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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)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

The Group recorded revenue of approximately RMB886.5 million for the six months ended 30 June 2021, representing an increase of approximately 158.8% over the revenue of approximately RMB342.6 million for the six months ended 30 June 2020.

The Group's total comprehensive income attributable to owners of the Company, excluding extraordinary item being government grants amounting to approximately RMB0.1 million and approximately RMB8.0 million for the six months ended 30 June 2021 and 2020, respectively, increased from approximately RMB10.3 million for the six months ended 30 June 2020 to approximately RMB15.7 million for the six months ended 30 June 2021, representing an increase of approximately 52.4%.

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 2021 together with the comparative figures for the corresponding period in 2020. 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 2021

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

		Six months ended 30 June	
	Note	2021 (unaudited)	2020 (unaudited)
Revenue	6	886,491	342,591
Cost of sales		<u>(838,058)</u>	<u>(306,443)</u>
Gross profit		48,433	36,148
Other income	7	1,123	8,036
Other gains or losses, net	8	5,296	4,911
Distribution costs		(1,934)	(1,148)
Administrative expenses		(27,897)	(22,312)
Impairment losses of financial assets	9	–	(1,290)
Reversal of write-down of inventories, net		<u>–</u>	<u>2,612</u>
Operating profit		<u>25,021</u>	<u>26,957</u>
Finance income	10	508	116
Finance expenses	10	<u>(9,223)</u>	<u>(8,878)</u>
Finance costs – net		<u>(8,715)</u>	<u>(8,762)</u>
Profit before income tax		16,306	18,195
Income tax expense	11	<u>–</u>	<u>–</u>
Net profit for the period		<u><u>16,306</u></u>	<u><u>18,195</u></u>

		Six months ended 30 June	
	<i>Note</i>	2021	2020
		(unaudited)	(unaudited)
Other comprehensive income:			
<i>Item that will not be reclassified to profit or loss</i>			
Change in the fair value of financial assets at fair value through other comprehensive income		<u>(495)</u>	<u>154</u>
Other comprehensive (loss)/income for the period		<u>(495)</u>	<u>154</u>
Total comprehensive income for the period		<u>15,811</u>	<u>18,349</u>
Earnings per share for profit			
attributable to owners of the Company			
(expressed in RMB cents per share)			
Basic earnings per share	12	<u>0.31</u>	<u>0.34</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Amounts expressed in thousands of RMB)

		As at 30 June 2021 (unaudited)	As at 31 December 2020 (audited)
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		217,143	224,965
Right-of-use assets		1,339	2,074
Intangible assets, net		–	–
Financial assets at fair value through other comprehensive income		3,978	4,473
Prepayments for renewal of mining right		30,466	30,466
Other non-current assets		10,996	10,996
		<u>263,922</u>	<u>272,974</u>
Current assets			
Inventories		80,161	71,587
Trade and bill receivables	14	27,182	36,732
Prepayments and other receivables	15	221,358	144,876
Restricted bank deposits		12,622	11,942
Cash and cash equivalents		140,432	124,398
		<u>481,755</u>	<u>389,535</u>
Total assets		<u><u>745,677</u></u>	<u><u>662,509</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		8,638	8,638
Treasury shares		(55)	–
Share premium		688,951	695,493
Reserves		(53,824)	(53,190)
Accumulated losses		(306,877)	(323,322)
Total equity		<u><u>336,833</u></u>	<u><u>327,619</u></u>

	As at 30 June 2021 (unaudited)	As at 31 December 2020 (audited)
<i>Note</i>		

LIABILITIES

Non-current liabilities

Borrowings	56,659	129,516
Provisions for close down, restoration and environmental costs	11,000	10,646
Lease liabilities – non-current portion	270	724
Deferred income	194	310
Deferred income tax liabilities	5,413	5,413
	73,536	146,609

Current liabilities

Borrowings	130,018	60,000
Trade payables	46,607	19,186
Contract liabilities	97,162	47,391
Lease liabilities – current portion	1,095	1,180
Accruals and other payables	60,387	60,485
Current portion of deferred income	39	39
	335,308	188,281

Total liabilities

Total equity and liabilities

408,844	334,890
745,677	662,509

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 Law of the Cayman Islands. The addresses of its registered office and principal place of business are Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, the 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, 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 2021.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with the applicable disclosure 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3. ACCOUNTING POLICIES

(a) 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 2021 for the preparation of the Group’s unaudited interim condensed consolidated financial information:

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendments to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Covid-19 Related Rent Concessions

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 2020.

