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Add New Energy Investment Holdings Group Limited

愛德新能源投資控股集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02623)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

The Group recorded revenue of approximately RMB966.0 million for the year ended 31 December 2020, representing an increase of approximately 198.8% over the revenue of approximately RMB323.3 million for the year ended 31 December 2019.

The Group's results turned around from total comprehensive loss attributable to owners of the Company of approximately RMB76.9 million for the year ended 31 December 2019 to total comprehensive income attributable to owners of the Company of approximately RMB61.8 million for the year ended 31 December 2020.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Add New Energy Investment Holdings Group Limited (the “**Company**”) announces the audited consolidated statement of comprehensive income of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 and the Group's audited consolidated balance sheet as at 31 December 2020, together with the relevant comparative figures for the year ended 31 December 2019, as follows:

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

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

		Year ended 31 December	
	<i>Note</i>	2020	2019
		RMB'000	RMB'000
		(audited)	(audited)
Revenue	4	965,975	323,341
Cost of sales		(887,744)	(322,048)
Gross profit		78,231	1,293
Distribution expenses		(3,279)	(1,816)
Administrative expenses		(49,946)	(55,536)
(Impairment loss)/reversal of impairment loss on financial assets	5	(3,557)	43
Write-down of inventories, net		–	(1,703)
Share of result of an associate		–	(266)
Other income	6	60,364	1,413
Other gain/(loss) – net		326	(141)
Operating profit/(loss)		82,139	(56,713)
Interest income		297	280
Finance expenses		(21,731)	(14,871)
Finance costs – net		(21,434)	(14,591)
Profit/(loss) before income tax		60,705	(71,304)
Income tax	7	–	–
Profit/(loss) for the year attributable to owners of the Company		60,705	(71,304)
Other comprehensive 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		1,080	(5,626)
Total comprehensive income/(loss) for the year attributable to the owners of the Company		61,785	(76,930)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company			
<i>(expressed in RMB per share)</i>			
Basic earnings/(loss) per share	8	0.011	(0.014)

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

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

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

		As at 31 December	
	Note	2020	2019
		RMB'000	RMB'000
		(audited)	(audited)
ASSETS			
Non-current assets			
Property, plant and equipment		224,965	257,991
Right-of-use assets	9	2,074	6,222
Intangible assets, net		–	–
Investments accounted for using the equity method		–	834
Financial assets at fair value through other comprehensive income		4,473	3,393
Prepayments for renewal of mining right	10	30,466	–
Other non-current assets		10,996	10,996
		<u>272,974</u>	<u>279,436</u>
Current assets			
Inventories		71,587	65,249
Trade and bill receivables	11	36,732	25,719
Prepayments and other receivables	12	144,876	37,957
Restricted bank deposits		11,942	11,251
Cash and cash equivalents		124,398	89,796
		<u>389,535</u>	<u>229,972</u>
Total assets		<u>662,509</u>	<u>509,408</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	13	704,131	706,067
Reserves		(25,585)	(26,006)
Accumulated losses		(350,927)	(412,291)
Total equity		<u>327,619</u>	<u>267,770</u>

		As at 31 December	
	<i>Note</i>	2020	2019
		RMB'000	RMB'000
		(audited)	(audited)
LIABILITIES			
Non-current liabilities			
Borrowings		129,516	122,514
Provisions for close down, restoration and environmental costs		10,646	9,981
Lease liabilities – non-current portion	<i>9</i>	724	5,082
Deferred income – non-current portion		310	310
Deferred income tax liabilities		5,413	5,413
		146,609	143,300
Current liabilities			
Borrowings		60,000	40,000
Trade payables	<i>14</i>	19,186	10,526
Contract liabilities		47,391	2,431
Lease liabilities – current portion	<i>9</i>	1,180	2,380
Accruals and other payables	<i>15</i>	60,485	42,962
Deferred income – current portion		39	39
		188,281	98,338
Total liabilities		334,890	241,638
Total equity and liabilities		662,509	509,408

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

Notes:

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively the “Group”) are principally engaged in iron ore mining and 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 on 27 April 2012.

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

These consolidated financial statements have been approved for issuance by the Board of Directors (the “Board”) on 26 March 2021.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS39 and HKFRS7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and these amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. DIVIDENDS

The Board did not recommend a final dividend for the year ended 31 December 2020 (2019: nil).

