "**Offset**") and expenses by issuing 87,588,332 Rights Shares (assuming no change in the issued share capital of the Company on or before the record date). The Rights Issue is only available to the qualifying Shareholders (the "**Qualifying Shareholders**") and will not be extended to the Non-Qualifying Shareholders (as defined below). Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the non-qualifying Shareholders (other than overseas Shareholders in respect of whom to exclude from the Rights Issue ("**Non-Qualifying Shareholders**") whose names appear on the register of members on the record date), to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained.

The Company will make arrangements to dispose of those Rights Shares that are not subscribed by the Qualifying Shareholders and the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form ("**NQS Rights Shares**") that are not successfully sold by the Company (the "**Unsubscribed Rights Shares**"), by offering the Unsubscribed Rights Shares to independent placees who are not Shareholders by way of placing by the placing agent appointed by the Company (the "**Placing Agent**") for the benefit of the relevant Qualifying Shareholders who do not subscribe for the Rights Shares ("**No Action Shareholders**"). After the trading hours of the Stock Exchange on 11 January 2023, the Company and the Placing Agent entered into the placing agreement (the "**Placing Agreement**"), pursuant to which the Placing Agent has agreed to procure placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price. The final price will be determined based on the demand for and market conditions of the Unsubscribed Rights Shares at the time of placement (the "**Compensatory Arrangements**").

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

Subject to the terms and conditions set out in the Underwriting Agreement, if there shall be any Unsubscribed Rights Shares which have not been successfully placed out by the Placing Agent under the Compensatory Arrangements, then the Underwriter shall subscribe or procure subscription for a maximum of 50,791,988 Underwritten Shares pursuant to the allocations under the terms set out in the Underwriting Agreement.

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

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

Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those pursuant to the irrevocable undertakings executed by each of Mr. Li, Hongfa, Mr. Geng Guohua ("**Mr. Geng**") and Mr. Lang Weiguo ("**Mr. Lang**") in favour of the Company (the "**Irrevocable Undertakings**")); and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, the aggregate shareholding of Mr. Li, the Underwriter and parties acting in concert with any of them (including Mr. Geng and Mr. Lang) in the Company upon the close of the Rights Issue will increase from approximately 42.1% to approximately 56.5% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Accordingly, the Underwriter would be required to make a mandatory general offer under Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") for all the Shares not already owned or agreed to be acquired by it and parties acting in concert with it, unless the waiver to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the "**Executive**") pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of the Underwriter to make a mandatory general offer to the Shareholders in respect of Shares not already owned or agreed to be acquired by Mr. Li, the Underwriter and parties acting in concert with any of them (the "**Whitewash Waiver**").

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

The Executive has granted to Hongfa a conditional Whitewash Waiver on 9 March 2023.

The EGM was originally scheduled to be held on 22 March 2023 for approving the Share Consolidation, the Rights Issue, the connected transactions in relation to the Underwriting Agreement and Offset, and the Whitewash Waiver. Taking in account to provide the Shareholders more time to review the proposed resolutions and the annual results of the Group for the year ended 31 December 2022, the Shareholders approved by show of hands to adjourn the EGM to a date, time and place to be determined by the Board. The adjourned EGM was held on 5 May 2023, at which (i) the Shareholders have approved the Share Consolidation, and (ii) the Independent Shareholders have approved the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Offset and the Whitewash Wavier.

All the conditions with respect to the Rights Issue, the Placing Agreement and the Underwriting Agreement had been fulfilled, and the Rights Issue became unconditional on Tuesday, 13 June 2023.

A total of four valid applications had been received for a total of 37,308,277 Rights Shares, representing approximately 42.6% of the total number of Rights Shares offered under the Rights Issue. Pursuant to the Irrevocable Undertakings, Mr. Li, Hongfa, Mr. Geng and Mr. Lang have respectively subscribed for 2,034,300 Rights Shares, 34,135,643 Rights Shares, 314,733 Rights Shares and 311,666 Rights Shares provisionally allotted to them respectively. The remaining 50,280,055 Unsubscribed Rights Shares, representing approximately 57.4% of the total number of Rights Shares offered under the Rights Issue, were subject to the Compensatory Arrangements. No Unsubscribed Rights Shares had been successfully placed. Therefore, there is no net gain available to be distributed to the No Action Shareholders under the Compensatory Arrangements.

