



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

2020

Interim Report



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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

Clifton House

75 Fort Street

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

Clifton House

75 Fort Street

PO Box 1350

Grand Cayman

KY1-1108

Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

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

Unaudited Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2020 (Amounts expressed in thousands of RMB)

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 2020 together with the comparative figures for the corresponding period in 2019. 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 2020 (Amounts expressed in thousands of RMB)

	<i>Notes</i>	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	<i>6</i>	236,953	257,991
Right-of-use assets	<i>7</i>	2,552	6,222
Intangible assets, net		–	–
Investments accounted for using the equity method		834	834
Financial assets at fair value through other comprehensive income	<i>11</i>	3,547	3,393
Other non-current assets		10,996	10,996
		254,882	279,436
Current assets			
Inventories	<i>8</i>	43,745	65,249
Trade receivables	<i>9</i>	20,405	13,957
Notes receivables		6,000	11,762
Prepayments and other receivables	<i>10</i>	125,892	37,957
Restricted bank deposits	<i>12</i>	11,921	11,251
Cash and cash equivalents	<i>12</i>	114,104	89,796
		322,067	229,972
Total assets		576,949	509,408

Unaudited Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2020 (Amounts expressed in thousands of RMB)

	Notes	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital, share premium and treasury shares	13	705,944	706,067
Reserves		(25,852)	(26,006)
Accumulated losses		(394,096)	(412,291)
Total equity		285,996	267,770
LIABILITIES			
Non-current liabilities			
Borrowings	16	127,939	122,514
Provisions for close down, restoration and environmental costs		10,314	9,981
Lease liabilities – non-current portion	7	1,412	5,082
Deferred income		270	310
Deferred income tax liabilities		4,848	5,413
		144,783	143,300
Current liabilities			
Borrowings	16	40,000	40,000
Trade payables	14	30,524	10,526
Contract liabilities		42,495	2,431
Lease liabilities – current portion	7	1,203	2,380
Accruals and other payables	15	31,909	42,962
Current portion of deferred income		39	39
		146,170	98,338
Total liabilities		290,953	241,638
Total equity and liabilities		576,949	509,408

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 2020 (Amounts expressed in thousands of RMB except for per share data)

	Notes	Six months ended 30 June	
		2020 (unaudited)	2019 (unaudited)
Revenue	17	342,591	152,215
Cost of sales	18	(306,443)	(151,328)
Gross profit		36,148	887
Other income	19	8,036	–
Other gains	20	8,059	298
Distribution costs	18	(1,148)	(198)
Administrative expenses	18	(22,312)	(23,357)
(Impairment losses)/reversal of impairment losses of financial assets	21	(1,290)	16
Reversal of write-down of inventories, net		2,612	3,144
Operating profit/(loss)		30,105	(19,210)
Finance income	22	116	47
Finance expenses	22	(12,026)	(7,375)
Finance cost – net		(11,910)	(7,328)
Profit/(loss) before income tax		18,195	(26,538)
Income tax expense	23	–	(852)
Profit/(loss) for the period		18,195	(27,390)

Unaudited Interim Condensed Consolidated Statement of Total Comprehensive Income

For the six months ended 30 June 2020 (Amounts expressed in thousands of RMB except for per share data)

	<i>Note</i>	Six months ended 30 June	
		2020	2019
		(unaudited)	(unaudited)
Other comprehensive income:			
<i>Item that will not be reclassified to profit or loss</i>			
Change in the fair value of financial assets at fair value through other comprehensive income/(loss)		154	(3,545)
Other comprehensive income/(loss) for the period		154	(3,545)
Total comprehensive income/(loss) for the period		18,349	(30,935)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (expressed in RMB per share)			
Basic earnings/(loss) per share	<i>24</i>	0.003	(0.006)

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 2020 (Amounts expressed in thousands of RMB)

	Attributable to Owners of the Company			Total equity
	Share capital, share premium and treasury shares (Note 13)	Reserves	Accumulated losses	
Balance at 1 January 2020 (audited)	706,067	(26,006)	(412,291)	267,770
Profit for the period	–	–	18,195	18,195
Other comprehensive income	–	154	–	154
Total comprehensive income for the period	–	154	18,195	18,349
Transactions with owners in their capacity as owners				
Repurchased shares:				
– Pending for cancellation	(75)	–	–	(75)
– As treasury shares	(48)	–	–	(48)
Balance at 30 June 2020 (unaudited)	705,944	(25,852)	(394,096)	285,996
Balance at 1 January 2019 (audited)	670,992	(19,517)	(340,987)	310,488
Loss for the period	–	–	(27,390)	(27,390)
Other comprehensive loss	–	(3,545)	–	(3,545)
Total comprehensive loss for the period	–	(3,545)	(27,390)	(30,935)
Balance at 30 June 2019 (unaudited)	670,992	(23,062)	(368,377)	279,553

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 2020 (Amounts expressed in thousands of RMB)

