



愛德新能源投資控股集團有限公司

Add New Energy Investment Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2623

Interim Report 2022





CONTENTS

	<i>Page</i>
Corporate Information	2
Unaudited Interim Condensed Consolidated Statement of Financial Position	3
Unaudited Interim Condensed Consolidated Statement of Total Comprehensive Income	5
Unaudited Interim Condensed Consolidated Statement of Changes In Equity	7
Unaudited Interim Condensed Consolidated Statement of Cash Flows	8
Notes to the Unaudited Interim Condensed Consolidated Financial Information	9
Management Discussion and Analysis	24
Other Information	35

Corporate Information

Board of Directors

Executive Directors

Li Yunde (*Chairman*)

Geng Guohua (*Chief Executive Officer*)

Lang Weiguo

Independent Non-executive Directors

Leung Nga Tat

Li Xiaoyang

Zhang Jingsheng

Company Secretary

Chan Yuen Ying, Stella

Authorised Representatives

Geng Guohua

Chan Yuen Ying, Stella

Audit Committee

Leung Nga Tat (*Committee Chairman*)

Li Xiaoyang

Zhang Jingsheng

Remuneration Committee

Leung Nga Tat (*Committee Chairman*)

Li Yunde

Zhang Jingsheng

Nomination Committee

Li Yunde (*Committee Chairman*)

Li Xiaoyang

Zhang Jingsheng

Auditor

Crowe (HK) CPA Limited

Legal Adviser

As to Cayman Islands law:

Appleby

Registered Office

Windward 3

Regatta Office Park

P.O. Box 1350

Grand Cayman

KY1-1108

Cayman Islands

Headquarters in the PRC

Qin Jia Zhuang

Yangzhuang Town

Yishui County

Shandong Province

The PRC

Principal Place of Business in Hong Kong

Suite 3105, 31/F

Tower 6, The Gateway

Harbour City, 9 Canton Road

Tsim Sha Tsui, Kowloon

Hong Kong

Principal Share Registrar and Transfer Office

Ocorian Trust (Cayman) Limited

Windward 3

Regatta Office Park

P.O. Box 1350

Grand Cayman

KY1-1108

Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

Principal Bankers

Agricultural Bank of China Limited,

Yishui Branch

China Construction Bank Corporation, Yishui Branch

Bank of China Limited, Yishui Branch

Industrial and Commercial Bank of China Limited,

Yishui Branch

Rural Commercial Bank of Shandong Yishui Linshang Bank,

Yishui Branch

Shanghai Pudong Development Bank Co., Ltd.,

Yishui Branch

Ping An Bank Co., Ltd., Linyi Branch

Industrial Bank Co., Ltd., Linyi Branch

Stock Code

2623

Company Website

www.addnewenergy.com.hk

The board (the “Board”) of directors (the “Director(s)”) of Add New Energy Investment Holdings Group Limited (the “Company”) presents the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2022 together with the comparative figures for the corresponding period in 2021. The unaudited interim financial information has not been audited but has been reviewed by the audit committee of the Company (the “Audit Committee”).

Unaudited Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2022 (Amounts expressed in thousands of RMB)

	<i>Notes</i>	As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	229,015	211,800
Right-of-use assets	7	322	881
Intangible assets, net		–	–
Financial assets at fair value through other comprehensive income		6,411	4,257
Prepayments for renewal of mining right		35,466	35,466
Other non-current assets		10,989	10,985
		282,203	263,389
Current assets			
Inventories	8	34,227	92,643
Trade and bill receivables	9	31,151	18,539
Contract assets		–	7,581
Prepayments and other receivables	10	106,780	131,773
Restricted bank deposits	11	–	760
Cash and cash equivalents	11	311,777	191,286
		483,935	442,582
Total assets		766,138	705,971

Unaudited Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2022 (Amounts expressed in thousands of RMB)

	Notes	As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	8,571	8,571
Share premium	12	687,845	687,845
Reserves		(53,901)	(55,827)
Accumulated losses		(338,210)	(353,379)
Total equity		304,305	287,210
LIABILITIES			
Non-current liabilities			
Borrowings	15	–	4,330
Provisions for close down, restoration and environmental costs		11,733	11,355
Deferred income – non-current portion		194	232
Deferred income tax liabilities		5,413	5,413
		17,340	21,330
Current liabilities			
Borrowings	15	117,833	176,315
Advances from the controlling shareholder	16	42,000	–
Trade payables	13	146,430	27,431
Contract liabilities		70,188	125,810
Lease liabilities – current portion	7	290	819
Accruals and other payables	14	65,987	67,017
Income tax payable		1,726	–
Current portion of deferred income		39	39
		444,493	397,431
Total liabilities		461,833	418,761
Total equity and liabilities		766,138	705,971

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

Unaudited Interim Condensed Consolidated Statement of Total Comprehensive Income

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB except for per share data)

	Notes	Six months ended 30 June	
		2022 (unaudited)	2021 (unaudited)
Revenue	17	521,101	886,491
Cost of sales	18	(457,087)	(838,058)
Gross profit		64,014	48,433
Other income	19	224	1,123
Other gains or losses, net	20	(4,266)	5,296
Distribution costs	18	(929)	(1,934)
Administrative expenses	18	(35,264)	(27,897)
Operating profit		23,779	25,021
Finance income	21	1,343	508
Finance expenses	21	(8,440)	(9,223)
Finance costs – net		(7,097)	(8,715)
Profit before income tax		16,682	16,306
Income tax expense	22	(1,741)	–
Net profit for the period		14,941	16,306

Unaudited Interim Condensed Consolidated Statement of Total Comprehensive Income

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB except for per share data)

	Notes	Six months ended 30 June	
		2022 (unaudited)	2021 (unaudited)
Other comprehensive income:			
<i>Item that will not be reclassified to profit or loss</i>			
Change in the fair value of financial assets at fair value through other comprehensive income		2,154	(495)
Other comprehensive income/(loss) for the period		2,154	(495)
Total comprehensive income for the period		17,095	15,811
Earnings per share for profit attributable to owners of the Company (expressed in RMB cents per share)			
Basic earnings per share	23	0.285	0.308

The above unaudited interim condensed consolidated statement of total comprehensive income should be read in conjunction with the accompanying notes.