As a result of the under-subscription of the Rights Shares and the Placing, Hongfa had performed its underwriting obligations to subscribe for a total of 50,280,055 Rights Shares, pursuant to the terms of the Underwriting Agreement, representing approximately 57.4% of the total number of Rights Shares available for subscription under the Rights Issue.

On 20 June 2023, an aggregate of 87,588,332 Rights Shares with nominal value of HK$3,503,533.28 had been issued and allotted. The Subscription Price of HK$1.14 per Rights Share represents a discount of approximately 13.6% to the adjusted closing price of approximately HK$1.32 per Share as quoted on the Stock Exchange on 11 January 2023 adjusted for the effect of the Share Consolidation.

The gross proceeds from the Rights Issue (before the Offset and expenses) were approximately HK$99.9 million and the net proceeds from the Rights Issue (before the Offset and after deducting the related expenses) were approximately HK$97.1 million (equivalent to a net subscription price of approximately HK$1.11 per Rights Share). The Company intended to apply the net proceeds from the Rights Issue as to (i) approximately 73.3% (being approximately HK$71.2 million) for Offset/Repayment of the outstanding Shareholder's Loan; (ii) approximately 3.2% (being approximately HK$3.1 million) for settlement of the outstanding borrowings and accrued interest of the Group; (iii) approximately 10.4% (being approximately HK$10.1 million) for developing low-carbon project(s); and (iv) approximately 13.1% (being approximately HK$12.7 million) as general working capital of the Group, including but not limited to daily operational expenses and staff cost of the Group.

As at 30 June 2023, the net proceeds of approximately HK$71.2 million had been utilized for Offset/Repayment, and the remaining proceeds will be used as intended.

For details of the above (including the reasons for and benefits of the Rights Issue), please refer to the prospectus of the Company dated 19 May 2023, and the announcements of the Company dated 7 June 2023 and 19 June 2023.

FINANCIAL REVIEW

For the six months ended 30 June 2023, the Group recorded revenue of approximately RMB948.0 million as compared with approximately RMB521.1 million for the six months ended 30 June 2022, representing an increase of approximately 81.9%. For the six months ended 30 June 2023, 82.9% of the Group's total revenue were derived from trading of coarse iron powder, blended coal, coke and semi-coke, while 17.1% were from provision of processing services. Starting from 2021, the Group started to provide processing services to customers, the attribution of processing service income increased from approximately 11.6% of the total revenue for the six month ended 30 June 2022 to approximately 17.1% of that for the six months ended 30 June 2023, providing the Group a stable profitability from utilising its production capacity.

Prices of the Group's products

Iron Concentrates

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

The Group did not sell 65% or 64% iron concentrates for the six months ended 30 June 2023.

Trading commodities

The average selling prices of coarse iron powder, semi-coke and blended coal were RMB702.9, RMB474.7 and RMB266.2 per tonne respectively, for the six months ended 30 June 2023, representing a decrease of approximately 7.8%, 36.2% and 6.1% respectively as compared to the average unit price of approximately RMB762.3, RMB743.7 and RMB283.5 per tonne for the corresponding period in last year. The average selling price of coke, which is new category of trading commodity sold by the Group in the current period, was RMB2,553 per tonne.

Revenue

Revenue recorded for the six months ended 30 June 2023 was generated from the Group's trading activities and processing service. The Group's revenue is mainly affected by the Group's ability to tackle the market demand through available supplies, as well as the market conditions and the prices of the minerals traded by the Group. The following table sets forth a breakdown of the Group's revenue for the periods indicated:

	Six months ended 30 June 2023 RMB'000		Six months ended 30 June 2022 RMB'000	
Revenue				
Sales from trading activities				
– coarse iron powder	**132,913**	**14.0%**	274,569	52.7%
– blended coal	**394,004**	**41.6%**	157,555	30.2%
– semi-coke	**223,573**	**23.6%**	20,899	4.0%
– coke	**35,056**	**3.7%**	–	–
	785,546	**82.9%**	453,023	86.9%
Processing service				
– processing of iron and other mineral ores	**162,450**	**17.1%**	60,294	11.6%
Sales of iron concentrates produced by the Group				
– 64% iron concentrates	**–**	**–**	7,784	1.5%
	947,996	**100.0%**	521,101	100.0%

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

	Six months ended 30 June 2023 (Kt)	Six months ended 30 June 2022 (Kt)
Sales volume of trading activities		
– coarse iron powder	**189.1**	360.2
– blended coal	**1,480.0**	555.7
– semi-coke	**471.0**	28.1
– coke	**13.7**	–
	2,153.8	944.0
Sales volume of iron concentrates produced by the Group		
– 64% iron concentrates	**–**	9.7
	2,153.8	953.7

For the six months ended 30 June 2023, revenue is mainly derived from trading of blended coal and semi-coke. Revenue is also derived from provision of processing services to third party customers.