	Notes	Six months ended 30 June	
		2020 (unaudited)	2019 (unaudited)
Cash flows from operating activities			
Cash used in operations		14,812	(2,007)
Interest received		116	47
Net cash generated from/(used in) operating activities		14,928	(1,960)
Cash flows from investing activities			
Placement of restricted bank deposits	12	(670)	(5,254)
Purchases of property, plant and equipment		(2,526)	(2,213)
Proceeds from disposal of property, plant and equipment		20,027	173
Net cash generated from/(used in) investing activities		16,831	(7,294)
Cash flows from financing activities			
Net proceeds from repurchase of ordinary shares		(123)	–
Payment for lease liabilities		(2,120)	–
Interest paid		(5,432)	(3,851)
Net cash used in financing activities		(7,675)	(3,851)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of period	12	89,796	33,431
Exchange gains on cash and cash equivalents		224	54
Cash and cash equivalents at end of period	12	114,104	20,380

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 2020 (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 (2018 Revision) of the Cayman Islands. The addresses of its registered office and principal place of business are Clifton House, 75 Fort Street, PO 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 mining and processing, sales of iron concentrates 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 27 August 2020.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 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 2019, 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 2020 (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 2020 for the preparation of the Group's unaudited interim condensed consolidated financial information:

Amendments to HKFRS 3

Amendments to HKFRS 3 Definition of a Business

Amendments to HKAS 1 and HKAS 8

Amendments to HKAS 1 and HKAS 8 Definition of Material

The adoption of these new standards, amendments and interpretation 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 2020 (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 2019.

5. SEGMENT INFORMATION

(a) General information

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

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

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

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies in the annual financial statements for the year ended 31 December 2019.

Expenses, assets and liabilities of the holding companies (the Company, Alliance Worldwide Group Limited, Fortune Shine Investment Limited, Shine Mining Investment Limited, Shine Mining International Limited, China Rongsheng Holdings Limited, Alpha Charm Investments Limited, Grandson Holdings Limited, Active Fortune Group Limited, and Tianjin Ever Grand Financial Leasing Co., Ltd.) 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 2020 (Amounts expressed in thousands of RMB)

The segment information provided to the SEM for the six months ended 30 June 2020 and 2019 is as follows:

	Shandong Ishine	Unallocated	Inter-segment elimination	Total
Six months ended 30 June 2020 (unaudited)				
Revenue	342,591	–	–	342,591
Gross profit	36,148	–	–	36,148
Other income	7,962	74	–	8,036
Other gains	8,059	–	–	8,059
Finance income	116	–	–	116
Finance expenses	(1,699)	(10,327)	–	(12,026)
Reversal of write-down of inventories	2,612	–	–	2,612
Impairment losses on trade receivables	(1,290)	–	–	(1,290)
Income tax expense	–	–	–	–
Net profit/(loss)	36,894	(18,699)	–	18,195
Other information				
Depreciation of property, plant and equipment	(8,662)	–	–	(8,662)
Amortisation of right-of-use assets	(252)	(564)	–	(816)
Expenditures for non-current assets	2,311	–	–	2,311
As at 30 June 2020 (unaudited)				
Segment assets and liabilities				
Total assets	566,430	1,478,765	(1,468,246)	576,949
Total liabilities	(335,161)	(859,751)	903,959	(290,953)
Six months ended 30 June 2019 (unaudited)				
Revenue	152,215	–	–	152,215
Gross profit	887	–	–	887
Other income	–	–	–	–
Other gains	298	–	–	298
Finance income	46	1	–	47
Finance expenses	(389)	(6,986)	–	(7,375)
Reversal of write-down of inventories	3,144	–	–	3,144
Reversal of impairment loss on trade receivables	16	–	–	16
Income tax expense	(852)	–	–	(852)
Net loss	(13,871)	(13,519)	–	(27,390)
Other information				
Depreciation of property, plant and equipment	(7,890)	–	–	(7,890)
Amortisations of right-of-use assets	(530)	–	–	(530)
Expenditures for non-current assets	2,093	120	–	2,213
As at 31 December 2019 (audited)				
Segment assets and liabilities				
Total assets	485,555	1,685,029	(1,661,176)	509,408
Total liabilities	(291,335)	(864,217)	913,914	(241,638)

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020 (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 2019 (audited)					
Cost	131,755	121,005	201,811	70,988	525,559
Accumulated depreciation and impairment	(77,663)	(27,755)	(162,150)	–	(267,568)
Net book amount	54,092	93,250	39,661	70,988	257,991
Six months ended 30 June 2020 (unaudited)					
Opening net book amount	54,092	93,250	39,661	70,988	257,991
Additions	285	–	2,026	–	2,311
Disposals – cost	(859)	–	(28,040)	–	(28,899)
Disposals – accumulated depreciation	180	–	16,675	–	16,855
Disposals of a subsidiary	–	–	–	(2,643)	(2,643)
Transfers	17	–	–	(17)	–
Depreciation charge	(2,585)	–	(6,077)	–	(8,662)
Closing net book amount	51,130	93,250	24,245	68,328	236,953
At 30 June 2020 (unaudited)					
Cost	131,198	121,005	175,797	68,328	496,328
Accumulated depreciation and impairment	(80,068)	(27,755)	(151,552)	–	(259,375)
Net book amount	51,130	93,250	24,245	68,328	236,953