4. REVENUE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
	(audited)	(audited)
Production		
– Sales of iron and spodumene concentrates	125,009	167,672
– Sales of iron ore tailings	28,133	–
Trading		
– Sales of coarse iron powder	725,503	155,669
– Sales of spodumene	46,015	–
– Sales of semi-coke	41,315	–
	<u>965,975</u>	<u>323,341</u>

5. (IMPAIRMENT LOSS)/REVERSAL OF IMPAIRMENT LOSS ON FINANCIAL ASSETS

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
	(audited)	(audited)
(Impairment loss)/reversal of impairment loss on trade and bill receivables	(3,557)	20
Reversal of impairment loss on other receivables	–	23
	<u>(3,557)</u>	<u>43</u>

6. OTHER INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
	(audited)	(audited)
Government grants	8,557	1,413
Compensation income (Note)	50,000	–
Others	1,807	–
	<u>60,364</u>	<u>1,413</u>

Note:

In accordance with a settlement agreement entered into with a third party which is the defendant under the legal actions by the Group for unlawful encroachment of the Group's mining areas (the "Defendant"), compensation amounting to RMB50,000,000 was agreed to be paid by the Defendant, including an amount of RMB20,000,000 received by the Group in January 2021 and the remaining RMB30,000,000 to be received upon the change in mining area as stipulated in the Group's renewed mining certificate. Accordingly, compensation income of RMB50,000,000 was recognised in the profit or loss for the year ended 31 December 2020.

7. INCOME TAX

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 BVI are exempted from payment of the BVI income tax.

Hong Kong profits tax has not been provided for the subsidiaries of the Company in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the years ended 31 December 2020 and 2019.

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

In December 2015, Shandong Ishine Mining Industry Co., Ltd (“Shandong Ishine”, being the principal subsidiary of the Group in the PRC) 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 to be till 30 November 2021.

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

8. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Profit/(loss) attributable to owners of the Company	60,705	(71,304)
Weighted average number of ordinary shares in issue	5,347,113,144	5,022,108,605
Basic earnings/(loss) per share (Expressed in RMB per share)	0.011	(0.014)

(b) Diluted

No diluted earnings/(loss) per share for 2020 and 2019 were presented as there were no potential ordinary shares in issue for 2020 and 2019.

9. LEASES

Movements of the leases during the year are as follows:

	Right-of-use assets RMB'000 (audited)	Lease liabilities RMB'000 (audited)
As at 1 January 2019	4,109	4,109
Inception of new lease	3,351	3,351
Depreciation of right-of -use assets	(1,238)	–
Amortisation of interest	–	318
Repayments	–	(306)
Exchange retranslation differences	–	(10)
	<hr/>	<hr/>
As at 31 December 2019 and 1 January 2020	6,222	7,462
Termination of lease	(3,102)	(4,377)
Depreciation of right-of-use assets	(1,046)	–
Amortisation of interest	–	162
Repayments	–	(1,163)
Exchange retranslation differences	–	(180)
	<hr/>	<hr/>
As at 31 December 2020	<u>2,074</u>	<u>1,904</u>

(i) Amounts recognised in the consolidated financial statement

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

	As at 31 December 2020 RMB'000 (audited)	2019 RMB'000 (audited)
Right-of-use assets		
Land and buildings	2,074	3,378
Equipment	–	2,844
	<hr/>	<hr/>
	<u>2,074</u>	<u>6,222</u>
Lease liabilities		
Current portion	1,180	2,380
Non-current portion	724	5,082
	<hr/>	<hr/>
	<u>1,904</u>	<u>7,462</u>

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

	Year ended 31 December 2020 RMB'000 (audited)	2019 RMB'000 (audited)
Depreciation charge of right-of-use assets		
– Land and buildings	1,046	316
– Equipment	–	922
	<hr/>	<hr/>
	<u>1,046</u>	<u>1,238</u>
Interest expense (included in finance expenses)	<u>162</u>	<u>318</u>

10. 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 expired on 20 June 2019. Pursuant to an agreement dated 3 August 2020 entered into between Shandong Ishine and the PRC relevant authorities, Shandong Ishine is required to pay a total consideration of RMB70,466,000 for the renewal of mining right in relation to Shandong Ishine's Yangzhuang iron ore mine. Up to the end of the reporting period, Shandong Ishine has paid RMB30,466,000, which was recognised as prepayments for renewal of mining right. The remaining amount of RMB40,000,000 will be payable in eight instalment from 2021 to 2028. The renewal of the mining right has not yet complete up to the end of the reporting period.