The Group recorded revenue of approximately RMB948.0 million for the six months ended 30 June 2023, representing an increase of approximately 81.9% over the revenue of approximately RMB521.1 million for the six months ended 30 June 2022. The increase in revenue of the Group was primarily a combined effect of (1) the increase in turnover of trading of blended coal, coke and semi-coke by approximately RMB474.2 million from approximately RMB178.4 million for the six months ended 30 June 2022 to approximately RMB652.6 million for the six months ended 30 June 2023; (2) the increase in service income from processing of iron and other mineral ores by approximately RMB102.2 million; (3) the decrease in sales of coarse iron powder by approximately RMB141.7 million from approximately RMB274.6 million for the six months ended 30 June 2022 to approximately RMB132.9 million for the six months ended 30 June 2023, and (4) no revenue was generated from sales of iron concentrates for the six months ended 30 June 2023 (30 June 2022: approximately RMB7.8 million).

Cost of Sales

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

	Six months ended 30 June 2023		Six months ended 30 June 2022	
	RMB'000		*RMB'000*	
Cost of Sales				
Cost of sales of trading activities				
– sales of coarse iron powder	**127,061**	**14.5%**	257,304	56.3%
– sales of blended coal	**375,212**	**43.0%**	148,052	32.4%
– sales of semi-coke	**214,734**	**24.6%**	17,594	3.8%
– sales of coke	**34,829**	**4.0%**	–	–
	751,836	**86.1%**	422,950	92.5%
Cost of sales of processing services				
– processing of iron and other mineral ores	**121,456**	**13.9%**	26,639	5.8%
Cost of sales of iron concentrates produced by the Group				
– 64% iron concentrates	**–**	**–**	7,498	1.7%
	873,292	**100.0%**	457,087	100.0%

Cost of sales was mainly incurred from purchase of blended coal and semi-coke products for trading purposes. The cost of sales incurred during provision of processing services mainly consists of cost of raw materials, power and utilities expenses, employee benefits, depreciation and amortisation, and other overhead costs.

Total cost of sales increased by approximately 91.1% to approximately RMB873.3 million for the six months ended 30 June 2023, as compared with approximately RMB457.1 million for the corresponding period in last year. Such increase was consistent with the increase in the Group's revenue for the six months ended 30 June 2023, which was mainly due to the increase in sales volume from trading minerals by approximately 1,209.8 Kt, together with the increase of processing services provided to customers.

Gross profit and gross profit margin

The following table sets forth a breakdown of the Group's gross profit and gross profit margins for the periods indicated:

	Six months ended 30 June 2023		Six months ended 30 June 2022	
	RMB'000		*RMB'000*	
Gross profit				
Gross profit of iron concentrates produced by the Group				
– 64% iron concentrates	**–**	**–**	286	0.4%
	–	**–**	286	0.4%
Gross profit of trading activities				
– sales of coarse iron powder	**5,852**	**7.8%**	17,265	27.0%
– sales of blended coal	**18,792**	**25.2%**	9,503	14.8%
– sales of semi-coke	**8,839**	**11.8%**	3,305	5.2%
– sales of coke	**227**	**0.3%**	–	–
	33,710	**45.1%**	30,073	47.0%
Gross profit of processing services				
– processing of iron and other mineral ores	**40,994**	**54.9%**	33,655	52.6%
	74,704	**100.0%**	64,014	100.0%

	Six months ended 30 June 2023	Six months ended 30 June 2022
	%	%
Gross profit margin		
Gross profit margin of iron concentrates		
– 64% iron concentrates	**–**	3.7%
Gross profit margin of trading activities		
– sales of coarse iron powder	**4.4%**	6.3%
– sales of blended coal	**4.8%**	6.0%
– sales of semi-coke	**4.0%**	15.8%
– sales of coke	**0.7%**	–
Gross profit margin of provision of processing services		
– processing of iron and other mineral ores	**25.2%**	55.8%
Total gross profit margin	**7.9%**	12.3%

Gross profit increased by approximately RMB10.7 million from gross profit of approximately RMB64.0 million for the six months ended 30 June 2022 to gross profit of approximately RMB74.7 million for the six months ended 30 June 2023. The main reason for the increase was the further expansion of processing services to third-party customers which has a higher profit margin than trading activities.