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB)

	Attributable to Owners of the Company			
	Share capital and share premium (Note 12)	Other reserves	Accumulated losses	Total equity
Balance at 1 January 2022 (audited)	696,416	(55,827)	(353,379)	287,210
Comprehensive income				
Profit for the period	–	–	14,941	14,941
Other comprehensive income	–	2,154	–	2,154
Total comprehensive income for the period	–	2,154	14,941	17,095
Utilisation	–	(228)	228	–
Balance at 30 June 2022 (unaudited)	696,416	(53,901)	(338,210)	304,305
Balance at 1 January 2021 (audited)	704,131	(53,190)	(323,322)	327,619
Comprehensive income				
Profit for the period	–	–	16,306	16,306
Other comprehensive loss	–	(495)	–	(495)
Total comprehensive income for the period	–	(495)	16,306	15,811
Utilisation	–	(139)	139	–
Transactions with owners in their capacity as owners				
Repurchase of shares:				
– Pending for cancellation	(6,597)	–	–	(6,597)
Balance at 30 June 2021 (unaudited)	697,534	(53,824)	(306,877)	336,833

The above unaudited interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB)

	Notes	Six months ended 30 June	
		2022 (unaudited)	2021 (unaudited)
Cash flows from operating activities			
Cash generated from operations		176,763	29,985
Interest received		1,343	508
Tax paid		(15)	–
Net cash generated from operating activities		178,091	30,493
Cash flows from investing activities			
Placement of restricted bank deposits		–	(680)
Release of restricted bank deposits		760	–
Purchases of property, plant and equipment		(23,475)	(478)
Proceeds from disposal of property, plant and equipment		355	–
Net cash used in investing activities		(22,360)	(1,158)
Cash flows from financing activities			
Repurchase of ordinary shares		–	(6,597)
Repayment of borrowings		(69,297)	–
Advances from the controlling shareholder		42,000	–
Payment for lease liabilities		(568)	(568)
Interest paid		(8,029)	(5,806)
Net cash used in financing activities		(35,894)	(12,971)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period	11	191,286	124,398
Exchange gains/(loss) on cash and cash equivalents		654	(330)
Cash and cash equivalents at end of period	11	311,777	140,432

The above unaudited interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB)

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively the “Group”) are principally engaged in iron ore processing, and sales of iron concentrates and other minerals in the People’s Republic of China (the “PRC”). The Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 27 April 2012.

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

This unaudited interim condensed consolidated financial information has been approved for issuance by the Board of Directors on 30 August 2022.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with the applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’.

The unaudited interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB)

3. ACCOUNTING POLICIES

Overview

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

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's unaudited interim condensed consolidated financial information:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB)

4. ESTIMATES

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

In preparing the unaudited interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

5. SEGMENT INFORMATION

(a) General information

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

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

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

(b) Information about reportable segment profit or loss, assets and liabilities.

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies in the annual financial statements for the year ended 31 December 2021.

Shandong Ishine and Hami Xinxing, the principal subsidiaries of the Group have been considered as reportable segments. Expenses, assets and liabilities of the holding companies (the Company, Alliance Worldwide Group Limited, Fortune Shine Investment Limited, Shine Mining Investment Limited, Ishine Mining International Limited, China Rongsheng Holdings Limited, Alpha Charm Investments Limited, Grandson Holdings Limited and Active Fortune Group Limited) in the Group are presented as 'Unallocated' in the segment information.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB)

The segment information provided to the SEM for the six months ended 30 June 2022 and 2021 is as follows:

	Shandong Ishine	Hami Xinxing	Unallocated	Inter-segment elimination	Total
Six months ended 30 June 2022 (unaudited)					
Revenue	335,846	185,255	–	–	521,101
Gross profit	54,343	9,671	–	–	64,014
Other income	224	–	–	–	224
Other gains or losses, net	244	–	(4,510)	–	(4,266)
Finance income	1,267	76	–	–	1,343
Finance expenses	(2,502)	–	(5,938)	–	(8,440)
Income tax expense	–	(1,741)	–	–	(1,741)
Net profit/(loss)	24,793	6,091	(15,943)	–	14,941
Other information					
Depreciation of property, plant and equipment	(6,129)	(20)	–	–	(6,149)
Amortisations of right-of-use assets	–	–	(559)	–	(559)
Research and development expenses	(13,586)	–	–	–	(13,586)
Expenditures for non-current assets	23,457	18	–	–	23,475
As at 30 June 2022 (unaudited)					
Segment assets and liabilities					
Total assets	699,054	185,857	239,077	(357,850)	766,138
Total liabilities	(401,829)	(179,915)	(237,939)	357,850	(461,833)
Six months ended 30 June 2021 (unaudited)					
Revenue	886,491	–	–	–	886,491
Gross profit	48,433	–	–	–	48,433
Other income	1,123	–	–	–	1,123
Other gains or losses, net	–	–	5,296	–	5,296
Finance income	508	–	–	–	508
Finance expenses	(2,484)	–	(6,739)	–	(9,223)
Income tax expense	–	–	–	–	–
Net profit/(loss)	23,745	–	(7,439)	–	16,306
Other information					
Depreciation of property, plant and equipment	(8,300)	–	–	–	(8,300)
Amortisation of right-of-use assets	–	–	(735)	–	(735)
Expenditures for non-current assets	478	–	–	–	478
As at 31 December 2021 (audited)					
Segment assets and liabilities					
Total assets	716,803	25,542	196,476	(232,850)	705,971
Total liabilities	(446,526)	(25,691)	(179,394)	232,850	418,761

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB)

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Mining infrastructures	Vehicles, equipment and others	Construction in progress	Total
At 31 December 2021 (audited)					
Cost	110,328	121,005	177,995	68,793	478,121
Accumulated depreciation and impairment	(74,949)	(27,755)	(163,617)	–	(266,321)
Net book amount	35,379	93,250	14,378	68,793	211,800
Six months ended 30 June 2022 (unaudited)					
Opening net book amount	35,379	93,250	14,378	68,793	211,800
Additions	163	–	119	23,193	23,475
Transfer	–	–	10,770	(10,770)	–
Written off on disposal – cost	(2,960)	(50)	(2,796)	–	(5,806)
Written off on disposal – accumulated depreciation	2,849	50	2,796	–	5,695
Depreciation charges	(3,250)	–	(2,899)	–	(6,149)
Closing net book amount	32,181	93,250	22,368	81,216	229,015
At 30 June 2022 (unaudited)					
Cost	107,531	120,955	186,088	81,216	495,790
Accumulated depreciation and impairment	(75,350)	(27,705)	(163,720)	–	(266,775)
Net book amount	32,181	93,250	22,368	81,216	229,015

