AOWEI HOLDING LIMITED
奧威控股有限公司

(incorporated in the British Virgin Islands and continued in the Cayman Islands with limited liability)
(Stock Code: 1370)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

The revenue of the Group for the Reporting Period was approximately RMB568.0 million, representing a decrease of approximately RMB247.6 million or 30.4% as compared to the corresponding period of last year. The Group's cost of sales for the Reporting Period was approximately RMB473.9 million, representing a decrease of approximately RMB71.4 million or 13.1% as compared to the corresponding period of last year. The gross profit of the Group for the Reporting Period was approximately RMB94.1 million, representing a decrease of approximately RMB176.1 million or 65.2% as compared with the corresponding period of last year.

For the Reporting Period, the loss attributable to the equity shareholders of the Company was approximately RMB70.6 million, while the loss attributable to the equity shareholders of the Company for the corresponding period last year was approximately RMB99.0 million.

For the Reporting Period, the basic loss per share attributable to equity shareholders of the Company was RMB0.04, while the basic loss per share for the corresponding period last year were RMB0.06.

The board (the "**Board**") of directors (the "**Directors**") of Aowei Holding Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (the "**Reporting Period**" or the "**Year**").

The following is an extract of the audited consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards as set out in the 2020 annual report of the Company (the "**2020 Annual Report**"), together with the relevant comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020**	2019
		RMB'000	*RMB'000*
Revenue	*4*	**567,977**	815,549
Cost of sales		**(473,888)**	(545,314)
Gross profit		**94,089**	270,235
Other income, gains and losses, net	*6*	**(254)**	26
Distribution expenses		**(16,633)**	(2,645)
Administrative expenses		**(117,947)**	(84,943)
Reversal of impairment losses (impairment losses) under expected credit losses model, net		**2,470**	(2,816)
Impairment losses recognised in respect of property, plant and equipment		**–**	(73,518)
Impairment losses recognised in respect of intangible assets		**–**	(183,452)
Gain on disposal of a subsidiary		**–**	5,424
Finance costs	*7*	**(41,556)**	(43,099)
Loss before tax	*8*	**(79,831)**	(114,788)
Income tax credit	*9*	**9,260**	15,817
Loss for the year		**(70,571)**	(98,971)
Other comprehensive (expense) income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(140)**	268
Total comprehensive expense for the year		**(70,711)**	(98,703)
Loss per share in RMB	*10*		
Basic		**(0.04)**	(0.06)
Diluted		**N/A**	**N/A**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	**2020**	2019
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**1,011,763**	795,145
Construction in progress		**113,796**	1,429
Intangible assets		**77,172**	84,304
Long-term receivables		**30,340**	41,340
Deferred tax assets		**192,280**	166,944
Prepayments		**–**	221,931
		1,425,351	1,311,093
Current assets			
Inventories		**131,754**	113,411
Trade and other receivables	*12*	**452,856**	448,192
Pledged bank deposit		**300,000**	–
Bank balances and cash		**20,212**	461,639
		904,822	1,023,242
Current liabilities			
Trade and other payables	*13*	**238,131**	162,369
Contract liabilities		**1,954**	10,283
Lease liabilities		**3,669**	3,990
Bank borrowings		**430,000**	555,000
Tax payable		**50,559**	68,016
Other financial liabilities		**23,009**	38,971
Provision for reclamation obligations		**3,392**	3,048
		750,714	841,677
Net current assets		**154,108**	181,565
Total assets less current liabilities		**1,579,459**	1,492,658

	2020	2019
	RMB'000	*RMB'000*
Non-current liabilities		
Bank borrowings	**178,000**	–
Lease liabilities	**–**	3,452
Other financial liabilities	**115,695**	131,664
Provision reclamation obligations	**35,205**	36,272
	328,900	171,388
NET ASSETS	**1,250,559**	1,321,270
CAPITAL AND RESERVES		
Share capital	**131**	131
Reserves	**1,250,428**	1,321,139
TOTAL EQUITY	**1,250,559**	1,321,270

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Aowei Holding Limited (the "Company") was incorporated in the British Virgin Islands on 14 January 2011 and redomiciled to the Cayman Islands on 23 May 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (2012 Revision, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (together the "Group") are principally engaged in the mining, processing and sale of iron ore products and gravel materials and the provision of hospital management service in the People's Republic of China ("PRC"). The registered office of the Company is located at P.O. Box 309, Ugland House Grand Cayman KY1-1104, Cayman Islands and its principal place of business is located at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong.