11. TRADE AND BILL RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
	(audited)	(audited)
Trade receivables	17,632	14,300
Bill receivables	23,000	11,762
	<u>40,632</u>	<u>26,062</u>
Trade and bill receivables – gross	40,632	26,062
Less: allowance for impairment of trade and bill receivables	(3,900)	(343)
	<u>(3,900)</u>	<u>(343)</u>
Trade and bill receivables – net	<u>36,732</u>	<u>25,719</u>

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
	(audited)	(audited)
Within 3 months	26,193	17,558
3 to 6 months	11,000	326
6 months to 1 year	135	7,925
Over 1 year	3,304	253
	<u>40,632</u>	<u>26,062</u>

As at 31 December 2020 and 2019, the carrying amounts of the Group's trade and bill receivables were denominated in RMB.

12. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
	(audited)	(audited)
Trade deposits to suppliers	80,737	11,749
Prepaid taxes	7,278	7,278
Land restoration deposits	38	38
Deductible input value-added tax	5,553	15,565
Advance to employees	11	11
Compensation receivable (Note 6)	50,000	–
Others	1,259	3,316
	<u>144,876</u>	<u>37,957</u>

13. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2018 (audited)	4,910,609,920	7,937	663,055	670,992
Issuance of shares	<u>447,220,000</u>	<u>805</u>	<u>34,270</u>	<u>35,075</u>
At 31 December 2019 (audited)	5,357,829,920	8,742	697,325	706,067
Repurchased shares: – Repurchase and cancelled	<u>(63,836,000)</u>	<u>(104)</u>	<u>(1,832)</u>	<u>(1,936)</u>
At 31 December 2020 (audited)	<u>5,293,993,920</u>	<u>8,638</u>	<u>695,493</u>	<u>704,131</u>

14. TRADE PAYABLES

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Trade payables	<u>19,186</u>	<u>10,526</u>

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

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Within 6 months	16,996	7,046
6 months to 1 year	875	2,474
Over 1 year	<u>1,315</u>	<u>1,006</u>
	<u>19,186</u>	<u>10,526</u>

As at 31 December 2020 and 2019, the carrying amounts of the Group's trade payables were denominated in RMB.

15. ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
	(audited)	(audited)
Accrued land compensation costs	6,211	7,217
Advance construction funds from government	11,950	19,882
Guarantee deposits	1,656	2,327
Employee benefits payable	3,766	3,389
Interest payable	3,973	3,896
Deposit received (Note)	25,000	—
Others	7,929	6,251
	<u>60,485</u>	<u>42,962</u>

Note:

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 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. During the year ended 31 December 2020, Shandong Ishine received a refundable deposit of 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.

16. COMMITMENTS

Capital commitments

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
	(audited)	(audited)
Mining right (Note(a))	40,000	—
Joint venture investment (Note(b))	8,000	8,000
	<u>48,000</u>	<u>8,000</u>

Note:

- (a) The amount represented outstanding committed balance payable by the Group in relation to the renewal of mining rights, details of which are disclosed in Note 10 to this announcement.
- (b) On 28 September 2018, Grandson Holdings Limited (“Grandson”), an indirect wholly-owned subsidiary of the Company, and other three parties entered into an investment agreement to set up Xinjiang Zhongtai Aide Energy Technology Co., Ltd. (“Xinjiang Zhongtai”). Grandson’s share of equity is 40%. Xinjiang Zhongtai was established on 15 November 2018. Xinjiang Zhongtai has not carried out any operations and the Group had not made capital contribution to Xinjiang Zhongtai as of 31 December 2020 and 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

The Group possesses mining rights in respect of Yangzhuang Iron Mine (楊莊鐵礦), an iron ore mine located in Qinjiazhuang Village, Yangzhuang Town, Shandong Province, the PRC (“**Yangzhuang Iron Mine**”), Zhuge Shangyu Ilmenite Mine (諸葛上峪鈦鐵礦), an ilmenite and magnetite mine located in Yishui County, Shandong Province, the PRC (“**Zhuge Shangyu Ilmenite Mine**”), 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's revenue increased by approximately RMB642.7 million, or approximately 198.8%, to approximately RMB966.0 million for the year ended 31 December 2020, as compared with approximately RMB323.3 million for the year ended 31 December 2019. The increase in revenue was primarily due to (1) the increase in turnover of trading of coarse iron powder by approximately RMB569.8 million, (2) the increase in turnover of trading of spodumene by approximately RMB46.0 million and (3) the increase in turnover of trading of semi-coke by approximately RMB41.3 million for the year ended 31 December 2020.