7. LEASES

Movements of the leases during the six months ended 30 June 2022 are as follows:

	Right-of-use assets	Lease Liabilities
As at 31 December 2021 (audited)		
Amortisation of right-of-use assets	(559)	–
Amortisation of interest	–	17
Repayments	–	(568)
Exchange retranslation differences	–	22
As at 30 June 2022 (unaudited)	322	290

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB)

The interim condensed consolidated financial information shows the following amounts relating to leases:

(i) **Amounts recognised in the consolidated statement of financial position**

	As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
Right-of-use assets		
Land and buildings	322	881
	322	881
Lease liabilities		
Current portion	290	819
	290	819

(ii) **Amounts recognised in the consolidated statement of total comprehensive income**

	Six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)
Amortisation of right-of-use assets		
Land and buildings	559	735
	559	735
Interest expense (included in finance expenses)	17	51

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB)

8. INVENTORIES

	As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
Raw materials		
– Iron ore and ilmenite ore	74	74
Commodities held for trading		
– Iron concentrates	6,420	84,505
– Blended coal	8,899	–
Finished goods	13,296	7,498
Spare parts and others	6,601	5,355
Provision for inventory write-down	(1,063)	(4,789)
	34,227	92,643

9. TRADE AND BILL RECEIVABLES

	As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
Trade receivables	34,656	16,187
Bill receivables	–	5,857
	34,656	22,044
Less: allowance for impairment of trade and bill receivables	(3,505)	(3,505)
Trade and bill receivables – net	31,151	18,539

As at 30 June 2022 and 31 December 2021, the ageing analysis of trade and bill receivables (before deduction of provision for impairment loss) was presented based on invoice date as follows:

	As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
Within 3 months	30,942	17,883
3 to 6 months	–	857
6 months to 1 year	410	–
Over 1 year	3,304	3,304
	34,656	22,044

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB)

10. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
Trade deposits to suppliers	78,757	103,053
Prepaid taxes	7,278	7,278
Land restoration deposits	38	38
Deductible input value-added tax	1,394	2,411
Advances to employees	213	111
Compensation receivable (Note)	15,000	15,000
Others	4,100	3,882
	106,780	131,773

Note:

In accordance with a settlement agreement entered into with a third party which is the defendant (the "Defendant") under the legal actions taken by the Group for unlawful encroachment of the mining areas of the Group's Yangzhuang iron mine in the previous years, compensation payable to the Group amounting to RMB50,000,000 was agreed by the Defendant and recognised by the Group as other income and compensation receivable for the year ended 31 December 2020, out of which an amount of RMB35,000,000 has been received by the Group during the year ended 31 December 2021 and the remaining RMB15,000,000 to be received upon the change in mining area as stipulated in the Group's renewed mining certificate for the Yangzhuang iron mine.

11. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
Cash and cash equivalents		
– Cash on hand	336	21
– Cash at bank	311,441	191,265
	311,777	191,286
Restricted bank deposits – Bank deposits restricted for withdrawal	–	760
	311,777	192,046

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB)

Cash and cash equivalents and restricted bank deposits are denominated in the following currencies:

	As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
RMB	257,942	181,309
HKD	52,865	9,815
USD	967	919
AUD	3	3
	311,777	192,046

12. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	Share capital	Share premium	Total
At 31 December 2021 (audited)	5,253,963,920	8,571	687,845	696,416
30 June 2022 (unaudited)	5,253,963,920	8,571	687,845	696,416

13. TRADE PAYABLES

As at 30 June 2022 and 31 December 2021, the ageing analysis of trade payables was presented based on invoice date as follows:

	As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
Within 6 months	141,896	25,792
6 months to 1 year	2,896	244
Over 1 year	1,638	1,395
	146,430	27,431

Included in trade payables as at 30 June 2022 is an amount of RMB96,171,000 (31 December 2021: Nil) due to Xinjiang Jiangna Mining Industry Co., Ltd., a company wholly-owned by Mr. Li Yunde, who is an executive director and the controlling shareholder of the Company.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB)

14. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
Accrued land compensation costs	6,572	6,700
Advance construction funds from government	11,950	11,950
Guarantee deposits	5,711	4,230
Employee benefits payable	4,077	5,538
Interest payable	1,490	3,556
Refundable deposit received	30,430	27,450
Others	5,757	7,593
	65,987	67,017

15. BORROWINGS

	As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
Non-current Bonds	–	4,330
Current Bonds	57,833	116,315
Bank borrowings	60,000	60,000
	117,833	176,315
Total Borrowings	117,833	180,645
Representing:		
Unsecured		
– Bonds wholly repayable in 1 to 5 years (a)	–	4,330
– Bonds repayable within 1 year (a)	57,833	116,315
	57,833	120,645
– Bank borrowings repayable within 1 year (b)	60,000	60,000
	117,833	180,645

(a) Unsecured bonds

During the years ended 31 December 2015 and 2014, the Company issued bonds to several independent third parties with a coupon rate of 7.00% per annum, payable in 7.5 years from the respective issue dates.

As at 30 June 2022, the aggregate carrying amount of the bonds was HKD67,625,000 (31 December 2021: HKD147,560,000), equivalent to RMB57,833,000 (31 December 2021: RMB120,645,000).

(b) Bank borrowings

As at 30 June 2022 and 31 December 2021, bank borrowings of RMB60,000,000 were unsecured. The interest rate at 30 June 2022 and 31 December 2021 was 7%.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB)

16. ADVANCES FROM THE CONTROLLING SHAREHOLDER

During the six months ended 30 June 2022, Mr. Li Yunde, the controlling shareholder of the Company, pursuant to a loan agreement with a credit facility of RMB120 million entered between Mr. Li Yunde and Shandong Ishine on 23 March 2022, advanced an amount of RMB42,000,000 to the Group, which remained outstanding as at 30 June 2022. The loan was unsecured, interest-free and had no fixed repayment terms. The unutilised credit facility amounted to RMB78,000,000 as at 30 June 2022.