7. LEASES

Movements of the leases during the six months ended 30 June 2020 are as follows:

	Right-of-use assets	Lease Liabilities
As at 1 January 2020	6,222	7,462
Inception of new lease	–	–
Amortisation of right-of-use assets	(816)	–
Disposal of right-of-use assets	(2,854)	(2,930)
Amortisation of interest	–	142
Repayments	–	(2,120)
Exchange retranslation differences	–	61
As at 30 June 2020	2,552	2,615

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020 (Amounts expressed in thousands of RMB)

8. INVENTORIES

	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
Raw materials		
– Iron ore and ilmenite ore	74	74
Commodities held for trading		
– Spodumene	–	67,693
– Semi-coke	17,140	–
– Others	515	590
Finished goods	16,345	37,082
Spare parts and others	12,534	4,506
Provision for inventory write-down	(2,863)	(44,696)
	43,745	65,249

9. TRADE RECEIVABLES

	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
Trade receivables	22,038	14,300
Less: allowance for impairment loss on trade receivables	(1,633)	(343)
Trade receivables – net	20,405	13,957

As at 30 June 2020 and 31 December 2019, the ageing analysis of trade receivables (before deduction of provision for impairment loss) was as follows:

	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
Within 3 months	16,899	5,796
3 to 6 months	–	326
6 months to 1 year	3,788	7,925
Over 1 year	1,351	253
	22,038	14,300

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020 (Amounts expressed in thousands of RMB)

10. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
Trade deposits paid to suppliers	112,305	11,749
Prepaid taxes	7,278	7,278
Land restoration deposits	38	38
Deductible input value-added tax	1,874	15,565
Advance to employees	11	11
Others	4,386	3,316
	125,892	37,957

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 30 June 2020 and 31 December 2019, the Group's interests in Superior Lake Resources Limited ("Superior Lake") was classified as financial assets at fair value through other comprehensive income, and classified as level 1 financial instrument since Superior Lake is a listed company in Australia and the quoted price is easily accessed.

12. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
Cash and cash equivalents		
– Cash on hand	24	7
– Cash at bank	114,080	89,789
	114,104	89,796
Restricted bank deposits – Deposits for land restoration	11,921	11,251
	126,025	101,047

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020 (Amounts expressed in thousands of RMB)

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

	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
RMB	112,246	75,094
HKD	13,052	25,249
USD	724	701
AUD	3	3
	126,025	101,047

13. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

Ordinary shares, issued and fully paid:

	Number of shares	Share capital	Share premium	Treasury shares	Total
At 31 December 2019 (audited)	5,357,829,920	8,742	697,325	–	706,067
Repurchased shares:					
– Pending for cancellation	(1,650,000)	(3)	(72)	–	(75)
– As treasury shares	(988,000)	–	–	(48)	(48)
30 June 2020 (unaudited)	5,355,191,920	8,739	697,253	(48)	705,944

14. TRADE PAYABLES

As at 30 June 2020 and 31 December 2019, the ageing analysis of trade payables was as follows:

	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
Within 6 months	29,100	7,046
6 months to 1 year	311	2,474
Over 1 year	1,113	1,006
	30,524	10,526

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020 (Amounts expressed in thousands of RMB)

15. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
Accrued land compensation costs	4,362	7,217
Advance construction funds from government	11,950	19,882
Guarantee deposits	1,757	2,327
Employee benefits payable	2,701	3,389
Interest payable	4,926	3,896
Others	6,213	6,251
	31,909	42,962

16. BORROWINGS

	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
Non-current Bonds	127,939	122,514
Current Bank borrowings	40,000	40,000
Total Borrowings	167,939	162,514
Representing:		
Unsecured		
– Bonds wholly repayable in 1 to 5 years (a)	127,939	122,514
– Bank borrowings within 1 year (b)	40,000	40,000
	167,939	162,514

(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 2020, the aggregate carrying amount of the bonds was HKD140,069,000 (31 December 2019: HKD136,727,000), equivalent to RMB127,939,000 (31 December 2019: RMB122,514,000).

(b) Bank borrowings

As at 30 June 2020 and 31 December 2019, bank borrowings of RMB40,000,000 were unsecured. The interest rate at 30 June 2020 and 31 December 2019 was 6.53%.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020 (Amounts expressed in thousands of RMB)

17. REVENUE

	Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
Production		
– Sales of iron and spodumene concentrates	107,677	81,796
– Sales of iron ore tailings	12,960	–
Trading		
– Sales of coarse iron powder	172,818	70,419
– Sales of spodumene	46,015	–
– Sales of semi-coke	3,121	–
	342,591	152,215

18. EXPENSES BY NATURE

	Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
Changes in inventories of finished goods and commodities held for trading	28,485	31,742
Purchases of coarse iron powder	168,072	68,406
Purchases of semi-coke	20,061	–
Raw materials consumed	81,249	44,250
Staff costs	6,242	5,602
Shoveling costs	3,385	1,387
Land compensation expenses	3,297	3,393
Depreciation of property, plant and equipment	8,662	7,890
Amortisations of right-of-use assets	816	530
Transportation expenses	1,111	1,142
Utilities and electricity	2,119	3,388
Professional fees	3,319	3,724
Travelling expenses	900	1,124
Marketing expenses	318	813
Other expenses	1,867	1,492
Total cost of sales, distribution costs and administrative expenses	329,903	174,883