The total comprehensive income of the Group was approximately RMB61.8 million for the year ended 31 December 2020, representing a turnaround from the total comprehensive loss of approximately RMB76.9 million for the year ended 31 December 2019. This is mainly due to (1) other income increased approximately RMB59.0 million as compared to that of the same period last year; and (2) gross profit increased approximately RMB76.9 million as compared to that of the same period last year.

Measures Taken by the Management in 2020

The total comprehensive income from continuing operations of the Group was approximately RMB61.8 million as of 31 December 2020, representing a turnaround from the total comprehensive loss of the Group of RMB76.9 million as of 31 December 2019; and the operating revenue increased by RMB642.7 million, representing an increase of 198.8% as compared to RMB323.3 million of the same period last year.

This was mainly due to the following reasons:

- I. Throughout this year, there was no mining in the Group's own mines due to tightened control over environmental impact assessment, safety assessment and the issue of mining permit in China. Facing the picked up iron concentrate price and riding its close access to the port from its processing plant, the Group had actively conducted the businesses of port trade as well as overseas ore reprocessing and sales.
- II. The reserve of Yangzhuang Iron Mine has been verified with a current reserve of 28.80 Mt as assessed by the experts from the Department of Natural Resources of Shandong Province. The Group had also obtained certificate of reserves, filed geological data and conducted the registration of occupying reserves, which has been preliminarily assessed by the Bureau of Natural Resources of Yishui County, pending to be assessed by the Bureau of Natural Resources of Linyi City and to be approved by the Bureau of Natural Resources of Shandong Province.
- III. A reserve of 3,549 tons of rubidium ore was detected in Yangzhuang Iron Mine with a contained metal of 4.47 tons and a grade of 0.126% (industrial grade of 0.12%) through exploration. In light of the fact that rubidium is a kind of highly scarce and very expensive mineral substance at present, the Group will conduct mining, producing, processing and sales in due course.
- IV. The experts from the Department of Natural Resources of Shandong Province have reviewed the environmental management and land rehabilitation program in respect of Yangzhuang Iron Mine and expressed their opinion. Through environmental management and land restoration, the Company has explored quite a lot of ore, rubble and sandy soil. Among them, the ore can be processed into iron concentrate and tailings for marketing, the rubble can be processed into carpolite and the sandy soil can be processed into sand. Both the carpolite and sand have become desperately demanded building materials at the moment and will be realized into economic benefits in the near future.
- V. The environmental impact assessment on technical improvement of Yangzhuang Iron Mine has also accepted the review of relevant experts. Once verified, the Group will be able to process building materials for sale by capitalizing on the mine restoration.
- VI. Zhuge Shangyu Ilmenite Mine has passed safety pre-evaluation in handling the procedures of safety production permits, paving a sound foundation for the exploration and processing of ilmenite ore into ilmenite powder. The verified reserve available for mining amounted to 28.456 Mt.
- VII. The Group will strengthen the management of internal control and engage an independent third party to constantly enhance the management level of internal control. The Group will strengthen its own capability in checking the management of internal control, thus enhancing the overall management level.

OPERATION OVERVIEW AND CAPITAL EXPENDITURE

I. Production and operation of titanium and iron mines

1. *Yangzhuang Iron Mine*

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

The Group planned to decide whether to mine and process its own mines based on the market conditions. It analysed operating risks and judged the timing for trading, and based on profitability to decide whether to process with part of coarse powders purchased from other suppliers. In 2020, there was no processing nor production in relation to the iron ore in Yangzhuang Iron Mine.

In 2020, the Group invested approximately RMB0.6 million in Yangzhuang Iron Mine of which approximately RMB0.6 million was invested in equipment for the brand new processing lines. Due to the market condition, there was no exploration and mining activity carried out in the mine.

2. *Zhuge Shangyu Ilmenite Mine*

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

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

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

In 2020, the Group invested approximately RMB0.6 million in processing line and production line as well as infrastructure in Zhuge Shangyu Ilmenite Mine.

Due to the market condition, there was no exploration or production activities carried out in the mine in 2020.

3. *Qinjiazhuang Ilmenite Mine*

In 2020, 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 2020.