17. REVENUE

	Six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)
Production		
– Sales of iron concentrates	7,784	385
– Sales of iron ore tailings	–	6,700
Trading		
– Sales of coarse iron powder	274,569	859,930
– Sales of blended coal	157,555	–
– Sales of semi-coke	20,899	19,476
Processing service income		
– From processing of iron and other mineral ores	60,294	–
	521,101	886,491

18. EXPENSES BY NATURE

	Six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)
Changes in inventories of finished goods and commodities held for trading	65,030	18,610
Purchases of coarse iron powder	182,853	808,996
Purchase of blended coal	144,231	–
Purchases of semi-coke	17,595	7,868
Raw materials consumed	16,681	338
Staff costs	10,705	6,940
Shoveling costs	197	211
Land compensation expenses	2,857	2,857
Depreciation of property, plant and equipment	6,149	8,300
Amortisations of right-of-use assets	559	735
Transportation expenses	33,030	994
Utilities and electricity	936	1,019
Professional fees	3,416	4,134
Warehouse expenses	1,580	–
Travelling expenses	828	320
Marketing expenses	1,685	2,418
Other expenses	4,948	4,149
Total cost of sales, distribution costs and administrative expenses	493,280	867,889

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB)

19. OTHER INCOME

	Six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)
Government grants	67	91
Agency income	157	1,032
	224	1,123

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

20. OTHER GAINS OR LOSSES, NET

	Six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)
Gain on disposal of property, plant and equipment	244	–
Net foreign exchange (losses)/gains	(4,510)	5,296
	(4,266)	5,296

21. FINANCE COSTS – NET

	Six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)
Interest expense:		
– Borrowings	(8,045)	(8,812)
– Provisions: unwinding of discount	(378)	(354)
– Lease liabilities	(17)	(51)
Other finance expenses	–	(6)
Finance expenses	(8,440)	(9,223)
Finance income:		
– Interest income on bank deposits	1,343	508
Finance costs – net	(7,097)	(8,715)

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB)

22. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)
Current tax – Corporate Income Tax	(1,741)	–

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

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

Hong Kong profits tax has not been provided for the subsidiaries in Hong Kong as there is no estimated assessable profit arising in or derived from Hong Kong during the six months ended 30 June 2022 and 2021.

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

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

The tax rate for the Company’s other PRC subsidiaries is 25% for the six months ended 30 June 2022 and 2021.

Provision for the PRC corporate income tax has been made at the rate of 25% for the taxable profit generated by Hami Xinxing for the six months ended 30 June 2022 (2021: Nil). No provision has been made for corporate income tax of Shandong Ishine which has adequate available tax losses to offset its taxable income for the six months ended 30 June 2022 (2021: Nil).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB)

23. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2022 (unaudited)	2021 (unaudited)
Profit attributable to owners of the Company	14,941	16,306
Weighted average number of ordinary shares in issue	5,244,343,920	5,290,633,191
Basic earnings per share (Expressed in RMB cents per share)	0.285	0.308

(b) Diluted

During the six months ended 30 June 2022 and 2021, there was no dilutive instruments of the Company, no diluted earnings per share is presented.

24. DIVIDENDS

The Board of Directors has resolved not to declare any interim dividends related to the six months ended 30 June 2022 (2021: Nil).

25. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management of the Group and their close family members are also considered as related parties.

(a) The Company's directors were of the view that the following individual was a related party of the Group during the six months ended 30 June 2022 and 2021:

Name of related party	Nature of relationship
Mr. Li Yunde	The Controlling Shareholder
Xinjiang Jiangna Mining Industry Co., Ltd. ("Xinjiang Jiangna")	A company wholly-owned by the Controlling Shareholder

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022 (Amounts expressed in thousands of RMB)

(b) Key management compensation

Key management includes Directors (executive and non-executive) and senior management of the Company, and the directors and executives of Shandong Ishine. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
Wages, salaries and allowances	1,592	1,570
Contribution to pension scheme	29	30
	1,621	1,600

(c) Significant transactions with related parties

During the six months ended 30 June 2022, the Group purchased blended coal amounting to approximately RMB96,171,000 (2021: Nil) from Xinjiang Jiangna, and the relevant trade payable was not yet settled as at 30 June 2022 (31 December 2021: Nil) as disclosed in note 13.

Except for as disclosed above or elsewhere in the notes to the interim condensed consolidated financial information, the Group had no significant transactions or balances with related parties during the six months ended 30 June 2022 and 2021.

26. COMMITMENTS

Capital commitments

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

	As at	As at
	30 June	31 December
	2022	2021
	(unaudited)	(audited)
Mining rights	35,000	35,000
Joint venture investment	8,000	8,000
	43,000	43,000

27. MATERIAL EVENTS AFTER THE REPORTING PERIOD

On 3 August 2022, the Group and an independent third party (the "JV Party") entered into an agreement, under which, the provisional cooperating agreement dated 24 September 2020 on the proposed joint arrangement for mining and processing operations in relation to the Yangzhuang iron ore mine was cancelled with effect on 3 August 2022, and the JV Party shall compensate the Group for a sum of approximately RMB3,308,000, which will be deducted against the refundable deposit amounting to RMB30,430,000 paid to the Group (Note 14). This compensation income has not been recognised in the consolidated profit or loss for the six months ended 30 June 2022.

28. COMPARABLE FIGURES

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

Management Discussion and Analysis

BUSINESS REVIEW

The principal activities of the Group are iron ore and ilmenite ore exploration, mining and processing as well as trading of iron concentrates and other minerals in the Shandong Province, the PRC. Since 2013, the Group has started to engage in ilmenite ore mining and ilmenite ore processing to produce and sell iron concentrates and titanium concentrates, and establish the full titanium industrial chain in Shandong Province, the PRC. The Group's major customers are iron pellets makers and steel manufacturers located in close proximity.

