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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Add New Energy Investment Holdings Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchasers or transferees or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchasers or transferees.

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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 AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A notice convening the extraordinary general meeting of the Company ("EGM") to be held in a combination of an in-room meeting at Suite 3105, 31/F, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, and a ZOOM live webcast on Friday, 22 April 2022 at 10:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular.

Whether or not you intend to attend the EGM via a ZOOM live webcast, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of 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 as soon as possible and in any event not less than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof (as the case may be).

In view of the ongoing Coronavirus Disease 2019 (COVID-19) epidemic, the Company strongly recommends Shareholders to exercise your voting rights by appointing the chairperson of the EGM as your proxy to vote on the relevant resolution at the EGM as an alternative to attending the EGM in person.

30 March 2022

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PRECAUTIONARY MEASURES AND SPECIAL ARRANGEMENTS FOR THE EGM

The Company will implement the following measures at the EGM, including:

1. Compulsory temperature screening/checks will be carried out on every attendee at the entrance of the EGM venue. Any person with a body temperature above 37.3 degrees Celsius or the reference point announced by the Department of Health from time to time, or is exhibiting flu-like symptoms may be denied entry into the EGM venue and requested to leave the EGM venue;
2. Every attendee will be required to wear a surgical face mask at the EGM venue and throughout the EGM and to sit at a distance from the other attendees. Please note that no surgical face masks will be provided at the EGM venue and attendees should bring and wear their own masks;
3. No refreshment or drinks will be provided to the attendees at the EGM; and
4. No corporate gifts or gift coupons will be provided to the attendees at the EGM.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue so as to ensure the health and safety of the other attendees at the EGM. The number of attendees allowed in the EGM venue is subject to the requirements and restrictions under the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong).

Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

The following special arrangements for the EGM will apply:

- Any member who are not Director or staff of the Company who does attempt to attend the EGM in person will be refused admission.
- If a Shareholder (whether individual or corporate) wishes to exercise his/her/its voting rights at the EGM, he/she/it must appoint the chairman of the EGM as his/her/its proxy to attend and vote on his/her/its behalf at the EGM.
- In appointing the chairman of the EGM as proxy, Shareholders (whether individual or corporate) must give specific instructions as to voting in the Proxy Form, the duly completed and signed Proxy Form must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the office of the Company's Hong Kong branch share registrar and transfer office, Tricor Investors Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 10:00 a.m. on Wednesday, 20 April 2022 (being not less than forty-eight (48) hours before the EGM), failing which the appointment will be treated as invalid.

PRECAUTIONARY MEASURES AND SPECIAL ARRANGEMENTS FOR THE EGM

- For Shareholders who would like to view and listen to the ZOOM live webcast, you will need to register by sending an email to is-enquiries@hk.tricorglobal.com or via telephone hotline at (852) 2980 1333 by providing personal particulars as follows:
 - a) Full name;
 - b) Registered Address;
 - c) Number of Shares held;
 - d) Contact Telephone Number; and
 - e) Email Address,

no later than 10:00 a.m. on 19 April 2022 (being not less than 3 business days before the date appointed for holding the EGM) to enable the Company to verify the Shareholders' status.

Authenticated Shareholders will receive an email confirmation by 21 April 2022 which contains a link to join the ZOOM live webcast of the EGM. Shareholders MUST NOT forward the link to other persons who are not the Shareholders and who are not entitled to attend the EGM. Shareholders may view and listen to the EGM through a ZOOM live webcast which can be accessed via smartphone, tablet device or computer.

- Shareholders may submit any questions they may have in advance in relation to any resolution set out in the Notice of EGM by 10:00 a.m. on 19 April 2022 (being not less than 3 Business Days before the date appointed for holding the EGM) via email to is@enquiries@hk.tricorglobal.com providing personal particulars as follows for verification purposes:
 - a) Full name;
 - b) Registered Address;
 - c) Number of Shares held;
 - d) Contact Telephone Number; and
 - e) Email Address.

Shareholders can also submit questions during the EGM through the webcast link provided. The Board will arrange for as many of the questions asked to be answered as possible at the EGM.

PRECAUTIONARY MEASURES AND SPECIAL ARRANGEMENTS FOR THE EGM

- The Company is closely monitoring the impact of COVID-19 in Hong Kong. Should any changes be made to the EGM arrangements, the Company will publish further announcement(s) to notify the Shareholders.
- If you have any queries on the above, please contact Tricor Investors Services Limited via their hotline at (852) 29801333 from 9:00 a.m. to 4:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).
- All non-registered shareholders may consult directly with their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their shares are held (as the case may be) for necessary arrangement to attend via the ZOOM live webcast at the EGM or any adjourned meeting thereof if they wish.
- No remote voting system is provided at the ZOOM live webcast. For the avoidance of doubt, presence at the ZOOM live webcast is not counted as quorum or attendance of the EGM, and will not revoke any proxy instrument previously delivered to the Company by the same Shareholder.

The Board considers that the EGM is an important opportunity for Shareholders to participate and express their views by raising questions and voting. As such, the Board wishes to emphasize that the Shareholders can raise questions during the EGM through the ZOOM live webcast. The questions raised by Shareholders at the EGM and those submitted beforehand will be addressed to at the EGM as far as possible.

RESPONSIBILITY STATEMENT

This circular, for which the Directors (as defined herein) collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules (as defined herein) for the purpose of giving information with regard to the Company. The Directors (as defined herein), having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 29 December 2021 relating to the Coal Purchase and Sale Agreement
“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 conditions precedent 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 in a combination of an in-room meeting at Suite 3105, 31/F, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, and a ZOOM live webcast on Friday, 22 April 2022 at 10:00 a.m. to consider and, if thought fit, approve the Coal Purchase and Sale Agreement, the proposed annual caps and the transactions to be contemplated thereunder, the notice of which is set out on pages EGM-1 to EGM-4 of this circular
“Group”	the Company and its subsidiaries

DEFINITIONS

“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 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
“Latest Practicable Date”	24 March 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“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 the 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
“Proposed Annual Cap(s)”	the proposed annual monetary cap(s) for the continuing connected transactions contemplated under the Coal Purchase and Sale Agreement for the period from the Commencement Date to 31 December 2024

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.002 each in the capital of the Company
“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.

LETTER FROM THE BOARD



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)

Executive Directors:

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

Independent Non-executive Directors:

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

Registered office:

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*Head office and principal place of
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Kowloon
Hong Kong

30 March 2022

To the Shareholders

Dear Sir/Madam

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

INTRODUCTION

Reference is made to the Announcement relating to, among others, the Coal Purchase and Sale Agreement.

The purpose of this circular is to provide you with, among other things, (i) further information in respect of the Coal Purchase and Sale Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from Draco Capital to the Independent Board Committee and the Independent Shareholders in respect of the Coal Purchase and Sale Agreement; and (iv) the notice of the EGM to consider and, if thought fit, to approve the Coal Purchase and Sale Agreement and the Proposed Annual Caps.

LETTER FROM THE BOARD

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 blended 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 blended 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 conditions precedent.

Pricing and Payment

The price of the blended 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 blended 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 on the website of the Xinjiang Coal Exchange Center (新疆煤炭交易中心) for the latest trading price of the blended coal before entering into any new transactions and to review and compare the purchase price of the blended coal offered by Xinjiang Jiangna Mining and other independent third party suppliers.

Apart from the price offered by independent third party suppliers, the Group will also take into account the location of the suppliers in order to minimize the delivery costs so as to maximise the gains of coal from such trading transactions.

The Group usually compares 3 quotes from independent third party suppliers against the quote from Xinjiang Jiangna Mining subject to the availability of such quotes as the number of mines in Xinjiang is limited. The Group has purchased coal through a state-owned enterprise in Henan for its coal trading transactions conducted in 2018. The coal trading contemplated under the Coal Purchase and Sale Agreement will not only be purchased directly from coal

LETTER FROM THE BOARD

mines, but also through different upstream sales enterprises, depending on whether the quotations obtained can meet the requirements of downstream enterprises for the volume of blended coal trade and whether the price can bring returns to the Group. Other upstream coal suppliers of the Group include: (1) a state-owned enterprise in Henan which conducted coal trading in 2018; (2) a coal mine of an A-share listed company in Yiwu County, Xinjiang; (3) a coal mine in Yizhou District, Hami City, Xinjiang Uygur Autonomous Region, which is mainly engaged in coal mining and sales; (4) a coal mine in Xinjiang Hami City, which is a resource-based enterprise with diversified operations; (5) a coal mine in the south of Xinjiang Hami City with abundant coal resources; (6) an enterprise which mainly engaged in coal mining and sales in Yiwu County, Hami City, Xinjiang; and (7) a coal mine in Sandaoling, Hami City, Xinjiang. The coal mines to be selected by the Group need to be able to provide coal which is rich in oil, comparable, and used as thermal coal and have different downstream customer groups. As of the Latest Practicable Date, Hami Xinxing has not discussed any transactions with other upstream suppliers.

In addition, the credit period granted by Xinjiang Jiangna Mining to Hami Xinxing or the credit period granted by Hami Xinxing to downstream enterprise customers for payment will be based on market practice, and there is no specific credit period. The size of the transaction and payment terms can only be determined based on the then prevailing market conditions at the time when the transactions occur. Hami Xinxing will evaluate the credit risk of downstream enterprises. In the transaction process under general market practice, customers will be required to pay the purchase price of the blended coal before arranging delivery. Therefore, the credit risk in the blended coal trading will remain at a very low level, and the capital needs of Hami Xinxing are not high.

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.

In addition, the Group recorded sales of semi-coke amounting to RMB41.31 million for the year ended 31 December 2020.

Proposed Annual Caps

The annual caps for Hami Xinxing to purchase blended 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. However, there is no limit on the maximum or minimum sale quantity of coal, and the sale quantity depends on the market demand and price of coal.

LETTER FROM THE BOARD

Under the Coal Purchase and Sale Agreement, it did not specify the minimum quantities of blended coal that Hami Xinxing requires to be purchased from Xinjiang Jiangna Mining.

The Proposed Annual Caps are determined based on (i) the possible expected maximum production capacity of Xinjiang Jiangna Mining under its existing production equipment and it is expected that Hami Xinxing will not purchase blended coal from Xinjiang Jiangna Mining for more than one-third of the production capacity of Xinjiang Jiangna Mining; (ii) the scale of the coal trading that the Group intends to conduct which is dependent on demand for blended coal from downstream companies and with reference to the prevailing market price of coal. As coal is potentially in short supply in the market due to increased government pressure on safety and environmental protection and the government's policies on restricting the scale of coal. Therefore, the demand of blended coal from the downstream enterprises is high.