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 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 2020.

Expenses, assets and liabilities of the holding 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 2021 and 2020 is as follows:

	Shandong Ishine	Unallocated	Inter-segment elimination	Total
Six months ended 30 June 2021				
(unaudited)				
Revenue	886,491	–	–	886,491
Gross profit	48,433	–	–	48,433
Other income	1,123	–	–	1,123
Other gains or losses, net	–	5,296	–	5,296
Finance income	508	–	–	508
Finance expenses	(2,484)	(6,739)	–	(9,223)
Reversal of write-down of inventories	–	–	–	–
Impairment losses of trade and bill receivables	–	–	–	–
Income tax expense	–	–	–	–
Net profit/(loss)	23,745	(7,439)	–	16,306
Other information				
Depreciation of property, plant and equipment	(8,300)	–	–	(8,300)
Amortisation of right-of-use assets	–	(735)	–	(735)
Expenditures for non-current assets	478	–	–	478
As at 30 June 2021 (unaudited)				
Segment assets and liabilities				
Total assets	766,699	1,473,630	(1,494,652)	745,677
Total liabilities	(455,480)	(888,336)	934,972	(408,844)
Six months ended 30 June 2020				
(unaudited)				
Revenue	342,591	–	–	342,591
Gross profit	36,148	–	–	36,148
Other income	7,962	74	–	8,036
Other gains or losses, net	8,059	(3,148)	–	4,911
Finance income	116	–	–	116
Finance expenses	(1,699)	(7,179)	–	(8,878)
Reversal of write-down of inventories	2,612	–	–	2,612
Impairment losses of trade and bill receivables	(1,290)	–	–	(1,290)
Income tax expense	–	–	–	–
Net profit/(loss)	36,894	(18,699)	–	18,195
Other information				
Depreciation of property, plant and equipment	(8,662)	–	–	(8,662)
Amortisation of right-of-use assets	(1,509)	(568)	–	(2,077)
Expenditures for non-current assets	2,311	–	–	2,311
As at 30 June 2020 (unaudited)				
Segment assets and liabilities				
Total assets	566,430	1,478,765	(1,468,246)	576,949
Total liabilities	(335,161)	(859,751)	903,959	(290,953)

6. REVENUE

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Production		
– Sales of iron concentrates	385	107,677
– Sales of iron ore tailings	6,700	12,960
Trading		
– Sales of coarse iron powder	859,930	172,818
– Sales of spodumene	–	46,015
– Sales of semi-coke	19,476	3,121
	<u>886,491</u>	<u>342,591</u>

7. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Government grants	91	8,036
Consultancy income	691	–
Commission income	341	–
	<u>1,123</u>	<u>8,036</u>

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

8. OTHER GAINS OR LOSSES, NET

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	–	7,983
Gain on disposal of right-of-use assets	–	76
Net foreign exchange gains/(losses)	5,296	(3,148)
	<u>5,296</u>	<u>4,911</u>

9. IMPAIRMENT LOSSES OF FINANCIAL ASSETS

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Impairment losses of trade and bill receivables	<u>–</u>	<u>(1,290)</u>

10. FINANCE COSTS – NET

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Interest expense:		
– Borrowings	(8,812)	(8,350)
– Provisions: unwinding of discount	(354)	(332)
– Lease liabilities	(51)	(142)
Other finance expenses	(6)	(54)
	<u>(9,223)</u>	<u>(8,878)</u>
Finance expenses		
Finance income:		
– Interest income on bank deposits	508	116
	<u>508</u>	<u>116</u>
Finance costs – net	<u>(8,715)</u>	<u>(8,762)</u>

11. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Deferred income tax	<u>–</u>	<u>–</u>

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 incorporated in the BVI under the International Business Companies Act of the BVI are exempted from payment of the BVI income tax.

Hong Kong profits tax has not been provided for the subsidiaries in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the six months ended 30 June 2021 and 2020.

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.

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

The tax rate for the Company’s other PRC subsidiaries is 25% for the six months ended 30 June 2021 and 2020.

