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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)

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE COAL PURCHASE AND SALE AGREEMENT

On 29 December 2021, Hami Xinxing, a wholly-owned subsidiary of the Company, and Xinjiang Jiangna Mining entered into the Coal Purchase and Sale Agreement, pursuant to which Hami Xinxing shall purchase mixed coal from Xinjiang Jiangna Mining from the Commencement Date to 31 December 2024.

LISTING RULES IMPLICATIONS

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

The transactions to be contemplated under the Coal Purchase and Sale Agreement are expected to be regular in nature and will be conducted regularly and continuously in the ordinary course of business of the Group. Accordingly, the Coal Purchase and Sale Agreement and the transactions to be contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Mr. Li has a material interest in the transactions to be contemplated under the Coal Purchase and Sale Agreement, accordingly, Mr. Li and his associates are required to abstain from voting on the resolution regarding the Coal Purchase and Sale Agreement and the transactions to be contemplated thereunder at the EGM.

As the highest applicable percentage ratio calculated in relation to the annual caps under the Coal Purchase and Sale Agreement is 25% or above, the transactions to be contemplated under the Coal Purchase and Sale Agreement is subject to reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Company has established the Independent Board Committee comprising all the independent non-executive Directors to advise the Independent Shareholders on whether the terms of the Coal Purchase and Sale Agreement are fair and reasonable, whether the transactions are conducted in the ordinary course of business of the Group on normal commercial terms and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM after considering the advice from the Independent Financial Adviser. Draco Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation thereof.

A circular containing, among others, details of the Coal Purchase and Sale Agreement, together with a letter of advice from the Independent Board Committee, a letter of advice from the Independent Financial Adviser and a notice of the EGM, is expected to be dispatched to the Shareholders on or about 13 January 2022.

THE COAL PURCHASE AND SALE AGREEMENT

On 29 December 2021, Hami Xinxing, a wholly-owned subsidiary of the Company, and Xinjiang Jiangna Mining entered into the Coal Purchase and Sale Agreement, pursuant to which Hami Xinxing shall purchase mixed coal from Xinjiang Jiangna Mining from the Commencement Date to 31 December 2024.

The principal terms of the Coal Purchase and Sale Agreement are as follows:

Date

29 December 2021

Parties

- (i) Hami Xinxing; and
- (ii) Xinjiang Jiangna Mining

Subject matter

Hami Xinxing shall purchase mixed coal from Xinjiang Jiangna Mining from the Commencement Date to 31 December 2024. The Commencement Date of the Coal Purchase and Sale Agreement is subject to the following condition precedent.

Pricing and Payment

The price of the mixed coal purchased under the Coal Purchase and Sale Agreement shall be determined based on the then prevailing market price and shall not be less favourable than the purchase price obtained by the Group from other independent third parties.

In order to ensure that the purchased mixed coal is determined based on normal commercial terms and on purchase price not less favourable than the purchase price obtained by the Group from independent third parties, the Group will conduct search before entering into any new transactions to review and assess the price of the mixed coal which shall be conducted on terms not higher than the price purchased from each of the independent manufacturers.

Term

From Commencement Date to 31 December 2024.

Historical Transactions

The Group did not conduct coal transactions with Xinjiang Jiangna Mining directly in the past.

As disclosed in the 2018 annual report of the Company, the Group recorded coal trading transactions amounted to RMB35.36 million through Shandong Ishine Mining Industry Co., Ltd., a wholly-owned subsidiary of the Company, for the year ended 31 December 2018.

Proposed Annual Caps

The annual caps for Hami Xinxing to purchase mixed coal from Xinjiang Jiangna Mining under the Coal Purchase and Sale Agreement for each of the three years from the Commencement Date to 31 December 2024 amounted to RMB1.5 billion.

The proposed annual caps are determined based on the consideration of the scale of the coal trading that the Group intends to conduct and the demand for mixed coal from downstream companies and with reference to the prevailing market price of coal.

Condition Precedent

The Coal Purchase and Sale Agreement and the transactions to be contemplated thereunder are conditional upon the approval by the Independent Shareholders in accordance with the Listing Rules.

REASONS FOR ENTERING INTO THE COAL PURCHASE AND SALE AGREEMENT

The principal activities of the Group are iron and ilmenite ore exploration, iron and ilmenite mining, iron ore processing and trading of iron concentrates and other minerals in 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, establish the full titanium industrial chain in Shandong Province, the PRC. The main customers of the Group are iron pellets and steel producers in nearby regions.

Haimi Xinxing is mainly engaged in road cargo transportation (online freight); road cargo transportation (excluding dangerous goods). General items include domestic cargo transportation agency; financial consulting; motor vehicle repair and maintenance; research and development on carbon emission reduction, carbon conversion, carbon capture and carbon storage technology; technical services, technological development, technological consulting, exchange of technology, technological transfer and technology promotion; general cargo warehousing services (excluding hazardous chemicals and other items that require license approval); supply chain management services; software development; intelligent control system integration; data processing and storage support services; coal and product sales; chemical product sales (excluding chemical products which require license); sales of tires; information consulting services (excluding information consulting services on licensing information).

Xinjiang Jiangna Mining is a limited liability company established in the PRC. Its coal mine “Ishine Outdoor Coal Mine” is located in Naomaohu Town, Yiwu County, Hami City, Xinjiang Uygur Autonomous Region, China. Xinjiang Jiangna Mining is engaged in mining and coal and product sales. The quality of coal from the coal mine of Xinjiang Jiangna Mining is good and the yield rate of oil and gas is high and is a high-quality supplier for downstream tar and semi-coke enterprises. With the limited production capacity, the coal from the coal mine of Xinjiang Jiangna Mining is used in the deep processing enterprises for the production of semi-coke and coal tar. Semi-coke is a clean fuel after deep processing and is the best fuel for coal-fired thermal power plants and power stations. Coal tar is the main raw material for the production of gasoline, diesel and aviation kerosene. Therefore, downstream companies have a high demand for mixed coal.