Xinjiang Jiangna Mining is a coal-producing enterprise with an annual production capacity of 15 to 20 million tons. It produced and sold 17.5 million tons of coal in 2020 and 16.9 million tons of coal in 2021. However, its actual production capacity will be adjusted subject to market conditions. The annual cap of RMB1.5 billion is calculated based on the expected market price of blended coal of approximately RMB300 per ton, which is therefore equivalent to purchasing about 5 million tons of blended coal, accounting for not more than one-third of the annual production capacity of Xinjiang Jiangna Mining. The business model of Xinjiang Jiangna Mining is mainly based on resource production, mainly engaged in coal mining business and through different channels (including intermediaries) in the market to conduct or expand market sales. Accordingly, Xinjiang Jiangna Mining also anticipates to increase its sales through Hami Xinxing's network so as to maximise the coal production capacity. With reference to the information of the Xinjiang Coal Trading Center, the base price of the blended coal auction in November 2021 is about RMB435 per ton.

According to the "Changes in Market Prices of Important Production Information in the Circulation Field in Late November 2021"* (《2021年11月下旬流通領域重要生產資料市場價格變動情況》) issued by the National Bureau of Statistics, the coal direct sales industry has seen a relatively large increase. In addition, in August 2021, the National Development and Reform Commission released the "The Evaluation of Completion of Dual Control of Energy Consumption Intensity and Volume in Various Regions in the First Half of 2021"* (《2021年上半年各地區能耗雙控目標完成情況晴雨表》), the energy consumption intensity of Qinghai, Ningxia, Guangxi, Guangdong, Fujian, Xinjiang, Yunnan, Shaanxi and Jiangsu provinces increase instead of decrease. Guangxi and Yunnan have taken drastic measures to limit the output of certain high energy consumption industries, such as cement and steel, to ensure the dual control of energy consumption intensity and volume can be completed. Guangdong Province has also imposed power rationing in some areas. As a result, there is a high demand for coal across the country. Xinjiang has all kinds of minerals and large reserves, and its coal resources are predicted to account for 40% of the country's total. Therefore, in addition to Xinjiang Jiangna Mining, there are other coal mines can be selected from in the Group's coal trading transactions. Therefore, the Board believes that in the process of national development, stable energy supply is very important, and the demand of blended coal are very high. It is believed that the development of coal trading can bring returns to the Shareholders of the Company.

LETTER FROM THE BOARD

Even though the Group has not formally commenced coal trading on a large scale as at the Latest Practicable Date, based on the above reasons, the Group considers that under the circumstance that the national power consumption intensity does not drop but increases, it should seize the opportunity to enter into the Coal Purchase and Sale Agreement with Xinjiang Jiangna Mining to conduct blended coal trading under suitable market conditions and to bring lucrative returns to Shareholders.

As the Group will only conduct coal trading when it is profitable, and that the Coal Purchase and Sale Agreement does not constrain Hami Xinxing to purchase the minimum amount of blended coal. The Group also does not rely excessively on the blended coal trading as its main source of revenue. The annual caps of RMB1.5 billion is an indicator that the Group can conduct blended coal trading, which will bring considerable returns to Shareholders. With reference to the previous market price of blended coal and the prevailing quotations and data, and the operating data of other enterprises, the gross profit margin of coal trading in the past three years was wide and it was ranging from 1.24% to 33.50%. The Board will actively seek business opportunities in coal trading and expects to achieve a gross profit margin of 5% to 20%. Accordingly, the gross profit margin obtained by each enterprise depends on various factors, including the quality of blended coal, procurement costs, commercial terms, etc. and there will not be a uniform gross profit margin standard. The Board (excluding the independent non-executive Directors and Mr. Li) considers that the Proposed Annual Caps and the expected gross profit margin range are fair and reasonable.

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).

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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. Xinjiang Jiangna Mining is mainly engaged in coal mining as its principal business, and the sales of its products will be marketed through different channels in the market (including intermediaries). As it is mainly focusing on resource production and connecting with intermediaries, it will not directly conduct coal trading with downstream enterprises. This is the business model of Xinjiang Jiangna Mining since its establishment. The trading of blended coal is bulk trading activities and the industry chain amongst the region is well developed, the Group has sufficient capacity for developing the blended coal trading activities after taking into account no material capital expenditure is expected to be necessary for the development of the blended coal trading activities. When formulating the Coal Purchase and Sale Agreement, Xinjiang Jiangna Mining based on its remaining annual production capacity, hoped that with the Group’s mature sales of coal and iron ore experience in the past, its remaining annual production capacity can also be launched into the market for sale in order to achieve a win-win situation for both parties. Based on the previous average market price of coal of approximate RMB300 per ton, Hami Xinxing can purchase approximate 500 tons of blended coal annually.

In 2018, the Group recorded a transaction amount of blended coal of RMB35.36 million, and recorded a transaction amount of semi-coke of RMB41.31 million in 2020. The blended coal trading transaction will be a typical “back-to-back” transaction, which means the Company will not expose to the risk of stockpiling and arranging warehouses, the goods will be picked up by the downstream customer directly from the supplier, or delivered to the customer’s warehouse immediately after pick-up by Hami Xinxing. In this “back-to-back” trading process, the goods will be cleared directly after the parties sign the agreement, that is, it will be a direct point-to-point transfer of goods, which is a consistent approach for bulk commodities. The Group has been conducting importing iron ore for a long time, which means the goods are also directly transferred from the port terminal to the downstream customers after the signing of and the execution of the sales agreement. In addition to liaising with the supplier and the customers to execute transactions, the Group also needs to fully understand on the business process including understanding the customer’s requirements for coal qualities, usage and quantities, and the arrangement of delivery, etc. so as to select suitable suppliers/coal mines to match suitable coal for downstream enterprises. Nevertheless, it is also important that the salesmen have expertise in coal, and the Group’s sales team has relevant knowledge and experience about iron ore and coal, the principal business’s managerial team of both coal trading center and trading of iron ore have more than 15 years of trading experience, particularly experienced in the domestic cross provincial supply, production and sales market, logistics information and delivery payment processing. and maintains a good business relationship with upstream suppliers. Therefore, the Board considers that the Group has the manpower and skill level for coal trading. The Board also considers that blended coal trading is a business with substance and is a very typical method in coal trading. The trading of bulk commodities such as coal and iron is also a long-term business of the Group. Therefore, blended coal trading is operated in the typical way that general trading operates.

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It is expected that the transactions contemplated under the Coal Purchase and Sale Agreement, if executed in full, will contribute significant amount of revenue to the Group. However, the Group is not only relying on the revenue to be generated from the trading of coal. As disclosed in the announcement of the Company dated 31 December 2021, the Group plans to actively development its principal activities under traditional resources, green mine construction, trading and processing industry, and new energy in the coming years. The Group will actively develop the above three business areas, enabling the Group to maintain favourable economic benefits in the traditional mining business, maintain cash flow and profit flow in trading and processing and logistics businesses, and expand rapidly in new energy fields. The Group will seize market opportunities and will not rely on a single field, to keep pace with the market trends and the three business areas to achieve further development in the coming year.

The Group successfully turned loss into profit in 2020, mainly due to the increasing market for iron and steel materials and the demand for iron concentrates and spodumene reached a higher level. The Group has increased the sales of coarse iron powder and therefore strategically increasing the trading activities of coarse iron powder. During the six months ended 30 June 2021, the revenue of the Group's arising from the sales of coarse iron powder continued to rise. In the first half of 2021,

1. The Group has improved its existing brand-new processing technique and achieved mass production gradually with increased efforts in supply chain development 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.
2. 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.
3. 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.

LETTER FROM THE BOARD

4. 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.
5. 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.
6. 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.
7. 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.
8. 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.

In addition, 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.

In the aspect of coal trading, the Group will actively explore the coal trading business through its experienced sales team, find different coal mines according to the requirements of downstream enterprise customers, and bring suitable coal to customers. Under the Coal Purchase and Sale Agreement, the Group will obtain a stable supply of blended coal, however, the Group will not rely solely on the coal produced by Xinjiang Jiangna Mining for trading activities, and will conduct coal trading by finding at least three independent upstream suppliers for comparison in accordance with the internal control procedures and sales systems. Coal trading in the past was also conducted through the Group's sales team. The semi-coke and coal trading of the Group in 2020 was also purchased and sold from other coal mines.

In addition, in the absence of coal trading, the Group still has sufficient operating activities to meet its requirement of going concern as a listed company. Therefore, the Group does not rely on the coal trading contemplated under the Coal Purchase and Sale Agreement as its only source of revenue.

LETTER FROM THE BOARD

The Group's Yangzhuang Iron Mine is one of the first builders of green mines in China. In March 2011, it was awarded the first green mine selection organized by the Ministry of Land and Resources of China and the China Mining Federation. In view of its application and achievements in low carbon, environmental protection, green energy technology, on-site green vegetation construction, etc., Yangzhuang Iron Mine was regarded as a "National Green Mine Pilot Unit". It is one of the only five iron mines in the country and the only one in Shandong Province who awarded this reputation.

Since 2013, the Group has been engaged in ilmenite mining and ilmenite processing trading in Shandong Province, the PRC.

Since 2016, the Company has changed its Company's name to actively respond to the national call, seizes the opportunity of national policies, and regards wind power, photovoltaic, solar thermal and other clean energy as a new economic drivers. Through years of research, the Company will implement and promote the new energy business as soon as feasible.

As disclosed in the announcement of the Company dated 5 November 2021, the groundbreaking ceremony for the comprehensive utilisation of green and low-carbon resources project (the "Project") of the Shangyu Ilmenite Mine (上峪鈦鐵礦), an ilmenite ore of the Company in China, was held on 3 November 2021 in a mining area located in Zhuge Town, Yishui County, Shandong Province, China. China actively implements a green and low-carbon development strategy, develops clean energy, and strives to achieve the goal of carbon neutrality. The Chinese government encourages enterprises to develop green and clean energy, as long as the enterprises have relevant technology, there are no license requirements. The National Development and Reform Commission and the National Energy Administration jointly issued the "Opinions on Improving the System, Mechanism and Policy Measures for Green Energy and Low-Carbon Transformation" (the "Opinions"). It is mentioned that, on the premise of conforming to the power planning and layout and the safety operation of the power grid, the National Development and Reform Commission and the National Energy Administration encourage the realisation of the renewable energy power projects to supply power to industrial parks or enterprises nearby through innovative power transmission and operation methods, and encourage industrial parks or enterprises to purchase green power through the power market. They also encourage emerging key energy-usage fields to focus on green energy to meet energy demand and make full use of the remaining heat, pressure, and gas. Accordingly, there are no licensing or regulatory requirements.