The Group possesses mining rights in respect of Yangzhuang Iron Mine (楊莊鐵礦), an iron ore mine located in Qinjiazhuang Village, Yangzhuang Town, Shandong Province, the PRC ("**Yangzhuang Iron Mine**"), Zhuge Shangyu Ilmenite Mine (諸葛上峪鈦鐵礦), an ilmenite and magnetite mine located in Yishui County, Shandong Province, the PRC ("**Zhuge Shangyu Ilmenite Mine**"), and owns the exploration rights over Yangzhuang Iron Mine, Qinjiazhuang Ilmenite Project, an ilmenite ore project located in Qinjiazhuang District, Yishui County, Shandong Province, the PRC ("**Qinjiazhuang Ilmenite Project**"), Zhuge Shangyu Ilmenite Mine and Gaozhuang Shangyu Ilmenite Project, an ilmenite ore project located in Shangyu District, Yishui County, Shandong Province, the PRC ("**Gaozhuang Shangyu Ilmenite Project**").

The Company actively responded to the government's call and seized the opportunities provided by national policies by developing clean energy such as wind power, photovoltaic power and solar thermal power into new economic growth points, which have made substantial progress. In order to better reflect the Company's strategic business plan and expanding into new business including (but not limited to) clean energy business, sticking to the development of iron and titanium concentrates business, deepening and expanding the building of whole industrial chain of titanium products including sponge titanium and high purity titanium.

The Group recorded revenue of approximately RMB521.1 million for the six months ended 30 June 2022, representing a decrease of approximately 41.2% over the revenue of approximately RMB886.5 million for the six months ended 30 June 2021. The decrease in revenue of the Group was primarily due to (1) the decrease in turnover of trading of coarse iron powder by approximately RMB585.3 million from approximately RMB859.9 million for the six months ended 30 June 2021 to approximately RMB274.6 million for the six months ended 30 June 2022; being net off by the effect of (2) the increase in sales of blended coal by approximately RMB157.6 million which is a new line of trading product since second half of 2021, and service income from processing of iron and other mineral ores by approximately RMB60.3 million which has been commenced in the last quarter of 2021.

Management Discussion and Analysis

The total comprehensive income attributable to owners of the Company was approximately RMB17.1 million for the six months ended 30 June 2022, representing an increase of approximately RMB1.3 million, or 8.2%, as compared with that of RMB15.8 million for the six months ended 30 June 2021. This was mainly due to (1) the effect of the increase in gross profit margin from its operations by approximately RMB15.6 million to RMB64.0 million for the six months ended 30 June 2022 from approximately RMB48.4 million for the corresponding period in last year; and (2) the appreciation of financial assets at fair value through other comprehensive income by approximately RMB2.2 million; being net off by the effect of (3) the net exchange loss of approximately RMB4.5 million mainly derived from retranslation of HKD-denominated bonds resulted from the appreciation of HKD against RMB, compared to a net exchange gain of approximately RMB5.3 million for the six months ended 30 June 2021; and (4) the increase in distribution costs and administrative expenses by approximately RMB6.4 million in total, attributable to the launch of research and development measures during the six months ended 30 June 2022.

Work in the First half of 2022

In the first half of the year, in adapting to market changes, the Group continued to improve the protective mining, production, sales and service of iron and titanium mines as its traditional principal businesses, and strengthened the construction of new mine production lines in order to maintain its regional competitive edge. In particular, the Group made further efforts to expand the titanium industrial chain; strengthened the expansion of logistics, new energy and other investment businesses in Xinjiang; and speeded up the construction of the Zhuge Shangyu comprehensive low-carbon project. The main work is as follows:

- I. The Group continued to maintain its competitive edge in the protective mining, production and sales of mines, while providing after sales services to maintain close relationships with the upstream and downstream businesses along the industrial chain in the region. In particular, leveraging its advantages in the beneficiation process, the Group had related sales and processing services products of 5,774 tons and delivered revenue of RMB68.08 million in the first half of the year and brought favourable economic benefits to the Group.
- II. The Group continued to make greater efforts in the planning and implementation of the whole industrial chain, including mining and beneficiation of ilmenite ores and production of titanium concentrates, high titanium slag and sponge titanium. In addition, the Group continued to enhance technology cooperation with the Chinese Academy of Sciences and the Russian Academy of Sciences, with substantial industrialization and technical breakthroughs made in the research and development of new production processes.
- III. By making full use of its market and location advantages, the Group conducted port trade business to improve revenue and profitability. By the end of June 2022, the Group recorded revenue of RMB453.02 million and maintained business sustainability.
- IV. The Group has obtained the certificate of reserves, filed geological data and completed the registration of occupying reserves and made partial payment for the mining right in respect of Yangzhuang Iron Mine. The application for a renewed mining permit had been submitted to the relevant government authority for approval.
- V. A reserve of 3,549 tons of rubidium ore has been assessed and recorded in Yangzhuang Iron Mine with a contained metal of 4.47 tons and a grade of 0.126% (industrial grade of 0.12%). According to the demand for scarce minerals, the Group will conduct mining and production in due course.

Management Discussion and Analysis

- VI. The Group continued to implement the environmental management and land rehabilitation program in respect of Yangzhuang Iron Mine in response to the government policy on ecological restoration, and made further processing of the tailings accumulated in the past ten years to turn waste into treasure for sale as a new economic growth point.
- VII. In respect of the Zhuge Shangyu comprehensive low-carbon project, a new Brazilian raw ore production line with an annual output of 1.6 million tons was put into operation upon completion of construction in June, laying a foundation for economic growth in the second half of the year. The cooperation with partners on new energy projects such as wind power and photovoltaics is still under negotiation and planning and is expected to reach agreements soon to provide new economic growth points for the Company.
- VIII. The Group's logistics subsidiary in Tianshan, Xinjiang achieved a breakthrough in performance, with profit of RMB6.09 million from trading and other operations in the first half of the year, which reflects good economic benefits and promises a bright future.
- IX. The Company improved internal control, especially highlighting the market control over connected transactions. As a result, the Company's comprehensive and standardized management was further enhanced, laying the management foundation for performance improvement.
- X. As the founding vice president entity of the GBA Carbon Neutrality Association and one of the first batch of green mines in China, the Company has focused on the carbon market projects for a long time, and has always adhered to the research and development of and investment in low-carbon and eco-friendly production processes. It worked hard to get access to the national carbon emissions trading market in the first half of the year.