Overall gross profit margin decreased to approximately 7.9% for the six months ended 30 June 2023 from approximately 12.3% for the corresponding period in last year. The decrease in overall gross profit margin was primarily due to (1) the decrease in gross profit margin of provision of processing services during the current period, resulting from the increase in average processing cost per unit; and (2) decrease in gross profit margin of trading activities, resulting from the downward pressure on the market prices of trading commodities during the current period which limited the Group's opportunity to earn a higher margin, as compared to the rising trend for the corresponding period in last year.

Distribution costs and administrative expenses

The total of distribution costs and administrative expenses decreased by approximately RMB4.0 million or 11.0%, from approximately RMB36.2 million for the six months ended 30 June 2022 to approximately RMB32.2 million for the current period. The decrease is mainly due to that during the corresponding period in last year, the Group launched research and development measures in relation to advanced processing technology to produce high-standard iron concentrates suitable for steel industry usage. The relevant expenditure amounted to approximately RMB13.6 million for the corresponding period in last year. On the other hand, due to the establishment of a new subsidiary in second half of 2022 to administrate the development of Shangyu processing plant, distribution costs and other administrative expenses increased by approximately RMB10.3 million.

Finance costs, net

Net finance costs mainly comprised of interest expense on borrowings of the Group, offset by interest income from bank deposits. Finance costs decreased due to the repayment of all the bonds issued by the Company during the current period such that interests charged decreased.

Total comprehensive income

The total comprehensive income attributable to owners of the Company was approximately RMB31.3 million for the six months ended 30 June 2023, representing an increase of approximately RMB14.2 million, or 83.0%, as compared with that of RMB17.1 million for the six months ended 30 June 2022. This was mainly due to (1) the net foreign exchange gain of approximately RMB0.2 million for the six months ended 30 June 2023 as compared with net foreign exchange loss of approximately RMB4.5 million for the same period in 2022; and (2) the decrease in net finance costs by approximately RMB6.1 million due to the repayment of bonds issued by the Company.

WORK PLAN FOR THE SECOND HALF OF 2023

In the second half of 2023, the Group will release new production capacity based on its annual work plan, and continue to strengthen its traditional principal business of protective mining and production of iron and titanium mines, as well as investment in scientific research for the expansion of the entire titanium industrial chain. Active efforts will also be made to push forward the construction of the Zhuge Shangyu comprehensive low-carbon environmental protection project.

I. Continue Brazil coarse powder processing business

In the second half of 2023, the Group will continue to promote the production of Brazil coarse powder processing, and intend to further increase Brazil coarse powder processing volume by more than 1,000,000 tons on the basis in the first half of the year.

II. Coal and coal products trade

The Group will capture suitable business opportunities and leverage the logistics advantages of Xinjiang, the favorable geographical conditions of Yumen Office in Gansu Province and the existing customer relationship resources to increase the trade volume of coal and coal products, further improve sales and boost profitability.

III. Shangyu mining and processing plant construction

Shangyu Mine is ready to start infrastructure construction in August 2022. The new project investment in respect of Shangyu Mine and processing plant this year is estimated to be approximately RMB1.5 billion, mainly focusing on mining, ilmenite ores production line construction, living office area construction, science and technology center and production automation construction. The existing production system of Shangyu Park has been in normal production, and the construction of new system and regional planning has been basically determined. Based on the current Shangyu processing plant implemented step by step from point to area, the production construction of the whole park will develop towards unmanned and intelligent in the future. Significant progress is expected to be seen in the second half of the year.

IV. Continue to increase the release of production capacity of Yangzhuang Iron Mine after the production and processing technology transformation and strive to stabilize economic benefits. Currently, the technical transformation has been basically completed. Next it is time to show effectiveness in a full manner.

V. Continue to release the existing production capacity of Zhuge Shangyu Processing, and strive to increase production with guaranteed quantity, with better-than-first half performance in production capacity and yield in the second half of the year.

VI. Strengthen internal control management and make comprehensive assessment of all market transactions. The Group will conduct strict internal control review and management, improve the integrated and standardized management level, monitor supply, production and sales in a timely manner, and lay the management foundation for performance improvement in the fair market.

VII. Focus on low-carbon, environmental protection and new energy sustainable growth projects in the second half of the year for examining and selecting, and plan to adjust our industrial structure for the benefit of investors as appropriate.