The total investment amount of the Project is RMB3 billion and will be invested by the Group by using its internal resources and including but not limited to (as the case may be), bank loans and/or bring in partner(s) to jointly develop the Project. By introducing partner(s) to the Project, it will provide the Group, as the Project leader, with the land required for the Project, and the partner(s) will purchase the production equipment and will be authorised to manage the Project. The Project will still be owned by the Group and the partner(s) can enjoy profit distribution, in phases.

LETTER FROM THE BOARD

The Project will be implemented in two phases. In the first phase of the Project, a modernised concentrator together with a 20MW photovoltaic power station will be established. After the completion of the first phase of the Project, the concentrator will process 4 million tons of raw ore annually and the photovoltaic power station will generate 23 million kWh of electricity annually. The Project is a landmark project of safety, efficiency and environmental protection. The construction work of the first phase of the Project has already commenced. At present, the construction of the first phase of the Zhuge Shangyu concentrator is underway and is expected to be basically completed by the end of May 2022. The first phase of the Project required capital of approximately RMB59 million. This part of the capital comes from self-owned capital and can basically satisfy the Project requirement. The first phase of the Project mainly processes the coarse ore powder of Brazil Vale. The Group has a professional team, and engaged a construction engineering company in Linyi City to carry out construction for the transformation of the concentrator and the production line of the Project and also entrusted a professional organisation for construction and management. It is expected that photovoltaic power station can be installed and started production in November 2022.

A strategic cooperation agreement on investing in the Project has been reached with a company of the National Energy Investment Group Co., Ltd.. The company is a comprehensive clean energy enterprise under the National Energy Investment Group Co., Ltd. that integrates wind power, photovoltaics, hydrogen energy, comprehensive smart energy, and fund investment. The businesses of its wholly-owned and holding subsidiaries cover 27 provinces, autonomous regions and municipalities, as well as Australia and Greece, excluding Shanghai, Chongqing, Sichuan, Tibet and Hong Kong, Macau and Taiwan. The company's total installed capacity of new energy is 13.55 million kW and the total assets under management are RMB103.9 billion with the debt asset ratio being 43.6%. In 2021, the company has completed power generation of 27.3 billion kWh, and has successively won a number of awards such as “National High-quality Project Gold Award* (「國家優質工程金獎」)”, “China's Top Ten Green Responsible Enterprises* (「中國十佳綠色責任企業」)”, “National Excellent Enterprise in the Power Industry* (「全國電力行業優秀企業」)” and “National Civilised Unit* (「全國文明單位」)”.

Since May 2021, several negotiations were conducted between the parties to discuss, among others, the making full use of the factory area of Shandong Ishine and the development zone etc., where the usage of electricity are concentrated, to jointly develop renewable energy power generation projects and support the development of wind power, photovoltaics and other renewable energy projects under the framework of indicators issued by the national and Shandong provincial energy authorities.

In respect of the cooperation in the field of hydrogen energy application, the company leverages its capital, technology and talent advantages in the hydrogen energy industry. Relying on the industrial advantages and through the coupling of renewable energy power generation projects, comprehensive smart energy services and other projects with hydrogen production, to jointly carry out green and low-carbon hydrogen production projects and to build low-carbon smart parks in qualified areas. Through the integration of artificial intelligence, Internet of Things and other new technologies and new formats, to jointly plan and carry out hydrogen energy utilisation demonstrations in the high-end food industrial park's market in Yishui city of Shandong.

LETTER FROM THE BOARD

In respect of the comprehensive smart energy cooperation, we will carry out cooperation in new innovative business and jointly develop comprehensive smart energy service projects. The company makes full use of its expertise in the planning, construction and operation of new energy projects, to promote comprehensive smart energy comprehensively, to drive the market by using digital technology to promote the multi-dimensional coordination and interaction of “source, network, load and storage”, and to integrate the distributed electricity, heat, cold and domestic hot water supply by using geothermal, air and water source heat pumps, energy storage, building photovoltaic integration and other technologies, and ultimately achieve the supply of low-carbon and even zero-carbon heating and cooling. We will realise the multiple development goals of energy efficiency, ecological coordination and economy, expand the deep integration of artificial intelligence, blockchain, Internet of Things and other technologies, to deploy comprehensive energy efficiency services and jointly build an open, cooperative and win-win energy service platform, and create a new smart energy ecology.

In the second phase of the Project, it will continue to rely on Zhuge Shangyu’s ilmenite resources, the production scale of the concentrator will be expanded to process 8 million tons of raw ore annually and the new high titanium slag project and basalt fiber project will be implemented. The Project will utilise the most advanced technology at present, and continue to introduce new processes and technologies through the letter of intent for cooperation entered into with the Siberian Branch of the Russian Academy of Sciences since March 2015, to solve the problem brought by high energy consumption and high pollution by using new energy and to realise the perfect combination of high-quality development of mines and green and low-carbon development. The Project will also complete the land restoration and the improvement of the ecological environment of the mining area to build a modern mining geopark with abundant ground vegetation, unique landscape and beautiful scenery to realise the maximisation of economic and social benefits. The second phase of the Project mainly processes free-mining ores. It is expected that the construction will be completed before the end of 2025, and that an additional 600,000 tons of iron ore will be processed annually, resulting in an annual output of 300,000 tons of 65% iron concentrates. Upon completion of the construction of the two phases, it is expected that it will bring an annual turnover of RMB2.8 billion.

Moreover, coal trading will only be conducted if it is profitable for the Group, coupled with the uncertainties in the demand of coal, the coal trading which may or may not proceed. The Group’s business focus remains on the existing principal business and clean energy. The iron ore business of the Group is promoted in accordance with the national policies. It is expected that in 2022, the sales of the mining, production, processing and the deep processing trading of the mine, the Project and the coal trading will account for approximately 45%, 22%, and 33% of the total revenue of the Group respectively. The Board expects coal trading will not account for more than half of the operating revenue of the Group. Accordingly, in the absence of coal transactions under the Coal Purchase and Sale Agreement, the Group still have sufficient business scale to maintain the Company’s listing status. In the year 2020 and the first half of 2021, the Group has successfully turned profits from losses in prior years based on the existing businesses and brought net profit to Shareholders.

LETTER FROM THE BOARD

Coal is potentially in short supply in the market due to increased government pressure on safety and environmental protection and the government's policies on restricting the scale of coal mining.

The principal customers of the Group of blended coal are outside Xinjiang, upon receiving the purchase order from the downstream enterprises, i.e. customers, the Group will purchase coal from the supplier or coal mines in which the price will be determined based on local market conditions, including but not limited to the market prices of coal with same quality which were offered by other potential suppliers or coal mines and then resale to downstream customers within a short time period. The price of the coal sold to the customers will be determined based on local market conditions and the actual quantity of coal to be purchased which shall be higher than the purchase price to obtain profit.

The Group has an experienced sales team that sells iron ore products to different regions of the country. In the course of business sales, there were customers inquired about purchasing coal. The Group believes that the coal transaction can expand the source of revenue for the Group.

At present, there is no fixed target customer of blended coal. However, the entering into the Coal Purchase and Sale Agreement will help the Group to seize opportunities and to expand new sources of revenue. As the price of blended coal is affected by factors such as supply and demand as well as the quality of coal, the expected profit margin is uncertain. According to the coal trading conducted by the Group in 2018, the profit margin at that time was approximately 24.26%, however, this figure was for reference only, and was not any forecast of the Group's future profitability.

Based on the above reasons, the Board believes that the transaction contemplated under the Coal Purchase and Sale Agreement will not constitute the Group's excessive reliance on coal trading as the main source of revenue in the future. Moreover, the coal trading of the Group is conducted by an independent sales team, and the purchase and sale prices are also determined with reference to the then prevailing market prices, which does not constitute a situation in which the supply and sale of coal is controlled by Mr. Li.

The target customers of the Group for the blended coal are enterprises with business scopes includes solar power generation, development and sales of energy and new energy products. 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 blended coal.

LETTER FROM THE BOARD

In addition, under the influence of the epidemic that has lasted for more than two years, all industries are affected and all walks of life are looking for a way out to increase revenue and reduce expenditure. The Group is also inevitable. The management of the Company hoped that with the experience of coal trading in the past, the Company can increase its profit in addition to the Company's existing stable main business, to ensure the stability of the Group's business and increase the return of Shareholders.

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 Proposed 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.

Relationship between the Group and Xinjiang Jiangna Mining

The Group considers that the continuing connected transactions between the Group and Xinjiang Jiangna Mining do not constitute excessive reliance on Xinjiang Jiangna Mining for the following reasons:

- (i) The Group's existing main business revenue is constantly improving. The turnover of the Group for the year ended 31 December 2019 and 2020 and for the six months ended 30 June 2021 was RMB642.7 million, RMB966.0 million and RMB886.5 million respectively, which was mainly derived from the coarse iron powder trading. The Group mainly sold coarse iron powder and other minerals in the PRC to other customers engaged in the trading and manufacture of iron-related products. 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.
- (ii) Facing the picked up iron concentrate price and taking full advantage of the experience and technical advantages of senior enterprises in the industry, it is planned to entrust the Yangzhuang Iron Mine to an independent third party for mining, production and sales. 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.
- (iii) 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. A new mining permit has been applied. After obtaining the mining permit, the Yangzhuang Iron Mine will be reopened for mining to increase operating revenue.

LETTER FROM THE BOARD

INTERNAL CONTROL POLICIES

In order to ensure that each of the blended 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 blended coal of similar quality from other independent third parties suppliers or coal mines in accordance with the “Sales control and management system” of the Group 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 or coal mines. After obtaining the quotation, the staff of the procurement department of the Group will make reference to, among others, the quality of the blended coal and other terms and will be handed over to the Finance Department to determine whether a positive gross profit margin can be obtained. After approval by the general manager, 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.

In addition, the credit risk management of suppliers/sales customers is based on the Group’s “Sales Business Control and Management System”, “Procurement Control System” and “Response Measures to Suppliers, Customers and Regulators”. Standard operating procedures regulate the reconciliation and verification work of employees with suppliers, credit customers and warehouse employees.

LETTER FROM THE BOARD

For all new suppliers, the Purchasing Department investigates their business licenses, qualifications, production scale and after-sales services, and implements the pay before delivery method, leaving 5-10% of the quality assurance deposit. For existing suppliers, credit risk assessment should be updated at least once a year. The credit risk assessment shall be compiled into a supplier inspection report, and the report shall be reported in writing. Purchasing from those suppliers can only be made after obtaining the approval by the general manager.