No provision has been made for corporate income tax of the relevant PRC entities within the Group which have adequate available tax losses to offset the taxable income for the six months ended 30 June 2021 (2020: Nil).

12. 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	
	2021	2020
	(unaudited)	(unaudited)
Profit attributable to owners of the Company	16,306	18,195
Weighted average number of ordinary shares in issue	5,290,633,191	5,356,917,997
Basic earnings per share (Expressed in RMB cents per share)	0.31	0.34

(b) Diluted

During the six months ended 30 June 2021 and 2020, as there was no dilutive instrument of the Company, no diluted earnings per share is presented.

13. DIVIDENDS

The Board of Directors has resolved not to declare any interim dividends related to the six months ended 30 June 2021 (2020: Nil).

14. TRADE AND BILL RECEIVABLES

	As at 30 June 2021 (unaudited)	As at 31 December 2020 (audited)
Trade receivables	16,226	17,632
Bill receivables	14,856	23,000
	31,082	40,632
Less: allowance for impairment of trade and bill receivables	(3,900)	(3,900)
Trade and bill receivables – net	27,182	36,732

As at 30 June 2021 and 31 December 2020, the ageing analysis of trade and bill receivables (before deduction of provision for impairment loss) was presented based on invoice date as follows:

	As at 30 June 2021 (unaudited)	As at 31 December 2020 (audited)
Within 3 months	21,422	26,193
3 to 6 months	6,356	11,000
6 months to 1 year	–	135
Over 1 year	3,304	3,304
	31,082	40,632

15. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2021 (unaudited)	As at 31 December 2020 (audited)
Trade deposits to suppliers	195,360	80,737
Prepaid taxes	7,278	7,278
Land restoration deposits	38	38
Deductible input value-added tax	–	5,553
Advances to employees	11	11
Compensation receivable (<i>Note</i>)	15,000	50,000
Others	3,671	1,259
	<u>221,358</u>	<u>144,876</u>

Note:

In accordance with a settlement agreement entered into with a third party which is the defendant (the “**Defendant**”) under the legal actions taken by the Group for unlawful encroachment of the mining areas of the Group’s Yangzhuang iron mine in the previous years, compensation payable to the Group amounting to RMB50,000,000 was agreed by the Defendant and recognised by the Group as other income and compensation receivable for the year ended 31 December 2020, out of which an amount of RMB35,000,000 has been received by the Group during the six months ended 30 June 2021.

16. TRADE PAYABLES

As at 30 June 2021 and 31 December 2020, the ageing analysis of trade payables was presented based on invoice date as follows:

	As at 30 June 2021 (unaudited)	As at 31 December 2020 (audited)
Within 6 months	44,211	16,996
6 months to 1 year	1,254	875
Over 1 year	1,142	1,315
	<u>46,607</u>	<u>19,186</u>

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 2021 (30 June 2020: 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 RMB886.5 million for the six months ended 30 June 2021, representing an increase of approximately 158.8% over the revenue of approximately RMB342.6 million for the six months ended 30 June 2020. The increase in revenue of the Group was primarily due to (1) the increase in turnover of trading of coarse iron powder by approximately RMB687.1 million from approximately RMB172.8 million for the six months ended 30 June 2020 to approximately RMB859.9 million for the six months ended 30 June 2021; being net off by the effect of (2) the decrease in sales of the iron concentrates produced by the Group by approximately RMB107.3 million from approximately RMB107.7 million for the six months ended 30 June 2020 to approximately RMB0.4 million for the six months ended 30 June 2021.

The total comprehensive income attributable to owners of the Company was approximately RMB15.8 million for the six months ended 30 June 2021, representing a decrease of approximately RMB2.5 million, or 13.7%, as compared with that of approximately RMB18.3 million for the six months ended 30 June 2020. This was mainly due to (1) the decrease in other income by approximately RMB6.9 million because of one-off government grant recognised in corresponding period in last year; (2) the increase in distribution costs and administrative expenses by approximately RMB6.4 million in total, attributable to the expansion in workforce to deal with the increasing trading transactions for the six months ended 30 June 2021; being net off by the effect of the increase in gross profit margin from its operations by approximately RMB12.3 million to RMB48.4 million for the six months ended 30 June 2021 from approximately RMB36.1 million for the corresponding period in last year. Excluding extraordinary item being government grants amounting to approximately RMB0.1 million and approximately RMB8.0 million for the six months ended 30 June 2021 and 2020, respectively, the Group's total comprehensive income attributable to owners of the Company increased from approximately RMB10.3 million for the six months ended 30 June 2020 to approximately RMB15.7 million for the six months ended 30 June 2021, representing an increase of approximately 52.4%.