VIII. The Group is dealing with Shandong Provincial Department of Land and Resources in respect of the application for mining rights for Yangzhuang Iron Mine in the first half of the year, which is expected to be completed in October. The application for exploration rights has been completed and is within the term of validity.

IX. Continuing our work in the first half of the year, the Group will not only develop the principal business, but also follow up the new technologies, new materials and new business opportunities in the market and collaborate with college research institutes and other scientific research platforms, aiming to keep pace with the times and respond to market changes in a timely manner.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the total amount of the borrowings of the Group was approximately RMB60.0 million (as at 31 December 2022: approximately RMB123.4 million (including amounts due to the controlling shareholder and the ultimate holding company)). The Group's cash and bank balances amounted to approximately RMB72.8 million as at 30 June 2023 (as at 31 December 2022: approximately RMB124.7 million).

CAPITAL STRUCTURE

The Company's issued share capital as at 30 June 2023 is HK$14,014,133.12 divided into 350,353,328 shares with par value of HK$0.04 each.

The Group adopts a prudent treasury policy, and its gearing ratio (calculated as total borrowings (including amounts due to the controlling shareholder and the ultimate holding company) divided by the aggregate amount of total equity and total borrowings) as at 30 June 2023 was approximately 11.2% (as at 31 December 2022: approximately 25.8%). The current ratio (calculated as current assets divided by current liabilities) as at 30 June 2023 was approximately 1.30 times (as at 31 December 2022: approximately 0.83 times). The increase in current ratio is mainly attributed to the repayment of Shareholder's Loan by utilising the proceeds from the Rights Issue.

SIGNIFICANT INVESTMENTS

As at 30 June 2023, the Group did not have any significant investment held.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had 177 employees (31 December 2022: 224 employees), most of whom were stationed in the PRC. The employee benefit expense (including Directors' emoluments) amounted to approximately RMB11.0 million for the six months ended 30 June 2023 (30 June 2022: approximately RMB10.7 million). The Group entered into employment contracts with all its employees. Apart from salary remuneration, employees are entitled to retirement benefits under 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 employees in Hong Kong. The Company had also adopted a restricted share award scheme.

CHARGE OVER THE GROUP'S ASSETS

As at 30 June 2023, there was no charge over the assets of the Group.

FOREIGN CURRENCY EXPOSURE

The Group mainly earns revenues and incurs costs in Renminbi and Hong Kong dollars. The Group's monetary assets and liabilities are denominated in Renminbi and Hong Kong dollars. The Group currently does not have a foreign currency hedging policy. However, the management will monitor foreign exchange exposure closely and consider the use of hedging instruments when the need arises.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no significant contingent liabilities.

SHARE AWARD SCHEME

On 28 December 2020, the Board adopted a restricted share award scheme (the "**Share Award Scheme**") as an incentive to recognise the contributions by employees and to give incentives in order to retain them for their continuing operation and development and to attract suitable personnel for further development of the Group. Restricted shares under the Share Award Scheme will be comprised of Shares subscribed for or purchased by the trustee out of cash arranged to be paid by the Company out of the Company's funds to the trustee. The Company has appointed Greenfield Services Limited as trustee for the Share Award Scheme. During the six months ended 30 June 2023, 481,000 restricted shares (adjusted for the effect of the Share Consolidation became effective on 9 May 2023) were held by the trustee for the purpose of the Share Award Scheme. There was no new share allotted and issued to the trustee by the Company and no restricted shares was granted to any employees of the Group under the Share Award Scheme during the six months ended 30 June 2023. As at 1 January 2023 and 30 June 2023, the restricted shares available for grant under the Share Award Scheme was 525,529,992 and 35,035,332 (adjusted for the Share Consolidation) respectively.

EVENTS AFTER THE REPORTING PERIOD

There have been no significant events occurring after the end of the reporting period up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standards as set out in the Model Code during the six months ended 30 June 2023.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the 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 six months ended 30 June 2023.

AUDIT COMMITTEE

The Company established the Audit Committee on 9 April 2012 with written terms of reference in compliance with the CG Code. It currently comprises of three independent non-executive Directors, namely Mr. Leung Nga Tat (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 the Company's financial reporting system and to review the risk management and internal control systems. The Audit Committee had reviewed this unaudited interim consolidated results for the six months ended 30 June 2023 before such documents were tabled at a meeting of the Board held on 30 August 2023 for the Board's review and approval, and was of the opinion that such documents had complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures had been made.

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

Hong Kong, 30 August 2023

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

* *for identification purpose only*