The credit analysis of the credit sales customer include various factors such as the customer's past business transaction records with the Group, payment cycle and bad debt records etc., and the sales department and the finance department will conduct a credit analysis report which shall be reviewed by the general manager, and the general manager shall adjust the credit rating of the credit sales customer in time according to the report, and decide whether to reduce or stop the delivery of goods to them. All credit customers' credit analysis reports are kept by the Finance Department for record. The staff of the Finance Department regularly establishes the customers'/suppliers' master file, which includes, for example, information such as customers'/suppliers' name, credit status, account period, identification of related parties, etc., and archived in the form of text files and electronic files. Personnel from the Finance Department, Sales Management Department and Purchasing Department jointly manage and update the above background information in the customers'/suppliers' master file semi-annually.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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 held 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. Xinjiang Jiangna Mining is regarded as an associate of Mr. Li and therefore 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 has abstained from voting on the Board resolution approving the Coal Purchase and Sale Agreement. Mr. Li and his associates will abstain from voting for approving the Coal Purchase and Sale Agreement and the transactions to be contemplated thereunder at the EGM.

LETTER FROM THE BOARD

As the highest applicable percentage ratio calculated in relation to the Proposed 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 INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Leung Nga Tat, Mr. Li Xiaoyang and Mr. Zhang Jingsheng, has been established 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.

No member of the Independent Board Committee has any interest in the Coal Purchase and Sale Agreement and the Proposed Annual Caps. A letter from the Independent Board Committee is set out on pages 22 to 23 of this circular.

Draco Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Coal Purchase and Sale Agreement and the Proposed Annual Caps. A letter from the Independent Financial Adviser is set out on pages 24 to 49 of this circular.

EGM

Set out on pages EGM-1 to EGM-4 of this circular is a notice convening the EGM to consider and, if appropriate, to approve the ordinary resolutions relating to the Coal Purchase and Sale Agreement.

A form of proxy for use at the EGM is enclosed herewith. Whether or not you intend to attend the EGM via a ZOOM live webcast, you are requested to complete the form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending at the EGM or any adjournment thereof (as the case maybe).

LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions set out in the notice of the EGM will be voted by poll. According to Rule 2.15 of the Listing Rules, any shareholder that has a material interest in the transaction or arrangement shall abstain from voting on the resolution(s) approving the transaction or arrangement at the general meeting.

As at the Latest Practicable Date, 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. 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 will abstain from voting for approving the Coal Purchase Agreement and the transactions to be contemplated thereunder at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, there was (i) no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis. Accordingly, to the best knowledge, information and belief of the Directors, as at the Latest Practicable Date, there existed no discrepancy between any Shareholder's beneficial shareholding interest in the Company and the number of Shares in respect of which such Shareholder will control or will be entitled to exercise control over the voting right at the EGM in respect of the resolution approving the transactions contemplated under the Coal Purchase and Sale Agreement and the Proposed Annual Caps.

RECOMMENDATION

Your attention is drawn to the letter of advice from the Independent Financial Adviser as set out on pages 24 to 49 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the transactions under the Coal Purchase and Sale Agreement and the Proposed Annual Caps and the letter from the Independent Board Committee set out on pages 22 to 23 of this circular which contains its recommendation to the Independent Shareholders in relation to the transactions under the Coal Purchase and Sale Agreement and the proposed annual caps.

LETTER FROM THE BOARD

The Board (including the Independent Board Committee), having taken into account the advice from the Independent Financial Adviser, but excluding Mr. Li who is interested in the Coal Purchase and Sale Agreement, considers the Coal Purchase and Sale Agreement and the proposed annual caps are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM for approving the Coal Purchase and Sale Agreement and the proposed annual caps.

GENERAL

Your attention is also drawn to the appendix to this circular.

MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

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

* *for identification purposes only*



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)

30 March 2022

To the Independent Shareholders

Dear Sir or Madam

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

We have been appointed as the members of the Independent Board Committee to advise the Independent Shareholders in respect of the resolutions to approve the transactions contemplated under the Coal Purchase and Sale Agreement and the proposed annual caps, the details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 30 March 2022 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the “Letter from the Board”, the advice of Asia Investment Management in its capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of whether the terms and conditions of the Coal Purchase and Sale Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and are in the ordinary and usual course of business of the Company as set out in the “Letter from the Independent Financial Adviser” as well as other additional information set out in other parts of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of, and the principal factors and reasons considered by Draco Capital in relation thereto as stated in its letter, we consider the terms and conditions of the transactions contemplated under the Coal Purchase and Sale Agreement are on normal commercial terms and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and the transactions contemplated hereunder are in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the transactions contemplated under the Coal Purchase and Sale Agreement and the proposed annual caps.

Yours faithfully
Independent Board Committee

Mr. Leung Nga Tat
Independent
non-executive Director

Mr. Li Xiaoyang
Independent
non-executive Director

Mr. Zhang Jingsheng
Independent
non-executive Director

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Draco Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



4/F Connaught Harbourfront House
35 Connaught Road West,
Sheung Wan, Hong Kong

30 March 2022

*To the Independent Board Committee and the Independent Shareholders of
Add New Energy Investment Holdings Group Limited*

Dear Sir or Madam,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Coal Purchase and Sale Agreement with Xinjiang Jiangna Mining and the Proposed Annual Caps, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 30 March 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Announcement, on 29 December 2021 (after trading hours), 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 blended coal from Xinjiang Jiangna Mining from the Commencement Date to 31 December 2024.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Leung Nga Tat, Mr. Zhang Jingsheng and Mr. Li Xiaoyang, has been established to advise the Independent Shareholders in relation to terms of the Coal Purchase and Sale Agreement and the continuing connected transactions contemplated thereunder (including the Proposed Annual Caps for those transactions). No member of the Independent Board Committee has any material interest in the Coal Purchase and Sale Agreement or the continuing connected transactions contemplated thereunder. We, Draco Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

During the last two years, there was no engagement between the Company or Xinjiang Jiangna Mining and us. Apart from normal professional fee payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the Directors, chief executive and substantial Shareholders or Xinjiang Jiangna Mining or any of its subsidiaries or their respective associates, and any parties acting in concert with them. As at the Latest Practicable Date, there were no relationships or interests between (a) the Group, Xinjiang Jiangna Mining and their respective subsidiaries and associates; and (b) us that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. Therefore, we consider ourselves eligible to act as the Independent Financial Adviser to the Company under the requirements of the Listing Rules.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information.

We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Coal Purchase and Sale Agreement and the continuing connected transactions contemplated thereunder (including the Proposed Annual Caps) and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1 BACKGROUND INFORMATION OF THE PARTIES TO THE COAL PURCHASE AND SALE AGREEMENT

1.1 INFORMATION ON THE GROUP

The Company is an investment holding company. 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.

1.2 FINANCIAL PERFORMANCE ON THE GROUP

For the six months ended 30 June 2021 (“**Interim 2021**”)

With reference to the interim report of the Company for Interim 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 (“**Interim 2020**”), representing an increase of approximately 158.8%. 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 Interim 2020 to approximately RMB859.9 million for Interim 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 Interim 2020 to approximately RMB0.4 million for Interim 2021.

For Interim 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.

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.

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Total cost of sales increased by approximately 173.5% to approximately RMB838.1 million for Interim 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 Interim 2021, which was mainly due to the increase in sales volume from trading coarse iron powder by approximately 557.6 Kt.

Gross profit increased by approximately RMB12.3 million from gross profit of approximately RMB36.1 million for Interim 2020 to gross profit of approximately RMB48.4 million for Interim 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 Interim 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 Interim 2021.

The total comprehensive income attributable to owners of the Company was approximately RMB15.8 million for Interim 2021, representing a decrease of approximately RMB2.5 million, or 13.7%, as compared with that of RMB18.3 million for Interim 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 Interim 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 Interim 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 Interim 2021 and 2020, respectively, the Group's total comprehensive income attributable to owners of the Company increased from approximately RMB10.3 million for Interim 2020 to approximately RMB15.7 million for Interim 2021, representing an increase of approximately 52.4%.

For the year ended 31 December 2020 (“**FY2020**”)

With reference to the annual report of the Company for FY2020, the Group recorded revenue of approximately RMB966.0 million as compared with approximately RMB323.3 million for the year ended 31 December 2019 (“**FY2019**”), representing an increase of approximately RMB642.7 million, or approximately 198.8%. 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 FY2020, (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 FY2020.

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For FY2020, approximately 12.9% of the Group's total sales consisted of the sales of 64% iron and spodumene 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.

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.

Total cost of sales increased by approximately RMB565.7 million, or approximately 175.7%, to approximately RMB887.7 million for FY2020, as compared with approximately RMB322.0 million for FY2019, 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 FY2020.

Gross profit increased by approximately RMB76.9 million from the gross profit of approximately RMB1.3 million for FY2019 to the gross profit of approximately RMB78.2 million for FY2020. 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 FY2020.

Overall gross profit margin increased from approximately 0.4% for FY2019 to gross profit margin of approximately 8.1% for FY2020. 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%.

The total comprehensive income of the Group was approximately RMB61.8 million for FY2020, representing a turnaround from total comprehensive loss of RMB76.9 million for FY2019. This is mainly due to: (1) the income increased by approximately RMB59.0 million as compared to that of the same period last year; and (2) gross profit increased by approximately RMB76.9 million compared to that of the same period last year.

1.3 INFORMATION OF HAIMI XINXING

Haimi Xinxing, a wholly owned subsidiary of the Company 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).

1.4 INFORMATION OF XINJIANG JIANGNA MINING

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.

As at the Latest Practicable Date, 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. Accordingly, Xinjiang Jiangna Mining is regarded as an associate of Mr. Li and a connected person of the Company.

2 CONTINUING CONNECTED TRANSACTIONS AND THE PROPOSED ANNUAL CAPS

2.1 THE PRINCIPAL TERMS

On 29 December 2021 (after trading hours), 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 blended coal from Xinjiang Jiangna Mining from the Commencement Date to 31 December 2024. The principal terms of the Coal Purchase and Sale Agreement are summarised below.

Date

29 December 2021 (after trading hours)

Parties

- i. Hami Xinxing; and
- ii. Xinjiang Jiangna Mining

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Term

From the Commencement Date to 31 December 2024.

Subject Matter

Hami Xinxing shall purchase blended 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 blended 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 blended 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 on the website of the Xinjiang Coal Exchange Center (新疆煤炭交易中心) for the latest trading price of the blended coal before entering into any new transactions and to review and compare the purchase price of the blended coal offered by Xinjiang Jiangna Mining and other independent third party suppliers.

Apart from the price offered by independent third-party suppliers, the Group will also take into account the location of the suppliers in order to minimize the delivery costs so as to maximise the gains of coal from such trading transactions.

The Group usually compares 3 quotes from independent third-party suppliers against the quote from Xinjiang Jiangna Mining subject to the availability of such quotes as the number of mines in Xinjiang is limited.