19. OTHER INCOME

	Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
Government grants received	8,036	–

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020 (Amounts expressed in thousands of RMB)

20. OTHER GAINS

	Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
Gain on disposal of property, plant and equipment	7,983	298
Gain on disposal of right-of-use assets	76	–
	<u>8,059</u>	<u>298</u>

21. (IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES OF FINANCIAL ASSETS

	Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
(Impairment losses)/reversal of impairment losses on trade receivables	<u>(1,290)</u>	<u>16</u>

22. FINANCE COSTS – NET

	Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
Interest expense:		
– Borrowings	(8,350)	(6,465)
– Provisions: unwinding of discount	(332)	(201)
– Lease liabilities	(142)	(112)
Net foreign exchange losses	(3,148)	(486)
Other finance expenses	(54)	(111)
Finance expenses	<u>(12,026)</u>	<u>(7,375)</u>
Finance income:		
– Interest income on bank deposits	116	47
Finance costs – Net	<u>(11,910)</u>	<u>(7,328)</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020 (Amounts expressed in thousands of RMB)

23. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
Deferred income tax	–	(852)

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2018 revised) 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 2020 and 2019.

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

The tax rate for the Company's other PRC subsidiaries is 25% for the six months ended 30 June 2020 and 2019.

No provision has been made for corporate income tax of the relevant PRC entities within the Group which have adequate available tax losses to offset the taxable income for the six months ended 30 June 2020 (2019: Nil).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020 (Amounts expressed in thousands of RMB)

24. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
Profit/(loss) attributable to owners of the Company	18,195	(27,390)
Weighted average number of ordinary shares in issue	5,356,917,997	4,910,609,920
Basic earnings/(loss) per share (Expressed in RMB per share)	0.003	(0.006)

(b) Diluted

During the six months ended 30 June 2020 and 2019, there was no dilutive instruments of the Company, no diluted earnings/(loss) per share is presented.

25. DIVIDENDS

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

26. 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) During the six months ended 30 June 2020 and 2019, the Company's directors were of the view that the following individual was a related party of the Group:

Name of related party	Nature of relationship
Mr. Li Yunde	The Controlling Shareholder

(b) Significant transactions with related parties

During the six months ended 30 June 2020 and 2019, the Group had no significant transactions or balances with related parties.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020 (Amounts expressed in thousands of RMB)

(c) Key management compensation

Key management includes directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Wages, salaries and allowances	1,647	1,138
Contribution to pension scheme	31	29
	1,678	1,167

27. 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
	2020	2019
	(unaudited)	(audited)
Joint venture investment	8,000	8,000

28. LITIGATION AND MATERIAL EVENT AFTER REPORTING PERIOD END

Subsequent to 30 June 2020, as disclosed in the Company's announcement dated 17 August 2020, a court judgement, on an appeal taken by an independent third party to an earlier court judgement issued on 10 May 2018, was served by a court in the PRC in favour of Shandong Ishine, an indirect wholly-owned subsidiary of the Company pursuant to which, Shandong Ishine shall be entitled to a compensation of RMB69,480,300 for the loss arising from the infringement on the property value of mining rights of Shandong Ishine caused by the independent third party in the previous years. As there are uncertainties on whether the third party defendant will submit any new appeal against the court judgement and the outcome of any new appeal to be taken by the defendant, the contingent compensation receivable of RMB69,480,300 has not been recognised as at 30 June 2020.

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 selling iron concentrates 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, 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 ("**Zhugeshangyu 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 RMB342.6 million for the six months ended 30 June 2020, representing an increase of approximately 125.1% over the revenue of approximately RMB152.2 million for the six months ended 30 June 2019. The increase in revenue of the Group was primarily due to (1) the increase in turnover of trading of coarse iron powder by approximately RMB102.4 million from approximately RMB70.4 million for the six months ended 30 June 2019 to approximately RMB172.8 million for the six months ended 30 June 2020; and (2) the increase in sales of the iron and spodumene concentrates produced by the Group by approximately RMB25.9 million from approximately RMB81.8 million for the six months ended 30 June 2019 to approximately RMB107.7 million for the six months ended 30 June 2020.

The total comprehensive income attributable to owners of the Company was approximately RMB18.3 million for the six months ended 30 June 2020, representing an increase of approximately RMB49.2 million, or 159.2%, as compared with total comprehensive loss attributable to owners of the Company of approximately RMB30.9 million for the six months ended 30 June 2019. This was mainly due to (1) the increase in trading activities by approximately RMB151.5 million from approximately RMB70.4 million for the six months ended 30 June 2019 to approximately RMB222.0 million for the six months ended 30 June 2020, (2) the increase in other income by approximately RMB8.0 million for the six months ended 30 June 2020.