Continuing Connected Transactions

On 29 December 2021, Hami Xinxing Tianshan Logistics Co., Ltd.* (哈密新星天山物流有限公司) (“**Hami Xinxing**”), an indirect wholly-owned subsidiary of the Company, and Xinjiang Jiangna Mining Co., Ltd.* (新疆疆納礦業有限公司) (“**Xinjiang Jiangna Mining**”) entered into the coal purchase and sale agreement (“**Coal Purchase and Sale Agreement**”), pursuant to which Hami Xinxing shall purchase blended coal from Xinjiang Jiangna Mining from 22 April 2022 (being the date immediately after fulfilling all the conditions precedent as set out in the Coal Purchase and Sale Agreement) to 31 December 2024.

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

Management Discussion and Analysis

The annual caps for Hami Xinxing to purchase blended coal from Xinjiang Jiangna Mining under the Coal Purchase and Sale Agreement for each year up to 31 December 2024 amounted to RMB1.5 billion. During the six months ended 30 June 2022, the Group purchase blended coal amounting to approximately RMB96,171,000 from Xinjiang Jiangna under the Coal Purchase and Sale Agreement.

On 23 March 2022, Mr. Li has agreed to grant an interest free, unsecured loan in the principal amount of RMB120 million with no fixed repayment term (the “**Loan**”) to Shandong Ishine Mining Industry Co., Ltd (“**Shandong Ishine**”), an indirect wholly-owned subsidiary of the Company, pursuant to a loan agreement entered into between Mr. Li and Shandong Ishine on 23 March 2022 (the “**Loan Agreement**”). The Loan was granted to the Group for the purpose of repayment of the bonds issued by the Company in the aggregate principal amount of approximately HK\$130 million at an annual interest rate of 7.0% which will be due for repayment within the year ending 31 December 2022 (the “**Bonds**”). The repayment of the Bonds will reduce the Group from the interest payment of the Bonds.

During the six months ended 30 June 2022, an amount of RMB42,000,000 has been advanced by Mr. Li to the Group under the Loan Agreement.

FINANCIAL REVIEW

For the six months ended 30 June 2022, the Group recorded revenue of approximately RMB521.1 million as compared with approximately RMB886.5 million for the six months ended 30 June 2021, representing a decrease of approximately 41.2%. For the six months ended 30 June 2022, 86.9% of the Group’s total revenue were derived from trading of coarse iron powder, blended coal and semi-coke, 11.6% were from provision of processing services, while 1.5% were from the sales of the iron concentrates produced by the Group. 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 to iron pellets and steel producers in Shandong Province, the PRC.

Prices of the Group’s products

Iron Concentrates

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

The Group’s average unit selling prices of 64% iron concentrates for the six months ended 30 June 2022 was approximately RMB803.3 per tonne, representing a decrease of approximately 5% as compared with the average unit selling prices of approximately RMB845.6 per tonne for the six months ended 30 June 2021.

Management Discussion and Analysis

Coarse iron powder, semi-coke and blended coal

The average selling prices of coarse iron powder and semi-coke were RMB762.3 per tonne and RMB743.7 per tonne respectively, for the six months ended 30 June 2022, representing a decrease of approximately 26% and 11% respectively as compared to the average unit price of approximately RMB1,031.9 and RMB836.3 per tonne for the corresponding period in last year. The average selling price of blended coal was RMB283.5 per tonne for the six months ended 30 June 2022.

Revenue

Revenue was generated from the Group's trading activities as well as the sales of the Group's products to external customers. The Group's revenue is mainly affected by the Group's ability to tackle the market demand through available supplies, as well as the market conditions and the prices of the minerals traded by the Group. The following table sets forth a breakdown of the Group's revenue for the periods indicated:

	Six months ended 30 June 2022 RMB'000		Six months ended 30 June 2021 RMB'000	
Revenue				
Sales of iron concentrates produced by the Group				
– 64% iron concentrates	7,784	1.5%	385	0.1%
– iron ore tailings	–	–	6,700	0.7%
	7,784	1.5%	7,085	0.8%
Sales from trading activities				
– coarse iron powder	274,569	52.7%	859,930	97.0%
– blended coal	157,555	30.2%	–	–
– semi-coke	20,899	4.0%	19,476	2.2%
	453,023	86.9%	879,406	99.2%
Processing service				
– processing of iron and other mineral ores	60,294	11.6%	–	–
	521,101	100.0%	886,491	100.0%

Management Discussion and Analysis

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

	Six months ended 30 June 2022 (Kt)	Six months ended 30 June 2021 (Kt)
Sales volume of iron concentrates produced by the Group		
– 64% iron concentrates	9.7	0.5
– iron ore tailings	–	246.5
	9.7	247.0
Sales volume of trading activities		
– coarse iron powder	360.2	833.3
– blended coal	555.7	–
– semi-coke	28.1	23.3
	944.0	856.6
	953.7	1,103.6

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

	Six months ended 30 June 2022 (Kt)		Six months ended 30 June 2021 (Kt)	
Iron concentrates produced by the Group				
– 64% iron concentrates	–	–	12.7	25.8%
– iron ore tailings	–	–	36.5	74.2%
Total	–	–	49.2	100.0%

Management Discussion and Analysis

For the six months ended 30 June 2022, revenue is mainly derived from trading of coarse iron powder and blended coal. Revenue is also derived from provision of processing services to third party customers.

The Group recorded revenue of approximately RMB521.1 million for the six months ended 30 June 2022, representing a decrease of approximately 41.2% over the revenue of approximately RMB886.5 million for the six months ended 30 June 2021. The decrease in revenue of the Group was primarily due to (1) the decrease in turnover of trading of coarse iron powder by approximately RMB585.3 million from approximately RMB859.9 million for the six months ended 30 June 2021 to approximately RMB274.6 million for the six months ended 30 June 2022; being net off by the effect of (2) the increase in sales of blended coal by approximately RMB157.6 million which is a new line of trading product since second half of 2021, and service income from processing of iron and other mineral ores by approximately RMB60.3 million which has been commenced in the last quarter of 2021.