4. *Gaozhuang Shangyu Ilmenite Mine*

In 2020, 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 2020, 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% TiO₂ 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% TiO₂ 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 2020.

Zhuge Shangyu Ilmenite Mine

1. Resource reporting cutoff grade: 9.2% TiO₂ 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% TiO₂ and 12.78% TFe compared to reported production of approximately 0.26 Mt grading 6.75% TiO₂ 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 2020.

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 2020 were as follows:

JORC ore reserve estimate as of 31 December 2020: *(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2020. On 2 November 2017, the Group disclosed the area of exploration was changed in Zhuge Shangyu, which deduced the total reserve.)*

	Yangzhuang Iron Mine	Zhugé Shangyu Ilmenite Mine	Qinjiazhuang Ilmenite Project
Ore reserves (Mt)			
– proved	5.86	199.40	45.33
– probable	31.20	204.50 <i>(Note)</i>	41.30
Total ore reserves	<u>37.06</u>	<u>403.90</u>	<u>86.63</u>
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) (%)	<u>24.55</u>	<u>12.82</u>	<u>13.56</u>
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) (%)	<u>N/A</u>	<u>5.69</u>	<u>4.50</u>

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

JORC ore reserve estimate as of 31 December 2020: *(Note: JORC ore reserves as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2020)*

	Yangzhuang Iron Mine	Zhuge Shangyu Ilmenite Mine	Qinjiashuang Ilmenite Project
Ore reserves (Mt)			
– proved	5.86	199.40	45.33
– probable <i>(Note)</i>	31.20	204.50	41.30
Total ore reserves	<u>37.06</u>	<u>403.90</u>	<u>86.63</u>

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

Yangzhuang Iron Mine resources estimate as of 31 December 2020: *(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2020)*

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

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 2020: *(Note: JORC mineral resources as of 31 December 2013 less exploration during the period from 1 January 2014 to 31 December 2020. On 2 November 2017, the Company disclosed the area of exploration was changed in Zhuge Shangyu, which deduced the total reserve.)*

Resources Category	Resources (Mt)	SG (t/m ³)	TiO ₂ (%)	TFe (%)
Measured	372.6	3.19	6.23	14.04
Indicated	118.3	3.13	6.14	14.18
Total Measured and Indicated	490.9	3.17	6.19	14.10
Inferred	4.0	3.13	5.92	15.03
Total Resources	<u>494.9</u>	<u>3.16</u>	<u>6.19</u>	<u>14.10</u>

Qinjiashuang Ilmenite Project resources estimate as of 31 December 2020: *(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 2020)*

Resources Category	Resources (Mt)	SG (t/m ³)	TiO ₂ (%)	TFe (%)
Measured	46.2	3.23	4.90	14.72
Indicated	42.1	3.19	4.88	14.84
Total Measured and Indicated	88.3	3.21	4.89	14.78
Inferred	11.3	3.29	5.06	15.05
Total Resources	<u>99.6</u>	<u>3.22</u>	<u>4.91</u>	<u>14.81</u>

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 km², 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 2020, 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	
	2020	2019
	Kt	Kt
Production Volume		
Feed tonnage	—	—
	Year ended 31 December	
	2020	2019
	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	2,942	1,701
Consumables and factory overheads	153,463	144,132
Fuel, electricity, water and other services	3,540	7,808
Transportation	1,915	2,199
Non-income taxes, royalties and other governmental charges	124	61
Subtotal	161,984	155,901
Management Expenses		
Land compensation expenses	6,182	6,747
Other administration cost	28,126	29,255
Product marketing and transportation	1,982	1,708
Subtotal	36,290	37,710
Other Costs		
Depreciation and Amortisation	15,285	15,281
Total	213,559	208,892

FINANCIAL REVIEW

For the year ended 31 December 2020, the Group recorded revenue of approximately RMB966.0 million as compared with approximately RMB323.3 million for the year ended 31 December 2019, representing an increase of approximately RMB642.7 million. For the year ended 31 December 2020, approximately 12.9% of the Group's total sales consisted of the sales of 64% iron concentrates produced by the Group's processing plants, while approximately 75.1% of the Group's total sales consisted of the 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 sold iron and spodumene concentrates to other customers engaged in iron pellets and steel producers in Shandong Province, the PRC.

PRICES OF THE GROUP'S PRODUCTS

Iron and Spodumene 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 2020.