In addition, the credit period granted by Xinjiang Jiangna Mining to Hami Xinxing or the credit period granted by Hami Xinxing to downstream enterprise customers for payment will be based on market practice, and there is no specific credit period. The size of the transaction and payment terms can only be determined based on the then prevailing market conditions at the time when the transactions occur. Hami Xinxing will evaluate the credit risk of downstream enterprises. In the transaction process under general market practice, customers will be required to pay the purchase price of the blended coal before arranging delivery. Therefore, the credit risk in the blended coal trading will remain at a very low level, and the capital needs of Hami Xinxing are not high.

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Conditions 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.

Our Assessment on Pricing

We have discussed with the Management and note that in order to ensure that the prices and terms offered by Xinjiang Jiangna Mining are on normal commercial terms and no less favourable to the Group, the Group will determine the prevailing market prices for the Products through various channels, as appropriate, including (a) recent comparable transactions involving independent third parties; (b) obtaining quotes for the blended coal from suppliers (including Xinjiang Jiangna Mining) through inquiries by telephone, email, etc.; and (c) the Group will obtain market data through channels such as Xinjiang Coal Exchange Center (<https://www.xjcec.com/zx/>), China Coal Transportation and Distribution Association (<https://www.cctd.com.cn/>), China Coal Resources Net (<http://www.sxcoal.com/>) and China Coal Net (<http://www.ccoalnews.com/>). Upon receipt of quotations from Xinjiang Jiangna Mining, the Group will compare the quotations, product quality, service quality, technical capabilities, delivery speed, qualifications and related experience of Xinjiang Jiangna Mining with other independent third parties. Based on the comprehensive evaluation, the Group's procurement department, after the approval by the head of such department, will conclude contract with the suppliers offering the best commercial terms.

We noted that Xinjiang Coal Exchange Center is the only coal trading platform with electronic spot trading qualification in Xinjing, which was approved by the People's Government of Xinjiang Uygur Autonomous Region and Xinjiang Uygur Autonomous Region Financial Work Office. As such we are of the view that the blend coal price on the Xinjiang Coal Exchange Center shall be able to provide a benchmark to the prevailing market price of the blended coal sold in the Xinjiang Uygur Autonomous Region.

As stated in the Board Letter, we are aware that other upstream coal suppliers of the Group include: (1) a state-owned enterprise in Henan which conducted coal trading in 2018; (2) a coal mine of an A-share listed company in Yiwu County, Xinjiang; (3) a coal mine in Yizhou District, Hami City, Xinjiang Uygur Autonomous Region, which is mainly engaged in coal mining and sales; (4) a coal mine in Xinjiang Hami City, which is a resource-based enterprise with diversified operations; (5) a coal mine in the south of Xinjiang Hami City with abundant coal resources; (6) an enterprise which mainly engaged in coal mining and sales in Yiwu County, Hami City, Xinjiang; and (7) a coal mine in Sandaoling, Hami City, Xinjiang. The coal mines to be selected by the Group need to be able to provide coal which is rich in oil, comparable, and used as thermal coal and have different downstream customer groups.

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We have further enquired with the Management and understood that the purchase price of the blended coal, whether from independent third parties or Xinjiang Jiangna Mining, is in general determined based on factors such as the quality of the blended coal, quantity ordered and prevailing market conditions, and will vary depending on the specification of each order. The Company considered that such price determination mechanism is in line with the market or the industry, and we agreed that such price determination factors are reasonable.

Moreover, the Group has the discretion in deciding whether or not to (i) conduct the blended coal trading activities; and (ii) procure the blended coal from Xinjiang Jiangna Mining when conducting the blended coal trading activities. If the Group considers (i) the profit margin of conducting the blended coal trading activities is unfavourable; and/or (ii) the price of the blended coal and other commercial terms offered by Xinjiang Jiangna Mining is unfavourable, the Group is not obliged to procure the blended coal supplied by Xinjiang Jiangna Mining.

As mentioned in the section headed “2.4 INTERNAL CONTROL MEASURES IN RESPECT OF THE COAL PURCHASE AND SALE AGREEMENT” in this letter, we note that the Group has adopted relevant measures and controls to safeguard the interest of the Group when conducting the transactions contemplated under the Coal Purchase and Sale Agreement. We consider that the implementation of the internal control measures would ensure on-going compliance with the procurement of the blended coal from Xinjiang Jiangna Mining as set out above, as well as the price of the blended coal supplied by Xinjiang Jiangna Mining shall not be less favourable than the purchase price obtained by the Group from other independent third parties.

Our Assessment on Payment Term

In order to assess the fairness and reasonableness of the payment term of the Coal Purchase and Sale Agreement, we have identified 12 transactions (the “**Payment Comparables**”) based on the following criteria: (i) companies listed on the Stock Exchange; and (ii) companies that had conducted continuing connected transactions in relation to coal purchase and/or sale since 29 December 2018 up to the date of the Coal Purchase and Sale Agreement (i.e. 29 December 2021, being a three-year period immediately prior to the date of the Coal Purchase and Sale Agreement) (the “**Payment Review Period**”). We consider that the list of the Payment Comparable is an exhaustive list and sufficient to provide a fair and representative sample to be taken as a general reference of the prevailing market practices in relation to coal trading under recent market sentiment.

Shareholders should note that the subject companies in the Payment Comparables may have different principal business activities, market capitalisations, profitability and financial positions as compared to those of the Company and the details of the transactions contemplated in the Payment Comparables may be different in natures. Although the circumstances surrounding such Payment Comparables may be different from those relating to the Company, we consider that the Payment Review Period is adequate and fair and reasonable to capture the prevailing market practice in relation to companies listed on the Stock Exchange conducting coal purchase and/or sale with its connected parties.

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The Payment Comparables listed below have been identified through our research using public information. We believe that it is an exhaustive list based on our selection criteria. The payment term of the respective coal purchase and/or sale contemplated under the continuing connected transactions conducted by the Payment Comparables are summarised below:

Company name (stock code)	Date of announcement	Continuing Connected Transactions Contemplated	Payment Terms
Datang International Power Generation Co., Ltd. (991)	2019-01-18	Coal and Materials Purchase and Sale Framework Agreement	Contents of announcement pursuant to the Listing Rules and no explicit statement in relation to the payment terms mentioned
China Shenhua Energy Company Limited (1088)	2019-03-22	Mutual Coal Supply Agreement	All payment made pursuant to the Mutual Coal Supply Agreement and its implementation agreements will be in cash.
Yancoal Australia Ltd. (3668)	2019-03-29 <i>(note 1)</i>	The 2019 Coal Sales Agreement with POSCO	Contents of announcement pursuant to the Listing Rules and no explicit statement in relation to the payment terms mentioned
China Power International Development Limited, (2380)	2019-12-31	Coal Supply Framework Agreements	The Purchasers will settle the purchase of coal from Huainan Mining on a monthly basis or such other payments terms as both parties will agree from time to time in contracts.

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Company name (stock code)	Date of announcement	Continuing Connected Transactions Contemplated	Payment Terms
China Coal Energy Company Limited (1898)	2020-04-28	The 2021 Coal and Coal Related Products and Services Supply Framework Agreement and the 2021 Coal Supply Framework Agreement	The payment method of purchase prices under the 2021 Coal Supply Framework Agreement shall follow the separate implementation agreements entered into between the parties for each of the specific transactions contemplated under the 2021 Coal Supply Framework Agreement.
Yancoal Australia Ltd. (3668)	2020-05-26	The YIT Framework Agreement for Coal Sales	Contents of announcement pursuant to the Listing Rules and no explicit statement in relation to the payment terms mentioned
Yancoal Australia Ltd. (3668)	2020-11-19	Coal Sales Transactions, including the 2021 Yanzhou Framework Agreement for Coal Sales and the 2021 YIT Framework Agreement for Coal Sales	Contents of announcement pursuant to the Listing Rules and no explicit statement in relation to the payment terms mentioned
Yanzhou Coal Mining Company Limited (1171)	2020-11-19	The 2021 YIT Framework Agreement for Coal Sales	Contents of announcement pursuant to the Listing Rules and no explicit statement in relation to the payment terms mentioned
Huadian Power International Corporation Limited (1071)	2020-12-07	The Proposed Coal Purchase Framework Agreement	Contents of announcement pursuant to the Listing Rules and no explicit statement in relation to the payment terms mentioned

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Company name (stock code)	Date of announcement	Continuing Connected Transactions Contemplated	Payment Terms
Legend Holdings Corporation (3396)	2020-12-29 <i>(note 2)</i>	Provision of Coal and Labour Outsourcing Services to Levima	Within the term of the agreement, the parties shall, following discussion and arm's length negotiations, determine the price, quality, quantity, method of transportation and inspection and date of delivery of coal on a transaction-by- transaction basis, as well as the scope, price and method of other services to be provided, and shall enter into separate procurement and services agreements accordingly to implement the arrangements for payments.
China Power International Development Limited (2380)	2021-04-30	Coal Purchase and Sale Cooperation Framework Agreements	CP Guorui will settle the purchase price of coal via bank remittance within 30 days after the coal has been delivered by and accepted by CP Guorui, or such other payment terms as both parties may agree by individual contract.
China Shenhua Energy Company Limited (1088)	2021-08-27	Mutual Coal Supply Agreement <i>(note 3)</i>	All payment made pursuant to the Mutual Coal Supply Agreement and its implementation agreements will be in cash.

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Notes:

1. Yancoal Australia Ltd. had renewed such continuing connected transactions on (i) 19 December 2019; (ii) 18 December 2020 and (iii) 22 December 2021 and published the respective announcement on the even date.
2. Legend Holdings Corporation had renewed such continuing connected transactions on 28 December 2021 and published the respective announcement on the even date.
3. The previous mutual coal supply agreement entered into on 22 March 2019 had been terminated.

Sources: the website of the Stock Exchange (www.hkex.com.hk)

As shown on the above table, 4 of the coal purchase and/or sale contemplated under the continuing connected transactions in the Payment Comparables allow the parties to determine the payment term as both parties may agree by entering into individual contract.

Thus, we are of the view that it is not uncommon in coal purchase and/or sale contemplated under the continuing connected transactions for payment term, including the credit period, to be determined on a transaction-by-transaction basis. As such, we consider that the payment term of the Coal Purchase and Sale Agreement is a normal commercial term and fair and reasonable so far as the Independent Shareholders are concerned.