The Board (excluding independent non-executive Directors, who will only make recommendations after considering the opinions from the Independent Financial Adviser) considers that the transactions to be contemplated under the Coal Purchase and Sale Agreement (including the annual caps) are (i) determined after arm’s length negotiation; (ii) conducted on normal commercial terms or on terms no less favourable than those independent third parties obtained or provided to the Group in accordance with the prevailing market conditions; (iii) entered into in the ordinary course of business of the Group; and (iv) fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL POLICIES

In order to ensure that each of the mixed coal transactions will be based on normal commercial terms and in accordance with the terms of the Coal Purchase and Sale Agreement, the Group has adopted the following measures:

- (i) The procurement department of the Group will regularly obtain quotations for mixed coal of similar quality from other independent third parties suppliers to determine whether the prices and terms provided by Xinjiang Jiangna Mining are similar or not less favourable than those provided by independent third parties suppliers. After obtaining the quotation, the staff of the procurement department of the Group will make reference to, among others, the quality of the mixed coal and other terms, as well as the demand of downstream customers before making the purchase;
- (ii) The finance department of the Group will monitor the transactions to be contemplated under the Coal Purchase and Sale Agreement and submit a quarterly report to the Board to ensure that the transaction amount for the transactions to be contemplated under the Coal Purchase and Sale Agreement will not exceed the annual caps;
- (iii) The audit committee of the Company and independent non-executive Directors will review all the continuing connected transactions of the Company annually, including the transactions to be contemplated under the Coal Purchase and Sale Agreement, to ensure that those transactions, including the Coal Purchase and Sale Agreement, are conducted in the ordinary course of business of the Group on normal commercial terms, in accordance with the terms of relevant transaction, and the relevant terms are fair and reasonable and are in the interests of the Shareholders as a whole; and
- (iv) The external auditor of the Company will conduct annual review of the continuing connected transactions of the Company to ensure that those transactions comply with the Listing Rules.

LISTING RULES IMPLICATIONS

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The transactions to be contemplated under the Coal Purchase and Sale Agreement are expected to be regular in nature and will be conducted regularly and continuously in the ordinary course of business of the Group. Accordingly, the Coal Purchase and Sale Agreement and the transactions to be contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Mr. Li has a material interest in the transactions to be contemplated under the Coal Purchase and Sale Agreement, accordingly, Mr. Li and his associates are required to abstain from voting on the resolution regarding the Coal Purchase and Sale Agreement and the transactions to be contemplated thereunder at the EGM.

As the highest applicable percentage ratio calculated in relation to the annual caps under the Coal Purchase and Sale Agreement is 25% or above, the transactions to be contemplated under the Coal Purchase and Sale Agreement is subject to reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Company has established the Independent Board Committee comprising all the independent non-executive Directors to advise the Independent Shareholders on whether the terms of the Coal Purchase and Sale Agreement are fair and reasonable, whether the transactions are conducted in the ordinary course of business of the Group on normal commercial terms and in the overall interests of the Company and the Shareholders as a whole and advise the Independent Shareholders on how to vote at the EGM after obtaining and considering the advice from the Independent Financial Adviser. Draco Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation thereof.

A circular containing, among others, details of the Coal Purchase and Sale Agreement, together with a letter of advice from the Independent Board Committee, a letter of advice from the Independent Financial Adviser and a notice of the EGM, is expected to be dispatched to the Shareholders on or about 13 January 2022.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Coal Purchase and Sale Agreement”	the coal purchase and sale agreement dated 29 December 2021 entered into between Hami Xinxing and Xinjiang Jiangna Mining
“Commencement Date”	the date immediately after fulfilling all the condition precedents as set out in the Coal Purchase and Sale Agreement
“Company”	Add New Energy Investment Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability, its shares are listed on the Stock Exchange (stock code: 2623)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Coal Purchase and Sale Agreement, the proposed annual caps and the transactions to be contemplated thereunder
“Group”	the Company and its subsidiaries
“Hami Xinxing”	Hami Xinxing Tianshan Logistics Co., Ltd.* (哈密新星天山物流有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the formation of the independent board committee of the Board comprising all of the independent non-executive Directors (being Mr. Leung Nga Tat, Mr. Zhang Jingsheng and Mr. Li Xiaoyang) to advise the Independent Shareholders in respect of the terms of the Coal Purchase and Sale Agreement, the proposed annual caps and the transactions to be contemplated thereunder
“Independent Financial Adviser”	Draco Capital Limited, a corporation licensed to carry out Type 6 regulated activities under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders on the terms of the Coal Purchase and Sale Agreement, the proposed annual caps and the transactions to be contemplated thereunder
“Independent Shareholders”	shareholders other than Mr. Li and his associates
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Yunde, the chairman of the Board, an executive Director and a Controlling Shareholder
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Shareholder(s)”	holder(s) of Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xinjiang Jiangna Mining”	Xinjiang Jiangna Mining Co., Ltd.* (新疆疆納礦業有限公司), a company incorporated in the PRC with limited liability and indirectly wholly-owned by Mr. Li
“%”	per cent.

By order of the Board
Add New Energy Investment Holdings Group Limited
Geng Guohua
Chief Executive Officer

Hong Kong, 29 December 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.

**for identification purpose only*