The Group's average unit selling price of 64% iron and Spodumene concentrates for the year ended 31 December 2020 was approximately RMB731.0 per tonne as compared with approximately RMB691.0 per tonne for the year ended 31 December 2019.

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 2020.

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 2020 <i>RMB'000</i>		Year ended 31 December 2019 <i>RMB'000</i>	
Revenue				
Sales of iron and spodumene concentrates produced by the Group				
– from iron ore of Yangzhuang Iron Mine (64% iron and spodumene concentrates)	125,009	12.9%	167,672	51.9%
– from iron ore tailings	28,133	2.9%	–	–
	153,142	15.8%	167,672	51.9%
Sales from trading activities				
– from coarse iron powder	725,503	75.1%	155,669	48.1%
– from spodumene	46,015	4.8%	–	–
– from semi - coke	41,315	4.3%	–	–
	812,833	84.2%	155,669	48.1%
	965,975	100%	323,341	100.0%

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

	Year ended 31 December 2020 (Kt)	Year ended 31 December 2019 (Kt)
Sales volume of iron and spodumene concentrates produced by the Group		
– by magnetic minerals processing technology (64% iron and spodumene concentrates)	171.1	310.8
– from iron ore tailings	843.7	–
	1,014.8	310.8
Sales volume of trading activities		
– from coarse iron powder	1,017.8	230.0
– from spodumene	80.0	–
– from semi - coke	50.4	–
	1,148.2	230.0
	2,163.0	540.8

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

	Year ended 31 December 2020 (Kt) (approximately)		Year ended 31 December 2019 (Kt) (approximately)	
Iron concentrates and spodumene produced by the Group				
Amount of iron concentrates produced from iron ore of Yangzhuang Iron Mine (65% iron concentrates)	—	—	—	—
Amount of iron and spodumene concentrates produced by magnetic minerals processing technology (64% iron and spodumene concentrates)	169	100%	305	100.0%
Amount of iron concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (57% iron concentrates)	—	—	—	—
	169	100%	305	100.0%
Titanium concentrates produced by the Group				
Amount of titanium concentrates produced from ilmenite ore of Zhuge Shangyu Ilmenite Mine (46% titanium concentrates)	—	—	—	—
	—	—	—	—

During 2020, 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 and spodumene concentrates, however, increased the trading of coarse iron powder. For the year ended 31 December 2020, revenue is mainly derived from trading of coarse iron powder. Revenue is also derived from sales of 64% iron and spodumene concentrates produced by the Group.

The Group's revenue increased by approximately RMB642.7 million, or approximately 198.8%, to approximately RMB966.0 million for the year ended 31 December 2020, as compared with approximately RMB323.3 million for the year ended 31 December 2019. The increase in revenue was primarily due to (1) the increase in turnover of trading of coarse iron powder by approximately RMB569.8 million for the year ended 31 December 2020, (2) the increase in turnover of trading of spodumene by approximately RMB46.0 million and (3) the increase in turnover of trading of semi-coke by approximately RMB41.3 million for the year ended 31 December 2020.

In 2020, the iron and steel market is gradually increased, the demand in the iron and spodumene concentrates is reached to the higher level during the year ended 31 December 2020. 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 366.1%, approximately RMB569.8 million for the year ended 31 December 2020 compared to approximately RMB155.7 million for the year ended 31 December 2019. 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 2020 <i>RMB'000</i>		Year ended 31 December 2019 <i>RMB'000</i>	
Cost of Sales				
Cost of sales of iron and spodumene concentrates produced by the Group				
– by magnetic minerals processing technology (64% iron and spodumene concentrates)	117,634	13.2%	167,711	52.1%
– from iron ore tailings	15,066	1.7%	–	–
	132,700	14.9%	167,711	52.1%
Cost of sales of trading activities				
– from coarse iron powder	692,908	78.1%	154,337	47.9%
– from spodumene	25,633	2.9%	–	–
– from semi - coke	36,503	4.1%	–	–
	755,044	85.1%	154,337	47.9%
	887,744	100%	322,048	100.0%

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

Total cost of sales increased by approximately RMB565.7 million, or approximately 175.7%, to approximately RMB887.7 million for the year ended 31 December 2020, as compared with approximately RMB322.0 million for the year ended 31 December 2019, was mainly due to increase in cost of the raw materials used for trading and production. Such increase was caused by the increase in sales volume of trading coarse iron powder for the year ended 31 December 2020.