Cost of Sales

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

	Six months ended 30 June 2022 RMB'000		Six months ended 30 June 2021 RMB'000	
Cost of Sales				
Cost of sales of iron concentrates produced by the Group				
– 64% iron concentrates	7,498	1.7%	341	0.1%
– iron ore tailings	–	–	1,080	0.1%
	7,498	1.7%	1,421	0.2%
Cost of sales of trading activities				
– sales of coarse iron powder	257,304	56.3%	821,202	98.0%
– sales of blended coal	148,052	32.4%	–	–
– sales of semi-coke	17,594	3.8%	15,435	1.8%
	422,950	92.5%	836,637	99.8%
Cost of sales of processing services				
– processing of iron and other mineral ores	26,639	5.8%	–	–
	457,087	100.0%	838,058	100.0%

Management Discussion and Analysis

Cost of sales was mainly incurred from purchase of iron powder and blended coal products for trading purposes. The cost of sales incurred during production activities mainly consists of cost of raw materials, power and utilities expenses, employee benefits, depreciation and amortisation, and other overhead costs.

Total cost of sales decreased by approximately 45.5% to approximately RMB457.1 million for the six months ended 30 June 2022, as compared with approximately RMB838.1 million for the corresponding period in last year. Such decrease was consistent with the decrease in the Group's revenue for the six months ended 30 June 2022, which was mainly due to the decrease in sales volume from trading coarse iron powder by approximately 473.1 Kt which is offset by the new business lines in trading of blended coal and provision of processing services.

Gross profit and gross profit margin

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

	Six months ended 30 June 2022 RMB'000		Six months ended 30 June 2021 RMB'000	
Gross profit				
Gross profit of iron concentrates produced by the Group				
– 64% iron concentrates	286	0.4%	44	0.1%
– iron ore tailings	–	–	5,620	11.6%
	286	0.4%	5,664	11.7%
Gross profit of trading activities				
– sales of coarse iron powder	17,265	27.0%	38,728	80.0%
– sales of blended coal	9,503	14.8%	–	–
– sales of semi-coke	3,305	5.2%	4,041	8.3%
	30,073	47.0%	42,769	88.3%
Gross profit of processing services				
– processing of iron and other mineral ores	33,655	52.6%	–	–
	64,014	100.0%	48,433	100.0%

Management Discussion and Analysis

	Six months ended 30 June 2022 %	Six months ended 30 June 2021 %
Gross profit margin		
Gross profit margin of iron concentrates		
– 64% iron concentrates	3.7%	11.4%
– iron ore tailings	–	83.9%
Gross profit margin of trading activities		
– sales of coarse iron powder	6.3%	4.5%
– sales of blended coal	6.0%	–
– sales of semi-coke	15.8%	20.7%
Gross profit margin of provision of processing services		
– processing of iron and other mineral ores	55.8%	–
Total gross profit margin	12.3%	5.5%

Gross profit increased by approximately RMB15.6 million from gross profit of approximately RMB48.4 million for the six months ended 30 June 2021 to gross profit of approximately RMB64.0 million for the six months ended 30 June 2022. The main reason for the increase was the launch of processing services to third-party customers which has a higher profit margin than production and trading activities.

Overall gross profit margin increased to approximately 12.3% for the six months ended 30 June 2022 from approximately 5.5% for the corresponding period in last year. The increase in overall gross profit margin was primarily due to the high gross profit margin of provision of processing services during the current period. Excluding the provision of processing services, the gross profit margin slightly increased from 5.5% for the corresponding period in last year to 6.6% for the six months ended 30 June 2022.

Other gains or losses, net

The Group's other net losses were approximately RMB4.3 million for the six months ended 30 June 2022 as compared with net gains of approximately RMB5.3 million for the six months ended 30 June 2021. The Group recognised net loss on foreign exchange of approximately RMB4.5 million for the six months ended 30 June 2022, as compared with net gain on foreign exchange of approximately RMB5.3 million for the corresponding period in last year, which is due to the appreciation of HKD against RMB during the current period.

Distribution costs and administrative expenses

The total of distribution costs and administrative expenses increased by approximately RMB6.4 million or 21.5%, from approximately RMB29.8 million for the six months ended 30 June 2021 to approximately RMB36.2 million for the current period. The increase is mainly due to the launch of research and development measures in relation to advanced processing technology to produce high-standard iron concentrates suitable for steel industry usage. The relevant expenditure amounted to approximately RMB13.6 million for the current period. On the other hand, due to the decrease in sales volume of trading activities, distribution costs and other administrative expenses decreased by approximately RMB7.2 million.

Management Discussion and Analysis

Finance costs, net

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

Total comprehensive income

The total comprehensive income attributable to owners of the Company was approximately RMB17.1 million for the six months ended 30 June 2022, representing an increase of approximately RMB1.3 million, or 8.2%, as compared with that of RMB15.8 million for the six months ended 30 June 2021. This was mainly due to (1) the effect of the increase in gross profit margin from its operations by approximately RMB15.6 million to RMB64.0 million for the six months ended 30 June 2022 from approximately RMB48.4 million for the corresponding period in last year; and (2) the appreciation of financial assets at fair value through other comprehensive income by approximately RMB2.2 million; being net off by the effect of (3) the net exchange loss of approximately RMB4.5 million mainly derived from retranslation of HKD-denominated bonds resulted from the appreciation of HKD against RMB, compared to a net exchange gain of approximately RMB5.3 million for the six months ended 30 June 2021; and (4) the increase in distribution costs and administrative expenses by approximately RMB6.4 million in total, attributable to the launch of research and development measures during the six months ended 30 June 2022.

Work Plan for the Second Half of 2022

In the second half of the year, in adapting to market changes, the Group will focus on the release of new production capacity and continue improve the protective mining, production, sales and service of iron and titanium mines as its traditional principal businesses. It will increase its research and development investment to expand the titanium industrial chain, further expand logistics, new energy and other investment businesses in Xinjiang and further accelerate the construction of the Zhuge Shangyu comprehensive low-carbon project. The main work plan is as follows:

- I. Mine is a non-renewable resource. The Group will continue the protective mining, production and sales of mines and maintain close relationships with the upstream and downstream the upstream and downstream businesses along the industrial chain in the region. Leveraging its advantages in the beneficiation process, the Group will step up efforts in the trading of deep-processing products and bring greater economic benefits to the Group.
- II. The Group will continue to make greater efforts in the planning and implementation of the whole industrial chain, including mining and beneficiation of ilmenite ores and production of titanium concentrates, high titanium slag and sponge titanium. In addition, the Group will continue to enhance technology cooperation with the Chinese Academy of Sciences and the Russian Academy of Sciences in anticipation of new breakthroughs in the key product processes.
- III. By making full use of its market and location advantages, the Group will conduct port trade and overseas mines processing business to improve revenue and maintain business sustainability.
- IV. The Group has obtained the certificate of reserves, filed geological data and completed the registration of occupying reserves and made partial payment for the mining right in respect of Yangzhuang Iron Mine. It will make all preparations before obtaining the renewed mining permit.
- V. A reserve of 3,549 tons of rubidium ore has been assessed and recorded in Yangzhuang Iron Mine with a contained metal of 4.47 tons and a grade of 0.126% (industrial grade of 0.12%). According to the market demand for scarce minerals, the Group will identify business opportunities and conduct mining and production in due course.