Pursuant to a Group reorganisation (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the Reorganisation are set out in the prospectus of the Company dated 18 November 2013. The Company's shares were listed on the Stock Exchange on 28 November 2013.

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company is Hong Kong dollars ("HK$"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered Renminbi ("RMB") as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB.

As at 31 December 2020, the directors of the Company (the "Directors") considered the immediate parent and ultimate controlling party of the Group to be Hengshi International Investments Limited and Mr. Li Yanjun and Mr. Li Ziwei, respectively. Hengshi International Investments Limited does not produce financial statements available for public use.

2 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to International Accounting Standards ("IAS") 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts on application of Amendments to IAS 1 and IAS 8 *Definition of Material*

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2.2 Impacts on application of Amendments to IFRS 3 *Definition of a Business*

The Group has applied the amendments for the first time in the current year. The amendments clarify that while business usually have output, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[6]
Amendments to IFRS 4	Extension of the temporary exemption from applying IFRS 9[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IAS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition to Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.
6 Effective for annual periods beginning on or after 1 April 2021.

Except for the new and amendments to IFRSs mentioned in the consolidated financial statements, the Directors anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operation existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

4 REVENUE

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2020	2019
	RMB'000	*RMB'000*
Mining Segment		
Iron ore concentrates	**485,862**	814,093
Preliminary concentrates	**28,319**	–
Gravel materials	**53,796**	500
Medical Segment		
Hospital management service	**–**	956
	567,977	815,549

5 OPERATING SEGMENTS

Information reported to the Directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments under IFRS 8 *Operating Segments* are as follows:

- Mining segment: the mining, processing and sale of iron ore products and gravel materials; and

- Medical segment: the provision of hospital management, establishment of specialist clinics, supply of medical consumables and nursing service.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December 2020

	Mining segment	**Medical segment**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Revenue	**567,977**	**–**	**567,977**
Segment results	**(74,961)**	**(531)**	**(75,492)**
Unallocated corporate expenses			**(4,339)**
Loss before tax			**(79,831)**

For the year ended 31 December 2019

	Mining segment	Medical segment	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue	814,593	956	815,549
Segment results	60,184	(171,739)	(111,555)
Unallocated corporate income			7
Unallocated corporate expenses			(3,240)
Loss before tax			(114,788)

6 OTHER INCOME, GAINS AND LOSSES, NET

	2020	2019
	RMB'000	*RMB'000*
Written-off of property, plant and equipment	**(328)**	–
Loss on disposal of property, plant and equipment	**(33)**	(104)
Interest income	**107**	130
	(254)	26

7 FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest expenses on:		
– Bank borrowings	**35,281**	33,594
– Lease liabilities	**457**	13
Unwinding interest expenses on:		
– Other financial liabilities	**4,983**	8,148
– Provision for reclamation obligations	**835**	1,344
	41,556	43,099

8 LOSS BEFORE TAX

	2020	2019
	RMB'000	*RMB'000*
Staff costs (include directors' and chief executive's emoluments):		
– salaries and other benefits in kind	**57,262**	64,590
– retirement benefits scheme contributions	**221**	4,552
Total staff costs	**57,483**	69,142
Auditor's remuneration:		
– audit services	**5,521**	2,050
– non-audit services	**1,700**	1,200
Legal and professional fee	**6,244**	6,262
Donation	**10,501**	230
Depreciation of property, plant and equipment (exclude right-of-use assets)	**102,126**	83,800
Depreciation of right-of-use assets	**18,306**	12,635
Amortisation of intangible asset	**7,132**	13,058
Total depreciation and amortisation	**127,564**	109,493

9 INCOME TAX (CREDIT) EXPENSE

	2020 *RMB'000*	2019 *RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**11,804**	49,174
Underprovision in prior years:		
Hong Kong Profits Tax	**4,272**	–
Deferred tax		
Current year	**(25,336)**	(64,991)
Total	**(9,260)**	(15,817)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for taxation in Hong Kong has been made for the year ended 31 December 2020 as the Group did not generate any assessable profits arising in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries are 25% respectively for both years ended 31 December 2020 and 2019.