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

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

	Year ended 31 December 2020 <i>RMB'000</i>		Year ended 31 December 2019 <i>RMB'000</i>	
Gross profit/(loss)				
Gross profit/(loss) of iron and spodumene concentrates produced by the Group				
– by magnetic minerals processing technology (64% iron and spodumene concentrates)	7,375	9.4%	(39)	(3.0%)
– from iron ore tailings	13,067	16.7%	–	–
	20,442	26.1%	(39)	(3.0%)
Gross profit of trading activities				
– from coarse iron powder	32,595	41.7%	1,332	103.0%
– from spodumene	20,382	26.0%	–	–
– from semi - coke	4,812	6.2%	–	–
	57,789	73.9%	1,332	103.0%
	78,231	100.0%	1,293	100.0%

	Year ended 31 December 2020	Year ended 31 December 2019
Gross profit/(loss) margin		
Gross profit/(loss) margin of iron and spodumene concentrates		
– by magnetic minerals processing technology (64% iron and spodumene concentrates)	5.9%	(0.02%)
– from iron ore tailings	46.4%	–
Gross profit margin of trading activities of		
– from coarse iron powder	4.5%	0.9%
– from spodumene	44.3%	–
– from semi - coke	11.6%	–
Overall gross profit margin	8.1%	0.4%

Gross profit increased by approximately RMB76.9 million from the gross profit of approximately RMB1.3 million for the year ended 31 December 2019 to the gross profit of approximately RMB78.2 million for the year ended 31 December 2020. The main reasons for the increase were (1) the gross profit of 64% iron and spodumene concentrates produced from the iron ore of Yangzhuang Iron Mine by approximately 5.9%, approximately RMB7.4 million turnaround from gross loss by approximately 0.02%, approximately RMB0.4 million, (2) the increase of gross profit from trading turnover of spodumene by approximately RMB20.4 million, (3) the increase of gross profit from iron ore tailings by approximately RMB13.1 million, (4) the increase of gross profit from trading turnover of coarse iron powder by approximately RMB31.2 million for the year ended 31 December 2020.

Overall gross profit margin increased from approximately 0.4% for the year ended 31 December 2019 to gross profit margin of approximately 8.1% for the year ended 31 December 2020. During the year, the gross profit of 64% iron and spodumene concentrates produced from the iron ore of Yangzhuang Iron Mine was approximately 5.9%, the gross profit of iron ore tailings was approximately 46.4%, the gross profit of trading coarse iron powder was approximately 4.5%, the gross profit of trading spodumene was approximately 44.3%, with an overall gross profit margin of approximately 8.1%.

Other income

The Group's other income were approximately RMB60.4 million for the year ended 31 December 2020 as compared with other income of approximately RMB1.4 million for the year ended 31 December 2019. The increase in amount mainly represented the compensation income of RMB50.0 million remediation subsidy obtained from the Defendant.

Finance expenses, net (including discontinued operations)

Net finance expenses mainly represented interest expense on bank loans, bonds and discount of bank acceptance notes of the Group, offsetting by interest income on bank deposits. Finance expenses increased from approximately RMB14.9 million for the year ended 31 December 2019 to approximately RMB21.7 million for the year ended 31 December 2020.

Total comprehensive income/(loss)

The total comprehensive income of the Group was approximately RMB61.8 million for the year ended 31 December 2020, representing a turnaround from total comprehensive loss of RMB76.9 million for the year ended 31 December 2019.

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2020 is HK\$10,587,988 divided into 5,293,993,920 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 2020 was approximately 36.6% (as at 31 December 2019: approximately 37.8%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2020 was approximately 2.07 times (as at 31 December 2019: approximately 2.34 times).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the total amount of the borrowings of the Group was approximately RMB189.5 million (as at 31 December 2019: approximately RMB162.5 million). The Group increased borrowings in the amount of approximately RMB27.0 million during the year ended 31 December 2020. The Group's cash and bank balances amounted to approximately RMB136.3 million as at 31 December 2020 (as at 31 December 2019: approximately RMB101.0 million).

2021 DEVELOPMENT AND FUTURE PLANS

By closely following market demands and trend changes, the Group will maintain its competitive edge in the sector of its traditional businesses, including mining, production, sales of and other services for iron and titanium ores and concentrates and other protective mining resources. At the same time, the Group will continue to invest in the expansion of the titanium industrial chain and substantially promote its new energy business. The Group will make greater efforts towards the following plans in 2021.