Measures Taken by the Management in the First Half of 2021:

By closely following market demands and trend changes, the Group maintains its regional competitive edge in the traditional principal businesses, including the protective mining, production, sales and related services of iron and titanium mines, while continuing to invest in the expansion of the titanium industrial chain. The Group recorded a gross profit of approximately RMB48.4 million for the six months ended 30 June 2021, representing an increase of approximately RMB12.3 million as compared with that of approximately RMB36.1 million for the six months ended 30 June 2020. Revenue increased by approximately RMB543.9 million, representing an increase of 158.8% as compared with approximately RMB342.6 million for the corresponding period in last year.

The Group focused on the following aspects of work in the first half of 2021:

- I. The Group has improved its existing brand-new processing technique and achieved mass production gradually with increased efforts in supply chain development. It realized a revenue of approximately RMB886.5 million and maintained its regional competitive edge in the traditional principal businesses in the first half of the year. In particular, the Group continued to maintain its competitive edge in the protective mining, production and sales business, while keeping close relationships with the upstream and downstream businesses along the industrial value chain in the region through after sales services, which brought good economic benefits to the Group.
- II. The Group has worked harder for the planning and implementation of a comprehensive industrial value chain, including the mining and processing of titanium ores and the production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. In addition to the in-house research, development and production in respect of the above, the Group has also continued to enhance its cooperation with the Chinese Academy of Sciences and the Russian Academy of Sciences for significant technical breakthroughs. In response to market demands, the Group has made investments in technical transformation, as appropriate, and strived to transform the above-mentioned technical advantages into productivity, with an aim to improve the profitability of the Company.

- III. Against the backdrop of a pick-up in iron concentrate price and riding on its geographic advantage of a close access to the port from its processing plant, the Group has been actively engaged in port trade as well as external ore processing and blending, which further increased its 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 the certificate of reserves and completed the registration of occupied reserve and all other preparation works for obtaining the mining permit.
- V. Yangzhuang Iron Mine has discovered a rubidium ore reserve of 3,549 tons, with metal content of 4.47 tons and grade of 0.126% (industrial grade: 0.12%) through exploration. In the first half of the year, the Group has been well-positioned for the mining of rubidium currently as a highly scarce mineral substance.
- VI. The environmental management and land rehabilitation work in Yangzhuang Iron Mine has been reviewed by experts from the Department of Natural Resources of Shandong Province who also provided professional advice. The tailings treatment process of Yangzhuang Iron Mine has become a new economic driving force for the first half of the year.
- VII. Given the saturated resources in the wind power industry, the Group disposed of its wind power business decisively, which activated the assets of the Company and achieved a good return.
- VIII. Against the backdrop of the well-developed carbon neutral market, the Group has made a plan in respect of photovoltaic power projects to expand the photovoltaic power projects in local market by leveraging the local good resources in Shandong.
- IX. The Group has strictly implemented the advice given by its internal control consultant and, by focusing on the continuous improvement of internal control and management, enhanced the comprehensive management of the Company to pave a solid foundation for the improvement of results.
- X. The Group has made full use of the platform as a listed group and taken proactive measures for various projects in the capital market. It has capitalised on the financing platform as a listed group, taken proactive measures for investors communication and investor relations, strengthened its financing efforts, expanded shareholders base and enhanced stock liquidity, thus financing the potential key construction projects, merger and acquisition projects, or expansion of the titanium industry value chain.
- XI. Capitalizing on the favourable government and social resources in Xinjiang and with the application of 5G technology, the Company has registered logistics companies to develop supply chain finance of vehicles, warehousing, highways and logistics, domestic trading, investment holding and other businesses in Xinjiang as a new economic growth point of the Group in the future.