Management Discussion and Analysis

Measures Taken by the Management in the First Half of 2020:

By closely following market demands and trend changes, the Group maintains its regional competitive edge in the traditional principal businesses, including the protective mining, production, sales and related services of iron and titanium mines, while continuing to invest in the expansion of the titanium industrial chain. The Group recorded a profit of approximately RMB18.3 million for the six months ended 30 June 2020, representing an increase of approximately RMB49.2 million as compared with a loss of approximately RMB30.9 million for the six months ended 30 June 2019. Revenue increased by approximately RMB190.4 million, representing an increase of 125.1% as compared with approximately RMB152.2 million for the corresponding period last year.

The Group focused on the following aspects of work in the first half of 2020:

- I. The Group has improved its existing brand-new processing technique and achieved mass production gradually. It realized a revenue of approximately RMB120.6 million and maintained its regional competitive edge in the traditional principal businesses in the first half of the year. In particular, the Group continued to maintain its competitive edge in the protective mining, production and sales business, while keeping close relationships with the upstream and downstream businesses along the industrial value chain in the region through after sales services, which brought good economic benefits to the Group.
- II. The Group has worked harder for the planning and implementation of a comprehensive industrial value chain, including the mining and processing of titanium ores and the production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium. In addition to the in-house research, development and production in respect of the above, the Group has also continued to enhance its cooperation with the Chinese Academy of Sciences and the Russian Academy of Sciences for significant technical breakthroughs. In response to market demands, the Group has made investments in technical transformation, as appropriate, and strived to transform the above-mentioned technical advantages into productivity, with an aim to improve the profitability of the Company.
- III. Against the backdrop of a pick-up in iron concentrate price and riding on its geographic advantage of a close access to the port from its processing plant, the Group has been actively engaged in port trade as well as external ore processing and blending, which further increased its revenue.
- IV. The reserve of Yangzhuang Iron Mine has been verified with a current reserve of 28.80 Mt as assessed by the experts from the Department of Natural Resources of Shandong Province. The Group had also obtained the certificate of reserves and completed the registration of occupied reserve and all other preparation works for obtaining the mining permit.
- V. Yangzhuang Iron Mine has discovered a rubidium ore reserve of 3,549 tons, with metal content of 4.47 tons and grade of 0.126% (industrial grade: 0.12%) through exploration. In the first half of the year, the Group has been well-positioned for the mining of rubidium currently as a highly scarce mineral substance.

Management Discussion and Analysis

- VI. The environmental management and land rehabilitation work in Yangzhuang Iron Mine has been reviewed by experts from the Department of Natural Resources of Shandong Province who also provided professional advice. The tailings treatment process of Yangzhuang Iron Mine has become a new economic driving force for the first half of the year.
- VII. Given the saturated resources in the wind power industry, the Group disposed of its wind power business decisively, which activated the assets of the Company and achieved a good return.
- VIII. The Group has strictly implemented the advice given by its internal control consultant and, by focusing on the continuous improvement of internal control and management, enhanced the comprehensive management of the Company to pave a solid foundation for the improvement of results.
- IX. The Group has made full use of the platform as a listed group and taken proactive measures for various projects in the capital market. It has capitalised on the financing platform as a listed group, taken proactive measures for investors communication and investor relations, strengthened its financing efforts, expanded shareholders base and enhanced stock liquidity, thus financing the potential key construction projects, merger and acquisition projects, or expansion of the titanium industry value chain.

FINANCIAL REVIEW

For the six months ended 30 June 2020, the Group recorded revenue of approximately RMB342.6 million as compared with approximately RMB152.2 million for the six months ended 30 June 2019, representing an increase of approximately 125.1%. For the six months ended 30 June 2020, 35.2% of the Group's total sales consisted of the sales of the iron and spodumene concentrates produced by the Group, and 64.8% of sales were derived from trading of coarse iron powder, spodumene and semi-coke. The Group mainly sold iron concentrates produced by the Group to iron pellets and steel producers in Shandong Province, the PRC. In addition to the above customers of iron concentrates, the Group sold coarse iron powder to other customers engaged in trading and manufacturing of iron-related products in the PRC.

Prices of the Group's products

Iron Concentrates

The unit prices of approximately 65% and 64% iron concentrates produced by the Group mainly depend on the iron content contained in the Group's iron concentrates and are affected by the market conditions, including but not limited to the global, China and Shandong supply of and demand for iron ore products and the prosperity of Shandong steel industry.

The Group's average unit selling prices of 64% iron concentrates for the six months ended 30 June 2020 was approximately RMB755.6 per tonne, representing an increase of approximately 12.0% as compared with the average unit selling prices of approximately RMB674.9 per tonne for the six months ended 30 June 2019.

Coarse iron powder, spodumene and semi-coke

The average selling prices of coarse iron powder, spodumene and semi-coke were RMB626.8 per tonne, RMB575.2 per tonne and RMB624.2 per tonne respectively, for the six months ended 30 June 2020 and the average selling prices of coarse iron powder increased by approximately 2.6% as compared to the average unit price of approximately RMB610.7 per tonne.