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

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

- II. The Group will continue to make greater efforts in the planning and implementation of a comprehensive industrial value chain, including mining and processing of ilmenite ore and production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. Based on internal research and development of production, the Group will continue to enhance research and development cooperation with the Chinese Academy of Sciences and technology transfer cooperation with the Russian Academy of Sciences with an aim to achieve significant technical breakthroughs. In response to market demands, the Group will make timely investments in technical transformation and strive to transform the above-mentioned technical advantages into productivity, with an aim to improve the profitability of the Company.
- III. While in the mining of its own mines, facing the picked up iron concentrate price and riding its close access to the port from its processing plant, the Group had actively conducted the businesses of port trade as well as overseas mines processing and blending, in order to generate further revenue.
- IV. The reserve of Yangzhuang Iron Mine has been verified with a current reserve of 28.80 Mt as assessed by the experts from the Department of Natural Resources of Shandong Province. The Group had also obtained certificate of reserves, filed geological data and conducted the registration of occupying reserves. It is expected that the renewed mining permit will be obtained this year.

- V. A reserve of 3,549 tons of rubidium ore was detected in Yangzhuang Iron Mine with a contained metal of 4.47 tons and a grade of 0.126% (industrial grade of 0.12%) through exploration. In light of the fact that rubidium is a kind of highly scarce mineral substance at present, the Group will also implement value assessment this year and conduct mining and processing in due course.
- VI. The experts from the Department of Natural Resources of Shandong Province have reviewed the environmental management and land rehabilitation program in respect of Yangzhuang Iron Mine and expressed their opinion. After more than one decade's exploration and processing, the Yangzhuang Iron Mine is now stored with a great deal of tailings, which can serve as qualified raw materials of various cement factories. This business will become a new economic driver this year.
- VII. The Group will actively integrate and utilize resources of existing wind power projects. The Group plans to cooperate with strong enterprises to provide the Company with opportunities of economic growth by efficiently using resources and assets.
- VIII. Focusing on the continuous improvement of management of internal control, the Company will enhance its comprehensive management to pave solid foundation for improvement of results.
- IX. Capitalising on the platform as a listed group and taking proactive measures for various projects in the capital market, the Company carries out financing and investment businesses in a timely manner.

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

- X. The Company fully leverages its branding effect as a listed company. Based on the research, the Company targets the regional characteristic of Xinjiang, putting emphasis on the modern logistics business with the application of 5G technology. By efficiently using resources including logistical information, warehouses, vehicles and highways, the Company aims to making its presence across Xinjiang and developing new logistics business, so as to explore additional source of income.
- XI. Aiming at the system scheme "Achieving Carbon Dioxide Emission Peak by 2030 and Carbon Neutralization by 2060" of achieving carbon emission reduction target on the PRC Carbon Dioxide Emission Peak and Carbon Neutrality Achievement Release and Seminar on 18 March 2021, we 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.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders of the Company to attend and vote at the annual general meeting of the Company to be held on Friday, 28 May 2021 (“**2021 AGM**”), the register of members of the Company will be closed from Monday, 24 May 2021 to Friday, 28 May 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2021 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, 21 May 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2020, the Company repurchased 63,836,000 shares of HK\$0.002 each in the capital of the Company at prices ranging from HK\$0.025 to HK\$0.052 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		Aggregate purchase consideration (excluding expenses) HK\$
		Highest HK\$	Lowest HK\$	
May 2020	1,320,000	0.051	0.047	65,572.00
June 2020	330,000	0.052	0.046	15,920.00
July 2020	1,118,000	0.052	0.049	56,120.00
October 2020	27,010,000	0.047	0.025	887,722.00
November 2020	<u>34,058,000</u>	0.037	0.031	<u>1,175,930.00</u>
	<u>63,836,000</u>			<u>2,201,264.00</u>

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 2020.

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 on the Stock Exchange (the “**Listing Rules**”). Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the year ended 31 December 2020.

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 2020.

AUDIT COMMITTEE

The Company established the Audit Committee on 9 April 2012 with written terms of reference in compliance with the CG Code, which currently comprises of three independent non-executive Directors, namely Mr. Leung Nga Tat (as chairman), Mr. Li Xiaoyang and Mr. Zhang Jingsheng. The Audit Committee had reviewed the audited annual results for the year ended 31 December 2020 before such documents were tabled at a meeting of the Board held on 26 March 2021 for the Board’s review and approval.

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

Hong Kong, 26 March 2021

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