10 LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2020 *RMB'000*	2019 *RMB'000*
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**70,571**	98,971

	2020 *'000*	2019 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,635,330**	1,635,330

No diluted loss per share for both years ended 31 December 2020 and 2019 were presented as there were no potential ordinary shares in issue for both years ended 31 December 2020 and 2019.

11 DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

12 TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**88,109**	88,817
Less: Allowance for credit losses	**(277)**	(15,074)
Total trade receivables, net	**87,832**	73,743
Prepayments and deposits	**337,397**	591,325
Value-added tax recoverable	**7,107**	741
Amount due from a related party	**25**	–
Other receivables	**21,129**	4,738
	365,658	596,804
Less: Allowance for credit losses	**(634)**	(424)
Total other receivables, net	**365,024**	596,380
Less: Prepayments classified as other non-current assets	**–**	(221,931)
Other receivables, net	**365,024**	374,449
Trade and other receivables, net	**452,856**	448,192

Note:

As at 1 January 2019, trade receivables from contracts with customers amounted to approximately RMB60,344,000, net of allowance for credit losses of approximately RMB12,358,000.

The following is an aged analysis of trade receivables net of allowance for credit losses, presented based on the invoice date:

	2020	2019
	RMB'000	*RMB'000*
0 to 30 days	**30,537**	36,921
31 to 90 days	**1,899**	22,030
91 to 180 days	**10,064**	14,792
181 to 365 days	**45,332**	–
	87,832	73,743

13 TRADE AND OTHER PAYABLES

	2020 *RMB'000*	2019 *RMB'000*
Trade payables	**69,541**	73,925
Other taxes payables	**13,435**	15,732
Payables for construction work, equipment purchase and others	**83,401**	5,620
Amounts due to related parties	**–**	7
Interest payables	**2,181**	1,522
Others payables	**69,573**	65,563
	238,131	162,369

The following is an aged analysis of trade payables presented based on the invoice date:

	2020 *RMB'000*	2019 *RMB'000*
Up to 30 days	**28,657**	13,872
31 to 90 days	**14,768**	26,856
91 to 180 days	**3,930**	14,742
181 to 365 days	**2,999**	6,471
Over 1 year	**19,187**	11,984
	69,541	73,925

As at 31 December 2020, all trade payables are due and payable on presentation or within one year.

14 EVENTS AFTER THE REPORTING PERIOD

(a) The coronavirus outbreak since early 2020 may have brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's businesses. As far as the Group's businesses are concerned, there are not any material or entity-specific post-year-end impact on the financial information as of 31 December 2020.

(b) On 25 June 2021, Laiyuan County Jingyuancheng Mining Co., Ltd.* (淶源縣京源城礦業有限公司) entered into an asset purchase agreement with Laiyuan County Zengzhi Construction Materials Co., Ltd.* (淶源縣增志建材有限公司) (the "**Vendor**") for the acquisition of the Target Assets (as defined in the announcement of the Company dated 25 June 2021) pursuant to which Jinyuancheng Mining conditionally agreed to purchase, and the Vendor conditionally agreed to sell, free from encumbrances, the Target Assets at a consideration of RMB294,837,000. The acquisition was completed on 10 July 2021. For details, please refer to the announcements of the Company dated 25 June 2021, 7 July 2021 and 12 July 2021, respectively.