FINANCIAL REVIEW

For the six months ended 30 June 2021, the Group recorded revenue of approximately RMB886.5 million as compared with approximately RMB342.6 million for the six months ended 30 June 2020, representing an increase of approximately 158.8%. For the six months ended 30 June 2021, 99.2% of the Group's total revenue were derived from trading of coarse iron powder and semi-coke, while 0.8% were from the sales of the iron concentrates produced by the Group and the iron ore tailings from productions in previous years. The Group mainly sold coarse iron powder and other minerals to other customers engaged in trading and manufacturing of iron-related products in the PRC. In addition to these trading customers, the Group also sold iron concentrates produced by the Group and iron ore tailings to iron pellets and steel producers in Shandong Province, the PRC.

Prices of the Group's products

Iron Concentrates

The unit prices of approximately 65% and 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's average unit selling prices of 64% iron concentrates for the six months ended 30 June 2021 was approximately RMB845.6 per tonne, representing an increase of approximately 12% as compared with the average unit selling prices of approximately RMB755.6 per tonne for the six months ended 30 June 2020.

Coarse iron powder and semi-coke

The average selling prices of coarse iron powder and semi-coke were RMB1,031.9 per tonne and RMB836.3 per tonne respectively, for the six months ended 30 June 2021, representing an increase of approximately 64% and 34% respectively as compared to the average unit price of approximately RMB626.8 and RMB624.2 per tonne for the corresponding period in last year.

Revenue

Revenue was generated from the Group's trading activities as well as the sales of the Group's products to external customers. 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 2021 RMB'000		Six months ended 30 June 2020 RMB'000	
Revenue				
Sales of iron concentrates produced by the Group				
– 64% iron concentrates	385	0.1%	107,677	31.4%
– iron ore tailings	6,700	0.7%	12,960	3.8%
	<u>7,085</u>	<u>0.8%</u>	<u>120,637</u>	<u>35.2%</u>
Sales from trading activities				
– coarse iron powder	859,930	97.0%	172,818	50.4%
– spodumene	–	–	46,015	13.4%
– semi-coke	19,476	2.2%	3,121	1.0%
	<u>879,406</u>	<u>99.2%</u>	<u>221,954</u>	<u>64.8%</u>
	<u>886,491</u>	<u>100.0%</u>	<u>342,591</u>	<u>100.0%</u>

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

	Six months ended 30 June 2021 (Kt)	Six months ended 30 June 2020 (Kt)
Sales volume of iron concentrates produced by the Group		
– 64% iron concentrates	0.5	142.5
– iron ore tailings	246.5	375.5
	<u>247.0</u>	<u>518.0</u>
Sales volume of trading activities		
– coarse iron powder	833.3	275.7
– spodumene	–	80.0
– semi-coke	23.3	5.0
	<u>856.6</u>	<u>360.7</u>
	<u>1,103.6</u>	<u>878.7</u>

The following table shows the breakdown of the Group's total production volumes of iron concentrates by types of materials used for the periods indicated:

	Six months ended 30 June 2021 (Kt)		Six months ended 30 June 2020 (Kt)	
Iron concentrates produced by the Group				
– 64% iron concentrates	12.7	25.8%	38.4	8.4%
– iron ore tailings	36.5	74.2%	417.8	91.6%
Total	49.2	100.0%	456.2	100.0%

For the six months ended 30 June 2021, revenue is mainly derived from trading of coarse iron powder and semi-coke. Revenue is also derived from sales of 64% iron concentrates produced by the Group and iron ore tailings.

The Group recorded revenue of approximately RMB886.5 million for the six months ended 30 June 2021, representing an increase of approximately 158.8% over the revenue of approximately RMB342.6 million for the six months ended 30 June 2020. The increase in revenue of the Group was primarily due to (1) the increase in turnover of trading of coarse iron powder by approximately RMB687.1 million from approximately RMB172.8 million for the six months ended 30 June 2020 to approximately RMB859.9 million for the six months ended 30 June 2021; being net off by the effect of (2) the decrease in sales of the iron concentrates produced by the Group by approximately RMB107.3 million from approximately RMB107.7 million for the six months ended 30 June 2020 to approximately RMB0.4 million for the six months ended 30 June 2021.