Conclusion

Having considered the above factors and in particular that (i) the price of the blended coal purchased from Xinjiang Jiangna Mining shall not be less favourable than the purchase price obtained by the Group from other independent third parties; (ii) the Group has the right to select any other independent third party as its supplier of the blended coal when it, from time to time, thinks fit and appropriate for the benefit of the Group; (iii) the Group has the internal control measures in place to ensure the Group to enjoy the most favourable prices and terms of the procurement of the blended coal available in the market; and (iv) the payment term of the Coal Purchase and Sale Agreement is in line with the market or the industry, we are of the view that the terms of the Coal Purchase and Sale Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

2.2 HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS

The Proposed Annual Caps

The Proposed Annual Caps for Hami Xinxing to purchase blended 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. However, there is no limit on the maximum or minimum sale quantity of coal, and the sale quantity depends on the market demand and price of coal.

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Under the Coal Purchase and Sale Agreement, it did not specify the minimum quantities of blended coal that Hami Xinxing requires to be purchased from Xinjiang Jiangna Mining.

The Proposed Annual Caps are determined based on (i) the possible expected maximum production capacity of Xinjiang Jiangna Mining under its existing production equipment and it is expected that Hami Xinxing will not purchase blended coal from Xinjiang Jiangna Mining for more than one-third of the production capacity of Xinjiang Jiangna Mining; (ii) the scale of the coal trading that the Group intends to conduct which is dependent on demand for blended coal from downstream companies and with reference to the prevailing market price of coal.

Please refer to the section headed “Proposed Annual Caps” in the Board Letter for further details.

Historical Transactions

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

As disclosed in the annual report of the Company for the year ended 31 December 2018 (“FY2018”), 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 FY2018.

In addition, the Group recorded sales of semi-coke amounting to RMB41.31 million for FY2020.

Our View

In assessing the reasonableness and fairness of the Proposed Annual Caps, we have discussed with the management and note that the Proposed Annual Caps for the three years from the Commencement Date to 31 December 2024 are determined with reference to the following basis.

We have reviewed the annual report of the Company for FY2019 and FY2020 and the interim report of the Company for Interim 2021 and noted that the Group’s turnover from trading activities amounted to approximately (i) RMB65.9 million, RMB155.7 million and RMB812.8 million for FY2018, FY2019 and FY2020 respectively; and (ii) approximately RMB879.4 million for Interim 2021. Since the trading activities of the Group enjoy a substantial growth during the relevant period, we consider that the historical turnover from coal trading activities of approximately RMB35.36 million for FY2018 may not be a comparable reference in the determination of the Proposed Annual Caps.

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Based on our discussion with the Management, we noted that Proposed Annual Caps were determined after taking into account (i) the production capacity of Xinjiang Jiangna Mining; (ii) the demand of the blended coal in the nearby region; and (iii) the recent historical price of the blended coal. The Management estimated that (i) the Group would procure approximately 5 million tons of blended coal from Xinjiang Jiangna Mining, representing not more than one-third of the maximum production capacity of Xinjiang Jiangna Mining; and (ii) the estimated market price of the blended coal would be amounted to approximately RMB300 per ton, which referred to its historical price.

As advised by the Management, the estimated market price of the blended coal in determining the Proposed Annual Caps was referred to the historical price of the blended coal sold in the Hami region, the eastern part of Xinjiang Uygur Autonomous Region, quoted at the Xinjiang Coal Exchange Center (<https://www.xjcec.com/zx/gnsc/dlm/>). Given the fact that Xinjiang Coal Exchange Center is the only coal trading platform with electronic spot trading qualification in Xinjing, which was approved by the People's Government of Xinjiang Uygur Autonomous Region and Xinjiang Uygur Autonomous Region Financial Work Office, we considered that the blend coal price on the Xinjiang Coal Exchange Center shall be one of the common referencing index in relation to the coal sold in the Xinjiang Uygur Autonomous Region.

Based on the advice by the Management, we noted that the Management determined the estimated market price of the blended coal in relation to the Proposed Annual Caps with basis as follows:

- (i) the Management made reference to the blended coal price quoted in Yizhou region for the period from January 2021 to September 2021. We noted that the historical price of such blended coal quoted at approximately RMB380 to RMB590 per ton during such period;
- (ii) Due to the high price of the coal in Shaanxi, coupled with the approaching peak demand for electricity in the PRC, the downstream enterprises shifted to the coal market in Xinjiang. As demand of the coal in Xinjiang increased while its supply was tide during the period from October 2021 to the early November 2021, there were no public market price for the relevant coal. The Management did not include the price during such period as the market was in abnormal condition;
- (iii) the National Development and Reform Commission held its November conference on 16 November 2021. During the conference, among others, the commission stated that it would maintain a stable supple of coal while keeping its price at a stable level. As such, the coal price sharply returned to a stable level accordingly. However, since there were no blended coal price quoted in Yizhou region afterwards, the Management made reference to the blended coal price quoted in Barkol Kazakh Autonomous

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County instead for the period from 17 November to 31 December 2021. We noted that the historical price of such blended coal quoted at approximately RMB440 to RMB530 per ton during such period;

- (iv) the historical price of the blended coal served only as a reference for the Management when determining the Proposed Annual Caps and did not purport to represent how the price of the blended coal would be when conducting the transactions to be contemplated under the Coal Purchase and Sale Agreement.

The Management advised that the actual price of the blended coal purchased under the Coal Purchase and Sale Agreement shall be determined based on the then prevailing market price and may or may not fall within the abovementioned range of the estimated price of the blended coal.

We have also performed independent research and reviewed a report titled “Outlook 2022: Tight supply and demand ease, coal prices return to rational”, published in November 2021 by CICC Global Institute, an independent think tank in the PRC. As stated in the report:

- (i) The raw coal production amounted to approximately 3.3 billion tons during the period from January to October 2021, representing an increase of approximately 4.0% as compared to the same period of the last year;
- (ii) With the policy of increasing production and preserving supply since the second half of 2021 gradually taking effect, the release of new coal production capacity has accelerated, and it estimates that the production of raw coal is expected to increase further in 2022;
- (iii) With the arrival of the peak coal consumption season, coupled with this year’s “double La Niña year”, the likelihood of colder temperatures, it estimates that coal consumption by downstream power plants could be stronger. On the other hand, steel and cement production will slow the growth of coal demand. And with the policy of increasing production to protect supply, coal production is expected to increase further. It expects the supply and demand structure for coal to improve in the first quarter of 2022, so coal prices may continue to decline, but in the short term could still be above the level of the same period in previous years;
- (iv) Under the policies of “Peak Carbon Dioxide Emissions” and “Carbon Neutrality”, coal consumption reduction is the general trend. In the “Carbon Peak Action Plan by 2030”, it is the proposal of the government of the PRC to promote coal consumption substitution and the transformation and upgrading of the energy industry. According to the plan, non-fossil fuels in the energy consumption in the PRC is set to increase from 16% in 2020 to 20% by 2025 and further increase to 35% by 2030, targeting a 65% drop in carbon dioxide emissions per unit of GDP from the 2005 level;

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- (v) However, considering the new energy alternative to traditional energy sources still need time the next few years, coal would still be the main primary energy consumption in the PRC, and play a fundamental role in power and heat generation;
- (vi) Moreover, as the global energy supply crisis in 2021 shows, traditional fossil energy still plays an irreplaceable role in new energy generation during extreme weather disruptions;
- (vii) Therefore, the report considered that under the continuous growth in the demand of energy in the PRC, there would be still room for growth in coal demand in the next few years.

Based on the above, we consider that the customer's demand of the blended coal in the PRC shall be sustainable during the terms of the Coal Purchase and Sale Agreement.

Taking into account the above, we are of the view that the Proposed Annual Caps are fairly determined and are fair and reasonable.

2.3 REASONS FOR AND BENEFIT OF ENTERING INTO THE COAL PURCHASE AND SALE AGREEMENT

Expansion of the Group's trading activities

As stated in the Board Letter, 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 blended coal.

We have reviewed the annual report of the Company for FY2019 and FY2020 and the interim report of the Company for Interim 2021 and noted that the Group's turnover from trading activities amounted to approximately (i) RMB65.9 million, RMB155.7 million and RMB812.8 million for FY2018, FY2019 and FY2020 respectively; and (ii) approximately RMB879.4 million for Interim 2021, representing approximately 30.4%, 48.1%, 84.2% and 99.2% of the Group's total revenue for the corresponding period. The trading products sold by the Group included, but not limited to, coarse iron powder, semi-coke and spodumene. Taking into account that the Group intends to further develop the blended coal trading activities, we considered that the continuing connected transactions contemplated under the Coal Purchase and Sale Agreement is in the ordinary and usual course of business of the Group.

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Based on the annual report of the Company for FY2019 and FY2020 and the interim report of the Company for Interim 2021, the Group's turnover from trading activities increased by approximately (i) 236% for FY2019; (ii) approximately 522% for FY2020; and (iii) 396% for Interim 2021, as compared to its previous corresponding period. As stated in the annual report of the Company for FY2020, 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. In addition, as stated in the Board Letter, the Group has an experienced sales team that sells iron ore products to different regions of the country while the coal trading of the Group is conducted by an independent sales team.

As advised by the Company, we are aware that the Group's sales team has relevant knowledge and experience about iron ore and coal, the principal business's managerial team of both coal trading center and trading of iron ore have more than 15 years of trading experience, particularly experienced in the domestic cross provincial supply, production and sales market, logistics information and delivery payment processing.

As stated in the Board Letter, Xinjiang Jiangna Mining is mainly engaged in coal mining as its principal business, and the sales of its products will be marketed through different channels in the market (including intermediaries). As it is mainly focusing on resource production and connecting with intermediaries, it will not directly conduct coal trading with downstream enterprises. This is the business model of Xinjiang Jiangna Mining since its establishment. Given the development of the Group's trading business and proven by the growth on such revenue, we consider that there is a complementary and mutual beneficial relationship between the Company and Xinjiang Jiangna Mining under the Coal Purchase and Sale Agreement. While the Company can secure Xinjiang Jiangna Mining, which is a reliable supplier of blended coal, Xinjiang Jiangna Mining can also benefit from the Company's well developed logistic and sale abilities in resources trading.

Besides, the Group had also obtained certificate of reserves, filed geological data and conducted the registration of occupying reserves. A new mining permit has been applied. After obtaining the mining permit, the Yangzhuang Iron Mine will be reopened for mining to increase the operating revenue of the Group.

Furthermore, we understand from the Management that besides the expansion of the Group's trading activities and the reopen for the mining business of the Group, the Group is investing in the comprehensive utilisation of green and low-carbon resources project of the Shangyu Ilmenite Mine, an ilmenite ore of the Company in the PRC. The Management advised that the revenue streams of the Group will continue to enhance.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Based on the forecast provided by the Company, which was projected by the estimation of the Management based on their experience, it is expected that in 2022, the sales of the mining, production, processing and the deep processing trading of the mine, the Project and the coal trading will account for approximate 45%, 22%, and 33% of the total revenue of the Group respectively.