Management Discussion and Analysis

Revenue

Revenue was generated from the sales of the Group's products to external customers net of value added tax as well as from the Group's trading activities. The Group's revenue from the 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 the prices of the Group's products. The following table sets forth a breakdown of the Group's revenue for the periods indicated:

	Six months ended 30 June 2020 RMB'000		Six months ended 30 June 2019 RMB'000	
Revenue				
Sales of iron and spodumene concentrates produced by the Group				
– 64% iron and spodumene concentrates	107,677	31.4%	81,796	53.7%
– iron ore tailings	12,960	3.8%	–	–
Sales from trading activities				
– coarse iron powder	172,818	50.4%	70,419	46.3%
– spodumene	46,015	13.4%	–	–
– semi-coke	3,121	1.0%	–	–
	342,591	100%	152,215	100%

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

	Six months ended 30 June 2020 (Kt)	Six months ended 30 June 2019 (Kt)
Sales volume of iron and spodumene concentrates produced by the Group		
– 64% iron and spodumene concentrates	142.5	121.2
– iron ore tailings	375.5	–
Sales volume of trading activities		
– coarse iron powder	275.7	115.3
– spodumene	80.0	–
– semi-coke	5.0	–
	878.7	236.5

Management Discussion and Analysis

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

	Six months ended 30 June 2020 (Kt)		Six months ended 30 June 2019 (Kt)	
Iron and spodumene concentrates produced by the Group				
– 64% iron and spodumene concentrates	38.4	8.4%	126.2	100%
– iron ore tailings	417.8	91.6%	–	–
Total	456.2	100%	126.2	100%

For the six months ended 30 June 2020, revenue is mainly derived from sales of 64% iron and spodumene concentrates produced by the Group. Revenue is also derived from trading of coarse iron powder, spodumene and semi-coke.

The Group recorded revenue of approximately RMB342.6 million for the six months ended 30 June 2020, representing an increase of approximately 125.1% over the revenue of approximately RMB152.2 million for the six months ended 30 June 2019. The increase in revenue of the Group was primarily due to (1) the increase in turnover of trading of coarse iron powder by approximately RMB102.4 million from approximately RMB70.4 million for the six months ended 30 June 2019 to approximately RMB172.8 million for the six months ended 30 June 2020; (2) the increase in sales of the iron and spodumene concentrates produced by the Group by approximately RMB25.9 million from RMB81.8 million for the six months ended 30 June 2019 to approximately RMB107.7 million for the six months ended 30 June 2020; and (3) sales of the spodumene approximately RMB46.0 million for the six months ended 30 June 2020.

Management Discussion and Analysis

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 2020		Six months ended 30 June 2019	
	<i>RMB'000</i>		<i>RMB'000</i>	
Cost of Sales				
Cost of sales of iron and spodumene concentrates produced by the Group				
– 64% iron and spodumene concentrates	104,049	34.0%	82,922	54.8%
– iron ore tailings	5,768	1.8%	–	–
Cost of sales of trading activities				
– sales of coarse iron powder	168,072	54.8%	68,406	45.2%
– sales of spodumene	25,633	8.4%	–	–
– sales of semi-coke	2,921	1.0%	–	–
	306,443	100%	151,328	100%

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

Total cost of sales increased by approximately 102.5% to approximately RMB306.4 million for the six months ended 30 June 2020, as compared with approximately RMB151.3 million for the corresponding period of 2019. Such increase was consistent with the increase in the Group's revenue during the six months ended 30 June 2020, which was mainly due to (1) the increase in the sales volume of iron and spodumene concentrates produced by the Group by approximately 21.3 Kt for the six months ended 30 June 2020; (2) the increase in sales volume from trading coarse iron powder by approximately 160.4 Kt and (3) sales of the spodumene inventories 80 Kt, which had been written down by approximately RMB42.1 million in prior two years, for the six months ended 30 June 2020.

Management Discussion and Analysis

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

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

	Six months ended 30 June 2020 RMB'000		Six months ended 30 June 2019 RMB'000	
Gross profit/(loss)				
Gross profit of iron and spodumene concentrates produced by the Group				
– 64% iron and spodumene concentrates	3,628	10.0%	(1,126)	(126.9%)
– iron ore tailings	7,192	19.9%	–	–
Gross profit of trading activities				
– sales of coarse iron powder	4,746	13.1%	2,013	226.9%
– sales of spodumene	20,383	56.4%	–	–
– sales of semi-coke	199	0.6%	–	–
	36,148	100%	887	100%

	Six months ended 30 June 2020 %	Six months ended 30 June 2019 %
Gross profit/(loss) margin		
Gross profit margin of iron and spodumene concentrates		
– 64% iron and spodumene concentrates	3.4%	(1.4%)
– iron ore tailings	55.5%	–
Gross profit margin of trading activities		
– sales of coarse iron powder	2.7%	2.9%
– sales of spodumene	44.3%	–
– sales of semi-coke	6.4%	–
	10.6%	0.6%

Management Discussion and Analysis

Gross profit increased by approximately RMB35.3 million from gross profit of approximately RMB0.9 million for the six months ended 30 June 2019 to gross profit of approximately RMB36.1 million for the six months ended 30 June 2020. The main reason for the increase was the increase in gross profit of the iron and spodumene concentrates produced by the Group by approximately RMB11.9 million from gross loss of approximately RMB1.1 million for the six months ended 30 June 2019 to gross profit of approximately RMB10.8 million for the six months ended 30 June 2020; and the increase in gross profit from the trading of coarse iron powder and spodumene by approximately RMB2.7 million and RMB20.4 million from gross profit of approximately RMB2.0 million and Nil for the six months ended 30 June 2019 to gross profit of approximately RMB4.7 million and RMB20.4 million, respectively, for the six months ended 30 June 2020.