Management Discussion and Analysis

- VI. Sustainable operation is a long-standing strategy of Yangzhuang Iron Mine. The Group will be active in implementing the environmental management and land rehabilitation program in response to the government policy on ecological restoration and seek a new economic growth point.
- VII. The Group will accelerate the release of the production capacity of the new Brazilian raw ore production line with an annual output of 1.6 million tons to lay a foundation for the sustainable economic growth in the second half of the year.
- VIII. Strengthening the cooperation with partners on new energy projects such as wind power and photovoltaics is still under negotiation and planning and is expected to reach agreements soon to provide new economic growth points for the Company.
- IX. The Group will intensify the management and control over the operation of its logistics subsidiary in Tianshan, Xinjiang to facilitate the sustainable compliant operation and create satisfactory economic benefits.
- X. The Group will improve internal control and the comprehensive assessment of connected transactions with a market-based approach to improve the comprehensive and standardized management level and lay the management foundation for performance improvement.
- XI. As the founding vice president entity of the GBA Carbon Neutrality Association, the Company will strengthen the market research on new high-tech products in the market and invest in new low-carbon and eco-friendly projects referring to market condition and its actual situation.
- XII. Metaverse has the investment value for new industrial scenarios. The Company will keep pace with the times, pay attention to and identify the value of combining new industries, new social networking, new energies “Metaverse” with traditional industries, and will set foot in Metaverse if appropriate. As a new platform established for the virtual application of the industrial mines and the real economy, Metaverse is expected to play as a new tool driving the sustainable development of the Company.

EVENTS AFTER THE REPORTING PERIOD

On 3 August 2022, the Group and an independent third party (the “**JV Party**”) entered into an agreement, under which, the provisional cooperating agreement dated 24 September 2020 on the proposed joint arrangement for mining and processing operations in relation to the Yangzhuang iron ore mine was cancelled with effect from 3 August 2022, and the JV Party shall compensate the Group for a sum of approximately RMB3,308,000, which will be deducted against the refundable deposit amounting to RMB30,430,000 paid to the Group.

Except for the aforementioned event, there have been no other significant events occurring after the end of the reporting period up to the date of approval of the unaudited interim condensed consolidated financial information.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2022.

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests or short positions of the Directors or chief executive in the shares (the "Shares"), underlying Shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (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 provision of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, are set out below:

Interests or short positions in Shares, underlying Shares and debentures

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	Interest of controlled corporation	Long position	2,048,138,660 <i>(Note 1)</i>	38.97%
	Beneficial Owner	Long position	122,058,000	2.32%
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 <i>(Note 2)</i>	0.36%

Notes:

1. Mr. Li beneficially holds the entire issued share capital of Hongfa Holdings Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability, which in turn beneficially holds 2,048,138,660 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.
2. 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 hold 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, as at 30 June 2022, none of the Directors, chief executives of the Company 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 defined in Part XV of the SFO 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.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2022, so far as is known to any Director, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

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	38.97%
Ms. Zhang Limei ("Ms. Zhang")	Interest of spouse	Long position	2,170,196,660 <i>(Note 1)</i>	41.30%
X. Mining Resources Group Limited	Beneficial owner	Long position	326,344,000 <i>(Note 2)</i>	6.21%
Mr. Wu Pun Yan ("Mr. Wu")	Interest of controlled corporation	Long position	326,344,000 <i>(Note 2)</i>	6.21%

Notes:

1. 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.
2. 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, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the Shares or underlying Shares as at 30 June 2022.

Other Information

SHARE OPTION SCHEME

To attract and retain the best available personnel, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the “Scheme”) on 9 April 2012 whereby the Board was authorised, at its absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the Shares to, inter alia, any employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group. The Scheme became unconditional on 27 April 2012 and expired on 8 April 2022.

The Company has not granted any option since adoption of the Scheme. Other details of the Scheme are set out in the prospectus of the Company dated 17 April 2012.

SHARE AWARD SCHEME

On 28 December 2020, the Board adopted a restricted share award scheme (the “Share Award Scheme”) as an incentive to recognise the contributions by employees and to give incentives in order to retain them for their continuing operation and development and to attract suitable personnel for further development of the Group. Restricted shares under the Share Award Scheme will be comprised of Shares subscribed for or purchased by the trustee out of cash arranged to be paid by the Company out of the Company’s funds to the trustee. The Company has appointed Greenfield Services Limited as trustee for the Share Award Scheme. As at 30 June 2022, 9,620,000 restricted shares were held by the trustee for the purpose of the Share Award Scheme. There was no new share allotted and issued to the trustee by the Company and no restricted shares was granted to any of employees of the Group under the Share Award Scheme during the six months ended 30 June 2022.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding directors’ securities transactions as set out in the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2022.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. In the opinion of the Directors, the Company was in compliance with all the relevant code provisions set out in the CG Code throughout the six months ended 30 June 2022.

Other Information

AUDIT COMMITTEE

The Company established the Audit Committee on 9 April 2012 with written terms of reference in compliance with the CG Code, which currently comprises of three independent non-executive Directors, namely Mr. Leung Nga Tat (as chairman), Mr. Li Xiaoyang and Mr. Zhang Jingsheng. The Audit Committee had reviewed the unaudited interim consolidated results for the six months ended 30 June 2022 before such documents were tabled at a meeting of the Board held on 30 August 2022 for the Board's review and approval, and was of the opinion that such documents had complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures had been made.

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

Hong Kong, 30 August 2022