* *For identification purpose only*

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since the financial information contained in the Unaudited Preliminary Announcement was neither audited nor agreed with Asian Alliance (HK) CPA Limited as at the date of the publication and subsequent adjustments have been made to such information, Shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. Set forth below are principal details and reasons for the material differences in such financial information.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 *RMB'000* (Audited)	2020 *RMB'000* (Unaudited)	*RMB'000* (Differences)	*NOTES*
Revenue	567,977	567,977	–	
Cost of sales	(473,888)	(478,440)	4,552	*1*
Gross profit	94,089	89,537	4,552	
Other income, gains and losses, net	(254)	–	(254)	
Distribution expense	(16,633)	(16,633)	–	
Administrative expenses	(117,947)	(107,591)	(10,356)	*2*
Reversal of impairment losses (impairment losses) under expected credit loss model, net	2,470	(607)	3,077	*3*
Finance income	–	107	(107)	
Finance costs	(41,556)	(41,678)	122	
Loss before tax	(79,831)	(76,865)	(2,966)	
Income tax credit (expense)	9,260	(35,576)	44,836	*4*
Loss for the year	(70,571)	(112,441)	41,870	
Other comprehensive expense for the year				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(140)	(140)	–	
Total comprehensive expense for the year	(70,711)	(112,581)	41,870	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	2020 *RMB'000* (Audited)	2020 *RMB'000* (Unaudited)	*RMB'000* (Differences)	*NOTES*
Non-current assets				
Property, plant and equipment	1,011,763	1,120,215	(108,452)	5
Construction in progress	113,796	6,288	107,508	6
Intangible assets	77,172	184,680	(107,508)	6
Long-term receivables	30,340	30,340	–	
Deferred tax assets	192,280	172,573	19,707	7
	1,425,351	1,514,096	(88,745)	
Current assets				
Inventories	131,754	131,754	–	
Trade and other receivables	452,856	426,308	26,548	8
Pledged bank deposit	300,000	300,000	–	
Bank balances and cash	20,212	20,212	–	
	904,822	878,274	26,548	
Current liabilities				
Trade and other payables	238,131	185,151	52,980	9
Contract liabilities	1,954	–	1,954	11
Lease liabilities	3,669	7,644	(3,975)	10
Bank borrowings	430,000	430,000	–	
Tax payable	50,559	76,327	(25,768)	12
Other financial liabilities	23,009	23,009	–	
Provision for reclamation obligations	3,392	69,968	(66,576)	13
	750,714	792,099	(41,385)	
Net current assets	154,108	86,175	67,933	
Total assets less current liabilities	1,579,459	1,600,271	(20,812)	
Non-current liabilities				
Bank borrowings	178,000	–	178,000	14
Lease liabilities	–	9,041	(9,041)	15
Other financial liabilities	115,695	115,695	–	
Provision for reclamation obligations	35,205	88,847	(53,642)	16
Deferred tax liabilities	–	178,000	(178,000)	14
	328,900	391,583	(62,683)	
Net assets	1,250,559	1,208,688	41,871	
Capital and reserves				
Share capital	131	131	–	
Reserves	1,250,428	1,208,557	41,871	
Total equity	1,250,559	1,208,688	41,871	

Notes:

1. The cost of sales decreased by RMB4,552 thousand, which was mainly due to a) the decrease of RMB3,452 thousand in staff costs which was partially offset by the additional provision for social insurance, and b) the decrease of RMB1,100 thousand in depreciation costs as a result of the re-measurement of depreciation of mining assets under the units-of-production method.

2. Administrative expenses increased by RMB10,356 thousand, which was mainly due to a) the reclassification of certain expenses from provision for reclamation obligations to administrative expenses, and b) adjustments for under provision of administrative expenses.

3. Impairment losses under expected credit loss model, net decreased by RMB3,077 thousand, which was mainly due to the reversal of impairment losses under expected credit loss model of the Group's financial assets after reassessment by valuer.

4. Income tax decreased by RMB44,836 thousand, which was mainly due to the finalisation of current tax and deferred tax.

5. Property, plant and equipment, net decreased by RMB108,452 thousand, which was mainly due to a) the reclassification of certain property, plant and equipment to provision for reclamation obligations for expenditure involved for the reclamation projects in prior years, and b) adjustments on application of the short-term lease recognition exemption in accordance with IFRS16 *Lease*.