Overall gross profit margin increased from gross profit margin of 0.6% to gross profit margin of 10.6% for the six months ended 30 June 2020 as compared with the corresponding period of 2019. The increase in overall gross profit margin was primarily due to the increase in the gross profit margin of the sales of spodumene and semi-coke.

Other income

Other income mainly represented the grants received from government and there were no unfulfilled conditions and obligations.

Other gains

The Group's other gains were approximately RMB8.1 million for the six months ended 30 June 2020 as compared with other gains of approximately RMB0.3 million for the six months ended 30 June 2019, mainly due to the increase in gain on disposal of property, plant and equipment of approximately RMB7.7 million.

Finance costs, net

Net finance costs mainly comprised of interest expense on borrowings of the Group, offset by interest income of bank deposits. Finance costs increased by approximately 63.0% from approximately RMB7.3 million for the six months ended 30 June 2019 to approximately RMB11.9 million for the six months ended 30 June 2020, mainly due to the increase in interest expenses from net foreign exchange losses.

Total comprehensive income/(loss)

The total comprehensive income attributable to owners of the Company was approximately RMB18.3 million for the six months ended 30 June 2020, representing an increase of approximately RMB49.2 million, or 159.2%, as compared with total comprehensive loss attributable to owners of the Company of RMB30.9 million for the six months ended 30 June 2019. This was mainly due to (1) the increase in gross profit by approximately RMB35.2 million from approximately RMB0.9 for the six months ended 30 June 2019 to approximately RMB36.1 million for the six months ended 30 June 2020, (2) the increase in distribution cost by approximately RMB0.9 million from approximately RMB0.2 million for the six months ended 30 June 2019 to approximately RMB1.1 million for the six months ended 30 June 2020, which offset the decrease in reversal of write-down of inventories by approximately RMB0.5 million from approximately RMB3.1 million for the six months ended 30 June 2019 to approximately RMB2.6 million for the six months ended 30 June 2020.

Management Discussion and Analysis

Work Priorities for the Second Half of 2020:

- I. To further improve its existing brand-new processing technique and achieve mass production gradually and continue to keep close relationships with the upstream and downstream businesses along the industrial value chain in the region to bring good economic benefits to the Group.
- II. To work harder for the planning and implementation of a comprehensive industrial value chain, including the mining and processing of titanium ores and the production of titanium concentrates, high titanium slag, titanium tetrachloride and sponge titanium, continue to enhance its cooperation with research and development institutions in addition to the in-house research, development and production in respect of the above, make investments in technical transformation in response to market demands, as appropriate, and strive to transform the above-mentioned technical advantages into productivity, with an aim to improve the profitability of the Company.
- III. To engage an independent third-party organization responsible for the mining, production and sales business of Yangzhuang Iron Mine against the backdrop of a pick-up in iron concentrate price and leveraging the experience and technology advantages of established enterprise(s) in the industry, and be actively engaged in port trade as well as external ore processing and blending by riding on its geographic advantage of a close access to the port from its processing plant to increase its revenue.
- IV. To obtain the mining permit in the second half of the year for Yangzhuang Iron Mine after the reserve of which was verified by the experts from the Department of Natural Resources of Shandong Province with a current reserve of 28.80 Mt.
- V. To commence the mining of rubidium, a scarce mineral substance, by Yangzhuang Iron Mine, which has discovered a rubidium ore reserve of 3,549 tons, with metal content of 4.47 tons and grade of 0.126% (industrial grade: 0.12%) through exploration.
- VI. To obtain professional advice upon review by experts from the Department of Natural Resources of Shandong Province in respect of the environmental management and land rehabilitation work in Yangzhuang Iron Mine and carry on tailings processing in Yangzhuang Iron Mine for higher economic income.
- VII. To cancel the finance lease business of the Group to concentrate capital and efforts on the development of its principal businesses, given the current difficulties in the finance lease industry.
- VIII. To further strictly implement the advice given by its internal control consultant and, by focusing on the continuous improvement of internal control and management, enhance its comprehensive management to pave a solid foundation for the improvement of results.