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 2021 RMB'000		Six months ended 30 June 2020 RMB'000	
Cost of Sales				
Cost of sales of iron concentrates produced by the Group				
– 64% iron concentrates	341	0.1%	104,049	34.0%
– iron ore tailings	1,080	0.1%	5,768	1.8%
	1,421	0.2%	109,817	35.8%
Cost of sales of trading activities				
– sales of coarse iron powder	821,202	98.0%	168,072	54.8%
– sales of spodumene	–	–	25,633	8.4%
– sales of semi-coke	15,435	1.8%	2,921	1.0%
	836,637	99.8%	196,626	64.2%
	838,058	100.0%	306,443	100.0%

Cost of sales was mainly incurred from purchase of iron powder and semi-coke products for trading purposes. The cost of sales incurred during production activities 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 173.5% to approximately RMB838.1 million for the six months ended 30 June 2021, as compared with approximately RMB306.4 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 2021, which was mainly due to the increase in sales volume from trading coarse iron powder by approximately 557.6 Kt.

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 2021		Six months ended 30 June 2020	
	RMB'000		RMB'000	
Gross profit				
Gross profit of iron concentrates produced by the Group				
– 64% iron concentrates	44	0.1%	3,628	10.0%
– iron ore tailings	5,620	11.6%	7,192	19.9%
	5,664	11.7%	10,820	29.9%
Gross profit of trading activities				
– sales of coarse iron powder	38,728	80.0%	4,746	13.1%
– sales of spodumene	–	–	20,383	56.4%
– sales of semi-coke	4,041	8.3%	199	0.6%
	42,769	88.3%	25,328	70.1%
	48,433	100.0%	36,148	100.0%
		Six months ended 30 June 2021	Six months ended 30 June 2020	
		%	%	
Gross profit margin				
Gross profit margin of iron concentrates				
– 64% iron concentrates			11.4%	3.4%
– iron ore tailings			83.9%	55.5%
Gross profit margin of trading activities				
– sales of coarse iron powder			4.5%	2.7%
– sales of spodumene			–	44.3%
– sales of semi-coke			20.7%	6.4%
Total gross profit margin			5.5%	10.6%

Gross profit increased by approximately RMB12.3 million from gross profit of approximately RMB36.1 million for the six months ended 30 June 2020 to gross profit of approximately RMB48.4 million for the six months ended 30 June 2021. The main reason for the increase was the increase in trading volume of coarse iron powder and the Group's capability to tackle the price trend and regional demand such that a more profitable margin has been achieved.

Overall gross profit margin decreased to approximately 5.5% for the six months ended 30 June 2021 from approximately 10.6% for the corresponding period in last year. The decrease in overall gross profit margin was primarily due to the high gross profit margin of the one-off sales of spodumene in the corresponding period in last year. Excluding the sales of spodumene, the gross profit margin slightly increased from 5.3% for the corresponding period in last year to 5.5% for the six months ended 30 June 2021.

Other income

Other income mainly represented income from provision of business administrative and consultancy services to business partners.

Other gains or losses, net

The Group's other net gains were approximately RMB5.3 million for the six months ended 30 June 2021 as compared with approximately RMB4.9 million for the six months ended 30 June 2020. The Group recognized a gain on disposal of property, plant and equipment of RMB7.9 million for the six months ended 30 June 2020, while the Group recognized net gain on foreign exchange of approximately RMB5.3 million for the six months ended 30 June 2021, as compared with net loss on foreign exchange of approximately RMB3.1 million for the corresponding period in last year, and thus the total other net gains remained similar.

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 remained stable in both periods as there have been no change in the Group's borrowing across both periods.

Total comprehensive income

The total comprehensive income attributable to owners of the Company was approximately RMB15.8 million for the six months ended 30 June 2021, representing a decrease of approximately RMB2.5 million, or 13.7%, as compared with that of RMB18.3 million for the six months ended 30 June 2020. This was mainly due to (1) the decrease in other income by approximately RMB6.9 million because of one-off government grant recognised in corresponding period in last year; (2) the increase in distribution costs and administrative expenses by approximately RMB6.4 million in total, attributable to the expansion of workforce to deal with the increasing trading transactions for the six months ended 30 June 2021; being net off by the effect of the increase in gross profit margin from its operations by approximately RMB12.3 million to RMB48.4 million for the six months ended 30 June 2021 from approximately RMB36.1 million for the corresponding period in last year. Excluding extraordinary item being government grants amounting to approximately RMB0.1 million and approximately RMB8.0 million for the six months ended 30 June 2021 and 2020, respectively, the Group's total comprehensive income attributable to owners of the Company increased from approximately RMB10.3 million for the six months ended 30 June 2020 to approximately RMB15.7 million for the six months ended 30 June 2021, representing an increase of approximately 52.4%.