Thus, we concur with the view of the Board that the transaction contemplated under the Coal Purchase and Sale Agreement will not constitute the Group's excessive reliance on coal trading as the main source of revenue in the future.

Gross Profit Margin of the Coal Trading of the Group

Based on our communication with the Management, the price of blended coal is affected by factors such as supply and demand as well as the quality of coal, the expected profit margin is uncertain. The Management expressed that the gross profit margin of coal trading in the past three years was wide and it was ranging from 1.24% to 33.50% with reference to the previous market price of blended coal and the prevailing quotations and data, and the operating data of other enterprises. The Management shall actively seek business opportunities in coal trading and expects to achieve a gross profit margin of 5% to 20%.

In order to assess the fairness and reasonableness of the expected gross profit margin of the coal trading activities contemplated under the Coal Purchase and Sale Agreement, we have identified 16 companies (the "GP Comparables") based on the following criteria: (i) companies listed on the main board of the Stock Exchange; and (ii) companies which coal sales were its principal business or one of its principal businesses for its latest audited financial year as stated in its respective annual report.

Shareholders should note that (i) the subject companies in the GP Comparables may have different principal businesses, market capitalisations, profitability and financial positions as compared to those of the Company; (ii) the details of the coal sales activities conducted by the GP Comparables may be different in natures including, but not limited to, the product portfolio, quality and location of the coal sold; and (iii) factors taken into account in the calculation of the gross profit margin of the coal sales business of the GP Comparables may be varied.

Whilst there exist no companies which are of identical business model, scale of operation, trading prospect, target markets, product mix and capital structure as the Company and we have not conducted any in-depth investigation into the business and operations of the GP Comparables save for the aforesaid selection criteria, we believe the GP Comparables selected are appropriate to serve as a benchmark reference for our comparable analysis purpose.

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Based on the research we conducted, the Comparables are exhaustive based on the selection criteria set out above and we are of the view that it would serve as a fair and representative sample for the purpose of drawing a meaningful reference to the gross profit of the coal trading business. The respective gross profit margin of the coal sales business of the GP Comparables for its latest audited financial year, which were extracted from the respective annual report of the GP Comparables, are summarised in the table below:

Company name	Stock Code	Description of Principal Business	For the year ended	Gross Profit Margin of the coal sales business
Grand Ocean Advanced Resources Company Limited	00065.HK	plastics bag and coal-related businesses	31 December 2020	36.3%
Mongolia Energy Corporation Limited	00276.HK	the mining of coal, the production and sales of coal products, such as cleaned coking coal and steam coal, the provision of coal transportation services, as well as coal processing	31 March 2021	36.0%
Shougang Fushan Resources Group Limited	00639.HK	coking coal mining, production and sales of coking coal products	31 December 2020	46.8%
China Qinfa Group Limited	00866.HK	mining and sales of coal	31 December 2020	15.7% <i>(Note)</i>
Mongolian Mining Corporation	00975.HK	mining, processing, transportation and sales of coal	31 December 2020	30.8%
China Shenhua Energy Company Limited	01088.HK	a China-based comprehensive energy company	31 December 2020	15.7% <i>(Note)</i>
Yanzhou Coal Mining Company Limited	01171.HK	a China-based international comprehensive energy company engaged in coal and coal chemical industry	31 December 2020	3.3% <i>(Note)</i>

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Company name	Stock Code	Description of Principal Business	For the year ended	Gross Profit Margin of the coal sales business
Nan Nan Resources Enterprise Limited	01229.HK	mining and sale of coal	31 March 2021	46.5% <i>(Note)</i>
Kinetic Mines and Energy Limited	01277.HK	extraction and sales of coal products	31 December 2020	43.3%
Hidili Industry International Development Limited	01393.HK	coal mining related businesses	31 December 2020	46.0%
E-Commodities Holdings Limited	01733.HK	procurement and supply of coking coal around the world, as well as the provision of services to its customers in China	31 December 2020	9.4% <i>(Note)</i>
Feishang Anthracite Resources Limited	01738.HK	acquisition, development and construction of anthracite coal mines and extraction and sale of anthracite coal in the People's Republic of China	31 December 2020	29.4%
Southgobi Resources Ltd.	01878.HK	a coal mining, development and exploration company	31 December 2020	31.8%
China Coal Energy Company Limited	01898.HK	coal production and distribution businesses	31 December 2020	10.6% <i>(Note)</i>
Perennial Energy Holdings Limited	02798.HK	mining business, including exploration and mining of coking coal and coal washing	31 December 2020	51.0%
Henan Jinma Energy Company Limited	06885.HK	manufacture and distribution of coke and coking by-products	31 December 2020	26.2% <i>(Note)</i>
			Maximum	51.0%
			Minimum	3.3%
			Average	29.9%
			Median	31.3%

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Note: The corresponding gross profit margin was calculated pursuant to the segment result as stated in its respective annual report.

Sources: the website of the Stock Exchange (www.hkex.com.hk)

As shown in the table above, the gross profit margin of the coal sales business of the GP Comparables ranged from approximately 3.3% to 51.0% with an average of 29.9% and a median of 31.3%. The estimated gross profit margin range of the coal trading activities contemplated under the Coal Purchase and Sale Agreement is within the range of the GP Comparables.

Meanwhile, the gross profit margin of the trading activities of the Group for FY2019, FY2020 and Interim 2021 are summarised as follows:

	For the six months ended 30 June 2021	Financial year ending 31 December	
		2020	2019
Gross profit margin of trading activities	4.9%	7.0%	0.9%
– sales of coarse iron powder	4.5%	4.5%	0.9%
– sales of spodumene	–	44.3%	–
– sales of semi-coke	20.7%	11.6%	–

We noted that the estimated gross profit margin range of the coal trading activities contemplated under the Coal Purchase and Sale Agreement, if materialise, would be (i) outperform the gross profit margin range of the existing trading activities of the Group which ranged from approximately 0.9% to 7.0% for FY2019, FY2020 and Interim 2021; and (ii) outperform the gross profit margin range of the existing sales of coarse iron powder activities of the Group which ranged from approximately 0.9% to 4.5% for FY2019, FY2020 and Interim 2021.

Moreover, the Group will only conduct coal trading when it is profitable, and that the Coal Purchase and Sale Agreement does not constrain Hami Xinxing to purchase the minimum amount of blended coal. As such we concur with the view of the Board that the expected gross profit margin range of the transactions contemplated under the Coal Purchase and Sale Agreement are fair and reasonable and the entering into of the Coal Purchase and Sale Agreement is in the interest of the Company and the Shareholders as a whole.

Conclusion

In addition, we understood from the Management that since the trading of the blended coal is bulk trading activities and the industry chain amongst the region is well developed, the Group has sufficient capacity for the blended coal trading activities after taking into account its internal needs and no material capital expenditure is expected to be necessary for the development of the blended coal trading activities. The Group also considered its current manpower and skills level to be sufficient for development of the blended coal trading activities. On this basis, we considered that the entering into the Coal Purchase and Sale Agreement is reasonable to the Group.

After taking into account all the above factors, we (i) concurred with the Directors' view that the Coal Purchase and Sale Agreement was entered into in the ordinary and usual course of business of the Group, and that the entering into of the Coal Purchase and Sale Agreement provides an opportunity for the Group to increase its revenue by maximising utilisation of its existing production capacities and manpower; and (ii) considered that it is reasonable and commercially justifiable for the Company to enter into the Coal Purchase and Sale Agreement.

Please refer to the section headed "REASONS FOR ENTERING INTO THE COAL PURCHASE AND SALE AGREEMENT" in the Board Letter for further details.

2.4 INTERNAL CONTROL MEASURES IN RESPECT OF THE COAL PURCHASE AND SALE AGREEMENT

We have also reviewed the internal control measures of the Group as follows, and we considered that such internal control measures are sufficient to ensure that the continuing connected transactions contemplated under the Coal Purchase and Sale Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Independent Shareholders in accordance with the pricing policies and the principles set out in the Coal Purchase and Sale Agreement and in compliance with the Listing Rules.

- (i) Before entering into formal agreement with the suppliers, the procurement department shall examine its qualification, production specification, product quality, after-sales service, etc., and report to the head of the procurement department for approval. The Group will also conduct a credit risk assessment on such supplier at least once a year;
- (ii) When conducting procurement of bulk trading activities, the procurement department shall compile a report or minutes of the tender process and results and submit to the head of the procurement department for approval;

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- (iii) To ascertain whether the Proposed Annual Cap(s) have been exceeded, the Group's financial department shall monitor the cumulative actual transaction amounts against the approved annual caps to ensure the compliance of the pricing terms and policy; and
- (iv) The independent non-executive Directors and the auditors of the Company will conduct annual review on the transactions contemplated under the Coal Purchase and Sale Agreement to ensure they have been conducted in accordance with its terms and the Proposed Annual Caps.

Please refer to the section headed "INTERNAL CONTROL POLICIES" in the Board Letter for further details.

2.5 REPORTING REQUIREMENTS AND CONDITIONS OF THE CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER THE COAL PURCHASE AND SALE AGREEMENT

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the continuing connected transactions contemplated under the Coal Purchase and Sale Agreement are subject to the following annual review requirements:

- (i) the independent non-executive Directors must review the continuing connected transactions every year and confirm in the Company's annual report whether the continuing connected transactions have been entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) on normal commercial terms or better; and
 - (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) the Company must engage its auditors to report on the continuing connected transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
 - (a) have not been approved by the Board;
 - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the continuing connected transactions involve the provision of goods or services by the Group;

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- (c) were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and
 - (d) have exceeded the Proposed Annual Caps.
- (iii) the Company must allow, and ensure that the counterparties to the continuing connected transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the continuing connected transactions as set out in paragraph (b); and
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

In light of the reporting requirements attached to the continuing connected transactions and the Group's internal control measures as discussed in the paragraphs headed "2.4 Internal control measures in respect of the Coal Purchase and Sale Agreement" above in this letter, we are of the view that appropriate measures will be in place to effectively monitor the conduct of the continuing connected transactions and assist to safeguard the interests of the Independent Shareholders.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Coal Purchase and Sale Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the Coal Purchase and Sale Agreement and the continuing connected transactions contemplated thereunder (including the Proposed Annual Caps) are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Coal Purchase and Sale Agreement and the continuing connected transactions contemplated thereunder (including the Proposed Annual Caps).