6. Construction in progress increased by RMB107,508 thousand, which was due to the reclassification of green mines under construction from intangible assets to construction in progress.

7. Deferred tax assets increased by RMB19,707 thousand as detailed in Note 4.

8. Trade and other receivables increased by RMB26,548 thousand, which was due to reclassification of certain trade and other payables to trade and other receivables.

9. Trade and other payables increased by RMB52,980 thousand, which was mainly due to a) reclassification of certain trade and other payables to trade and other receivables; b) reclassification of certain tax payable to trade and other payables; and c) adjustments for under provision of administrative expenses.

10. Current portion of lease liabilities decreased by RMB3,975 thousand, which was due to the adjustments on application of the short-term lease recognition exemption in accordance with IFRS16 *Lease*.

11. Contract liabilities increased by RMB1,954 thousand was a result from reclassification of trade and other payables to contract liabilities for enhancing the presentation of the consolidated financial statements.

12. Current tax decreased by RMB25,768 thousand as detailed in Note 4 and Note 9.

13. Current portion of accrued reclamation obligations decreased by RMB66,576 thousand, see Note 5 for details.

14. Non-current bank borrowings increased by RMB178,000 thousand, which was a result from reclassification of deferred tax liabilities to non-current borrowings due to typing error.

15. Lease liabilities non-current portion decreased by RMB9,041 thousand, see Note 10 for details.

16. Accrued reclamation obligations non-current portion decreased by RMB53,642 thousand, see Note 5 for details.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2020, which has included a disclaimer of opinion.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Limitation of Scope on Prepayments

As detailed in Notes 22 and 25(b) to the consolidated financial statements, as at 31 December 2019 and 31 December 2020, the Company made prepayments in aggregate of approximately RMB551,365,000 and RMB294,626,000 (the "**Prepayments**") respectively to four transportation service providers (the "**Transportation Service Providers**"), which were independent of the Group and not related to any of the directors of the Company (the "**Directors**"), in relation to the provision of on-site loading services and transportation services (the "**Transportation Services**").

As at 31 December 2019, the prepayments of approximately RMB221,931,000 and RMB329,434,000 were classified as non-current assets and current assets respectively. As at 31 December 2020, the Prepayments of approximately RMB294,626,000 was classified as current assets.

During the year ended 31 December 2020, we noted the Group has the following transactions with the Transportation Service Providers:

(i) upfront payments in aggregate of approximately RMB1,399,556,000 to the Transportation Service Providers (the "**Upfront Payments**");

(ii) fees in aggregate of approximately RMB370,759,000 in relation to the Transportation Services provided by the Transportation Service Providers (the "**Transportation Service Fees**"); and

(iii) refunds in aggregate of approximately RMB1,289,430,000 from the Transportation Service Providers (the "**Refunds**").

The Company made an announcement on 29 March 2021 to inform the public about (a) the delay of the publication of the audited annual results announcement for the year ended 31 December 2020 and (b) the requests by the predecessor auditor in respect of the audit of the Group's consolidated financial statements for the year ended 31 December 2020 for information and documents in relation to certain audit issues (the "**Audit Issues**") including but not limited to the Prepayments as mentioned above. On 28 April 2021, an independent investigation committee (the "**Independent Investigation Committee**"), which is comprised of all the independent non-executive directors of the Company, was established. The Independent Investigation Committee has appointed an independent investigator (the "**Investigation Firm**") to assist the Independent Investigation Committee in conducting the investigation on the Audit Issues. The Investigation Firm has issued an independent investigation report dated 30 August 2022 and supplemental investigation report dated 30 August 2022 (collectively the "**Investigation Reports**").