Work Priorities for the Second Half of 2021:

- I. To further improve its existing brand-new processing technique and achieve mass production gradually and continue to keep close relationships with the upstream and downstream businesses along the industrial value chain in the region, in particular by seeking cooperation with the top 3 mining companies in the world in various forms, including imports processing and production, to bring good economic benefits to the Group.
- II. To work harder for the planning and implementation of a comprehensive industrial value chain, including the mining and processing of titanium ores and the production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium, continue to enhance its cooperation with research and development institutions in addition to the in-house research, development and production in respect of the above, make investments in technical transformation in response to market demands, as appropriate, and strive to transform the abovementioned technical advantages into productivity, with an aim to improve the profitability of the Company.
- III. To engage an independent third-party organization responsible for the mining, production and sales business of Yangzhuang Iron Mine against the backdrop of a pick-up in iron concentrate price and leveraging the experience and technology advantages of established enterprise(s) in the industry, and be actively engaged in port trade as well as external ore processing and blending by riding on its geographic advantage of a close access to the port from its processing plant to increase its revenue.
- IV. To increase resource reserve and obtain the mining permit in the second half of the year for Yangzhuang Iron Mine after the reserve of which was verified by the experts from the Department of Natural Resources of Shandong Province with a current reserve of 28.80 Mt.
- V. If conditions permit, to commence the mining of rubidium, a scarce mineral substance, by Yangzhuang Iron Mine, which has discovered a rubidium ore reserve of 3,549 tons, with metal content of 4.47 tons and grade of 0.126% (industrial grade: 0.12%) through exploration.
- VI. To obtain professional advice upon review by experts from the Department of Natural Resources of Shandong Province in respect of the environmental management and land rehabilitation work in Yangzhuang Iron Mine and carry on tailings processing in Yangzhuang Iron Mine for higher economic income.
- VII. To intensify new energy development efforts against the backdrop of the well-developed carbon neutral market, and to make a plan in respect of photovoltaic power projects to expand the photovoltaic power projects in local market and seek opportunities for cooperation with larger companies, especially the state-owned companies, by leveraging the local good resources in Shandong.
- VIII. To further strictly implement the advice given by its internal control consultant and, by focusing on the continuous improvement of internal control and management, enhance its comprehensive management to pave a solid foundation for the improvement of results.
- IX. To capture the market opportunity of semi-coke, a new type of clean energy, arising from the possible tightened control of the government over environment during winter when heating is necessary for the north area of China, to increase a new economic driving force.

- X. To make full use of the platform as a listed group, proactively consolidate social resources, focus on investor relations, strengthen financing efforts, further expand shareholders base, enhance stock liquidity and finance the potential key construction projects, merger and acquisition projects, or expansion of the titanium industry value chain.
- XI. To step up efforts to expand the entire logistics chain with a focus on the logistics business, and by capitalizing on the favourable government and social resources in Xinjiang and with the application of 5G technology, to register logistics companies to develop supply chain finance of vehicles, warehousing, highways and logistics, domestic trading, investment holding and other businesses in Xinjiang as a new economic growth point of the Group in the future.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2021, the Company repurchased 32,614,000 shares of HK\$0.002 each in the capital of the Company at prices ranging from HK\$0.216 to HK\$0.280 per share on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Details of the repurchases are as follows:

Month/Year	Number of shares repurchased	Purchase price per share		Aggregate purchase consideration (excluding expenses) HK\$
		Highest	Lowest	
		HK\$	HK\$	
May 2021	7,458,000	0.255	0.233	1,802,020
June 2021	25,156,000	0.280	0.216	6,127,962
	<u>32,614,000</u>			<u>7,929,982</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 six months ended 30 June 2021.

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 Rules Governing the Listing of Securities on the Stock Exchange (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 2021.

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 2021.

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 2021 before such documents were tabled at a meeting of the Board held on 30 August 2021 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 2021

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.