Yours faithfully,
For and on behalf of
Draco Capital Limited
Kevin Choi **Leon Au Yeung**
Managing Director *Associate Director*

Mr. Kevin Choi and Mr. Leon Au Yeung are licensed persons under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of Draco Capital Limited. Mr. Kevin Choi and Mr. Leon Au Yeung have over 10 and 8 years of experience in corporate finance industry, respectively.

1. DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests in Shares

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules are set out below:

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

Name of Director	Capacity/ Nature of interest	Long position/ short position	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Mr. Li Yunde ("Mr. Li")	Interest of controlled corporation	Long position	2,048,138,660 (Note 1)	38.69%
	Beneficial Owner	Long position	122,058,000	2.31%
Mr. Geng Guohua	Beneficial Owner	Long position	18,884,000	0.36%
Mr. Lang Weiguo ("Mr. Lang")	Interest of controlled corporation	Long position	18,700,000 (Note 2)	0.35%

Notes:

- Mr. Li beneficially holds the entire issued share capital of Hongfa Holdings Limited, a company incorporated in the BVI with limited liability, which in turn beneficially holds 2,048,138,660 shares of the Company (the "Shares"). For the purposes of the SFO, Mr. Li is deemed or taken to be interested in all the Shares held by Hongfa Holdings Limited.
- Mr. Lang beneficially holds the entire issued share capital of Novi Holdings Limited and All Five Capital Ltd., both of which were incorporated in the BVI with limited liability, which in turn beneficially holds 650,000 Shares and 18,050,000 Shares, respectively. For the purposes of the SFO, Mr. Lang is deemed or taken to be interested in all the Shares held by Novi Holdings Limited and All Five Capital Ltd..

Save as disclosed above, none of the Directors, chief executives of the Company and/or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as at the Latest Practicable Date as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders and Other Persons' Interests in Shares

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than the Directors and the chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

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

Name of Shareholder	Nature of Interest	Long Position/ Short Position	Number of Shares held	Approximate percentage of interest
Hongfa Holdings Limited	Beneficial owner	Long position	2,048,138,660	38.69%
Ms. Zhang Limei ("Ms. Zhang")	Interest of spouse	Long position	2,170,196,660	40.99%
			(Note 1)	
X. Mining Resources Group Limited	Beneficial owner	Long position	326,344,000	6.16%
			(Note 2)	
Mr. Wu Pun Yan ("Mr. Wu")	Interest of controlled Corporation	Long position	326,344,000	6.16%
			(Note 2)	

Notes:

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

Save as disclosed above, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO as at the Latest Practicable Date.

3. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of the Directors and their respective close associates has interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has not been any material adverse change in the financial or trading position of the Company since 31 December 2020, being the date of the latest published audited financial statements of the Company.

5. LITIGATION

As at the Latest Practicable Date, none of the Company or any of its subsidiaries has received notice of any litigation or arbitration proceedings pending or threatened against the Company or any of the subsidiaries of the Company.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which will not expire or may not be terminated by the Group within one (1) year without the payment of compensation other than statutory compensation.

7. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors of the Company had any interest in any assets which have been since 31 December 2020 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group, save for the Coal Purchase and Sale Agreement.

8. EXPERT

- (a) The following is the qualification of Draco Capital, which has given its opinion or advice which is contained in this circular:

Name	Qualification
Draco Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, Draco Capital did not have any shareholding, direct or indirect, in the Company or any other member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the other member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since 31 December 2020, being the date up to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.

Draco Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

9. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Chan Yuen Ying Stella who is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute.
- (b) The registered office of the Company is located at Windward 3, Regatta Office Park, P.O. BOX 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Suite 3105, 31st Floor, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents will be published on the website of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (www.addnewenergy.com.hk) for the period of 14 days commencing from the date of this circular:

- (a) this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (d) the written consent of Draco Capital referred to in the paragraph headed “8. Expert” above; and
- (e) the Coal Purchase and Sale Agreement.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Add New Energy Investments Holdings Group Limited (“**Company**”) will be held in a combination of an in-room meeting at Suite 3105, 31/F, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, and a ZOOM live webcast on Friday, 22 April 2022 at 10:00 a.m. to consider and, if thought fit, pass the following resolution, with or without amendments, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the agreement dated 29 December 2021 (“**Coal Purchase and Sale Agreement**”) entered into between Hami Xinxing Tianshan Logistics Co., Ltd.* (哈密新星天山物流有限公司) (“**Hami Xinxing**”), a wholly-owned subsidiary of the Company and Xinjiang Jiangna Mining Co., Ltd.* (新疆疆納礦業有限公司) (“Xinjiang Jiangna Mining”), a copy of which is tabled at the Meeting and marked “A” and initialed by the chairman of the Meeting for identification purpose, pursuant to which Hami Xinxing shall purchase blended coal from Xinjiang Jiangna Mining from the Commencement Date (as defined in the circular of the Company dated 30 March 2022 (the “**Circular**”)) to 31 December 2024 be and is hereby approved, confirmed and ratified;
- (b) the annual caps under the Coal Purchase and Sale Agreement as set out in the Circular for the three years ending 31 December 2024 be and are hereby approved and confirmed; and
- (c) any one director of the Company be and is hereby authorized to do all such acts or things and sign all documents deemed necessary by him to be incidental to, ancillary to or in connection with the matters contemplated under the Coal Purchase and Sale Agreement.”

By Order of the Board
Add New Energy Investment Holdings Group Limited
Chan Yuen Ying, Stella
Company Secretary

Hong Kong, 30 March 2022

NOTICE OF EGM

Registered office:

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

*Head office and principal place of
business in Hong Kong:*

Suite 3105, 31st Floor
Tower 6, The Gateway
Harbour City
9 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

Notes:

1. In view of the outbreak of the novel coronavirus (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement special arrangements at the Meeting, details of which are set out in the section headed "Precautionary Measures and Special Arrangements for the EGM" on page ii of the circular of the Company dated 30 March 2022.

All registered shareholders will be able to join the Meeting or any adjourned meeting thereof via the ZOOM live webcast. The ZOOM live webcast can be accessed from any location with access via smartphone, tablet device or computer. All non-registered shareholders may consult directly with their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their shares are held (as the case may be) for necessary arrangement to attend via the ZOOM live webcast at the Meeting or any adjourned meeting thereof if they wish.

2. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend instead of him. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him on his behalf at the Meeting. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy. In light of the epidemic situation of COVID-19, Shareholders may consider appointing the chairman of the meeting as his/her proxy to vote on the resolution, instead of attending the meeting in person.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, or attorney duly authorised.
4. To be valid, the instrument appointing a proxy and (if required by the board of the directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof, and in default the instrument appointing a proxy shall not be treated as valid.
5. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at the Meeting or any adjournment thereof in cases where the Meeting was originally held within 12 months from such date.
6. Where there are joint holders of any shares of the Company, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the name stands in the Register of Members of the Company in respect of the joint holding.
7. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending the Meeting if the member so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

NOTICE OF EGM

8. The transfer books and Register of Members of the Company will be closed from Tuesday, 19 April 2022 to Friday, 22 April 2022, both days inclusive. During such period, no share transfers will be effected. In order to be eligible to attend the Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 14 April 2022.
9. A form of proxy for use at the Meeting is enclosed.
10. In case the venue is being closed on the date of meeting due to COVID-19, the meeting shall stand adjourned to the same day in the next week and at such time and place as shall be decided by the Board. The Company will post an announcement on the Stock Exchange and the Company's website notifying Shareholders of the date, time and place of the adjourned meeting.

The following special arrangements for the Meeting will apply:

- **Any member who are not Director or staff of the Company who does attempt to attend the Meeting in person will be refused admission.**
- **If a Shareholder (whether individual or corporate) wishes to exercise his/her/its voting rights at the Meeting, he/she/it must appoint the chairman of the Meeting as his/her/its proxy to attend and vote on his/her/its behalf at the Meeting.**
- **In appointing the chairman of the Meeting as proxy, Shareholders (whether individual or corporate) must give specific instructions as to voting in the Proxy Form, the duly completed and signed Proxy Form must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the office of the Company's Hong Kong branch share registrar and transfer office, Tricor Investors Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 10:00 a.m. on Wednesday, 20 April 2022 (being not less than forty-eight (48) hours before the Meeting), failing which the appointment will be treated as invalid.**
- **For Shareholders who would like to view and listen to the ZOOM live webcast, you will need to register by sending an email to is-enquiries@hk.tricorglobal.com or via telephone hotline at (852) 2980 1333 by providing personal particulars as follows:**
 - a) **Full name;**
 - b) **Registered Address;**
 - c) **Number of Shares held;**
 - d) **Contact Telephone Number; and**
 - e) **Email Address,**

no later than 10:00 a.m. on 19 April 2022 (being not less than 3 business days before the date appointed for holding the EGM) to enable the Company to verify the Shareholders' status.

Authenticated Shareholders will receive an email confirmation by 21 April 2022 which contains a link to join the ZOOM live webcast of the Meeting. Shareholders MUST NOT forward the link to other persons who are not the Shareholders and who are not entitled to attend the Meeting. Shareholders may view and listen to the Meeting through a ZOOM live webcast which can be accessed via smartphone, tablet device or computer.

NOTICE OF EGM

- Shareholders may submit any questions they may have in advance in relation to any resolution set out in this notice by 10:00 a.m. on 19 April 2022 (being not less than 3 Business Days before the date appointed for holding the Meeting) via email to is@enquiries@hk.tricorglobal.com providing personal particulars as follows for verification purposes:
 - a) Full name;
 - b) Registered Address;
 - c) Number of Shares held;
 - d) Contact Telephone Number; and
 - e) Email Address.

Shareholders can also submit questions during the Meeting through the webcast link provided. The Board will arrange for as many of the questions asked to be answered as possible at the meeting.

- The Company is closely monitoring the impact of COVID-19 in Hong Kong. Should any changes be made to the Meeting arrangements, the Company will publish further announcement(s) to notify the Shareholders.
- If you have any queries on the above, please contact Tricor Investors Services Limited via their hotline at (852) 29801333 from 9:00 a.m. to 4:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).
- All non-registered shareholders may consult directly with their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their shares are held (as the case may be) for necessary arrangement to attend via the ZOOM live webcast at the Meeting or any adjourned meeting thereof if they wish.
- No remote voting system is provided at the ZOOM live webcast. For the avoidance of doubt, presence at the ZOOM live webcast is not counted as quorum or attendance of the Meeting, and will not revoke any proxy instrument previously delivered to the Company by the same Shareholder.

The Board considers that the Meeting is an important opportunity for Shareholders to participate and express their views by raising questions and voting. As such, the Board wishes to emphasize that the Shareholders can raise questions during the Meeting through the ZOOM live webcast. The questions raised by Shareholders at the Meeting and those submitted beforehand will be addressed to at the Meeting as far as possible.