Management Discussion and Analysis

- IX. To capture the market opportunity of semi-coke, a new type of clean energy, arising from the possible tightened control of the government over environment during winter when heating is necessary for the north area of China, to increase a new economic driving force.
- X. To make full use of the platform as a listed group, proactively consolidate social resources, focus on investor relations, strengthen financing efforts, further expand shareholders base, enhance stock liquidity and finance the potential key construction projects, merger and acquisition projects, or expansion of the titanium industry value chain.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2020, the Company repurchased 1,650,000 shares of HK\$0.002 each in the capital of the Company at prices ranging from HK\$0.046 to HK\$0.052 per share on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Details of the repurchases are as follows:

Date of repurchase	Number of shares repurchased	Purchase price per share		Aggregate purchase consideration (excluding expenses) HK\$
		Highest HK\$	Lowest HK\$	
15 May 2020	820,000	0.051	0.047	40,220
18 May 2020	500,000	0.051	0.050	25,352
3 June 2020	30,000	0.052	0.052	1,560
18 June 2020	300,000	0.048	0.046	14,360
	1,650,000			81,492

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2020.

Other Information

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

As at 30 June 2020, the interests or short positions of the Directors or chief executive in 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 Rules Governing the Listing of Securities on the Stock Exchange (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 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 <i>(Note 1)</i>	38.23%
	Beneficial Owner	Long position	122,058,000	2.28%
Mr. Geng Guohua ("Mr. Geng")	Beneficial Owner	Long position	18,884,000	0.35%
Mr. Lang Weiguo ("Mr. Lang")	Interest of controlled corporation	Long position	18,700,000 <i>(Note 2)</i>	0.35%

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 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.
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 2020, 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 2020, 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 of the Company 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	38.23%
Ms. Zhang Limei ("Ms. Zhang")	Interest of spouse	Long position	2,170,196,660 (Note 1)	40.51%
X. Mining Resources Group Limited	Beneficial owner	Long position	326,344,000 (Note 2)	6.09%
Mr. Wu Pun Yan ("Mr. Wu")	Interest of controlled corporation	Long position	326,344,000 (Note 2)	6.09%
Mr. Yeung Wai ("Mr. YW")	Interest of controlled corporation	Long position	444,442,000 (Note 3)	8.30%
Mr. Yeung Yun Chuen ("Mr. Yeung YC")	Interest of controlled corporation	Long position	444,442,000 (Note 3)	8.30%
Mr. Yeung Yun Kei ("Mr. Yeung YK")	Interest of controlled corporation	Long position	444,442,000 (Note 3)	8.30%

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.
- These include (i) 211,110,000 Shares held through Fulum Management Limited, which is wholly-owned by Chung Ling Management & Logistics Holdings Limited, which is in turn wholly-owned by Chung Sing Holdings Limited, which is in turn wholly-owned by Fulum Group Holdings Limited, a company which is owned as to 71.28% by China Sage International Limited (a company wholly-owned by Mr. YW), Mr. YW, Mr. Yeung YC and Mr. Yeung YK; and (ii) 233,332,000 Shares held through Wealthy Land Investment Group Limited, which is owned as to 100% by Mr. YW, Mr. Yeung YC and Mr. Yeung YK. Mr. YW, Mr. Yeung YC and Mr. Yeung YK are siblings. For the purpose of the SFO, each of Mr. YW, Mr. Yeung YC and Mr. Yeung YK is deemed or taken to be interested in the same number of Shares in which Fulum Management Limited and Wealthy Land Investment Group Limited are interested.

Other Information

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 of the Company as at 30 June 2020.

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 (the "Adoption Date") whereby the Board was authorised, at its absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company 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 "Participants"). The Scheme became unconditional on 27 April 2012.

The principal terms of the Scheme are summarised as follows:

1. The limit on the total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme(s) of any member of the Group must not exceed 10% of the nominal amount of all the issued share capital of the Company as at the Listing Date, i.e. 27 April 2012 (which was 360,435,790 shares, as adjusted by the share subdivision of every one share of HK\$0.01 each into 5 shares of HK\$0.002 each which became effective on 28 October 2014) unless Shareholders' approval has been obtained, and which must not in aggregate exceed 30% of the shares in issue from time to time. As at the date of this interim report, the total number of shares available for issue under the Scheme is 360,435,790 shares, representing approximately 6.73% of the shares in issue as at the date of this interim report.
2. The total number of shares issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted to any Participants in any 12-month period shall not exceed 1% of the issued shares as of the proposed grant date.
3. The subscription price for the shares under the options to be granted under the Scheme will be a price determined by the Board at the time of grant of the options, and shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the options, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares on the date of grant of the option.
4. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.
5. HK\$1.00 is payable by the Participants who accepts the grant of an option in accordance with the terms of the Scheme on acceptance of the grant of an option.
6. The Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders of the Company in general meeting.

Other Information

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Period ended 30 June 2020 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 2020.

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 2020.

AUDIT COMMITTEE

The Company established the Audit Committee on 9 April 2012 with written terms of reference in compliance with the CG Code, which currently comprises of three independent non-executive Directors, namely Mr. Leung Nga Tat (as chairman), Mr. Li Xiaoyang and Mr. Zhang Jingsheng. The Audit Committee had reviewed the unaudited interim consolidated results for the six months ended 30 June 2020 before such documents were tabled at a meeting of the Board held on 27 August 2020 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, 27 August 2020