During our audit of the consolidated financial statements of the Group for the year ended 31 December 2020, we have been provided with the Investigation Reports, the explanations and supporting documents from the management of the Group, which are about the commercial substance and nature of the Prepayments in relation to the Transportation Services, including:

(i) The Upfront Payments made by the Group to the Transportation Service Providers were used to offset the Transportation Service Fees;

(ii) The reason of making significant Upfront Payments to the Transportation Service Providers: it was mainly for the purpose of exchanging for their long-term and stable services, and the Transportation Service Providers were able to enhance their plant and equipment such as replacing transportation vehicles to ensure the safety of the transportation business between the Transportation Service Providers and the Group and to stabilize the operations of other businesses of the Transportation Service Providers;

(iii) The reasons of making significant Refunds by the Transportation Service Providers: such arrangement was mainly due to the fact that the Group had funding needs at that time and the Prepayments made was still sufficient to cover the Transportation Service Fees of the short-term budget and thus the Group requested the Transportation Service Providers to make the Refunds;

(iv) The Prepayments as at 31 December 2019 was approximately RMB551,365,000, representing 149% of the Transportation Service Fees for the year ended 31 December 2020 (i.e. approximately RMB370,759,000);

(v) The lack of supporting documents for the approval of the Upfront Payments and the reasons given by the management of the Group: the responsible team overlooked the importance of supporting documents as they put too much emphasis on actual operation; and

(vi) The absence of comprehensive due diligence to the Transaction Service Providers before the approval of the Upfront Payments and the explanation given by the management of the Group: the responsible team of the Group only focused on the operational needs of the Group and the daily operation and capability of the Transportation Service Providers. The Investigation Firm believed that the Group's assessment in relation to the repayment ability of the Transportation Service Providers solely by observing the operation of the Transportation Service Providers is not sufficient and it may lead to deficiencies in securing the Upfront Payments.

However, we have not been provided with explanations together with the supporting documents from the board of directors of the Company (the "**Board**") that would satisfy ourselves as to the accuracy, occurrence, commercial substance and business rationale, valuation and allocation and classification of the Prepayments, the Upfront Payments and the Refunds, because:

(i) There was inadequate supporting documents and explanation made available to us to determine whether the Prepayments are recognised in proper accounts (i.e. whether it constituted as a prepayment, or other receivables, etc.) and the classification of current portion and non-current portion of the Prepayments as at 31 December 2019 and 31 December 2020;

(ii) We are not able to justify the commercial substance and business rationale of the Upfront Payments since:

   (a) there was no evidence to support making a significant upfront payment is a general practice in the transportation service market;

   (b) there was no documents showing the authorisation process for the grant of the credit limit to each of the Transportation Service Providers;

   (c) there was no detailed records for the selection criteria or the quotation progress in the selection of the Transportation Service Providers;

   (d) there was no documentary payment request received from the Transportation Service Providers when making the Upfront Payments and lack of supporting documents accompanied with the payment request to support the amount of the Upfront Payments; and

   (e) there was doubt that the Upfront Payments were not solely for the Transportation Services as, on one hand, the Group is of the view that the implementation of the prepayment policy would enable the Transportation Service Providers to make investments in fixed assets, such as replacing transportation vehicles, to ensure the safety of its services provided to the Group, while on the other hand, the Transportation Service Providers made Refunds upon the oral request from the Group; and

(iii) We are not able to justify the commercial substance and business rationale of the Refunds as the Group made Upfront Payments to the Transportation Service Providers again within a short period after the Refunds.

Accordingly, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves about the concerns we expressed and there were no other alternative audit procedures that we could carry out to satisfy ourselves as to the accuracy, occurrence, commercial substance and business rationale, valuation and allocation and classification of (1) the Prepayments of approximately RMB551,365,000 and RMB294,626,000 as at 31 December 2019 and 31 December 2020 respectively, and (2) the Upfront Payments of approximately RMB1,399,556,000 and the Refunds of approximately RMB1,289,430,000 during the year ended 31 December 2020.

Any adjustment found to be necessary in respect of these matters might have significant consequential effects on the consolidated financial position of the Group as at 31 December 2019 and 2020, and the consolidated financial performance and cash flows of the Group for the year ended 31 December 2020, and the related disclosures in the consolidated financial statements.

We consider the significance of the matters described above and their effect on the consolidated financial statements is so extreme that we have disclaimed our opinion.

EMPHASIS OF MATTER

The pledged bank deposit of RMB300,000,000 (the "**Pledged Deposit**"), as disclosed in Note 26 to the consolidated financial statements, was executed by a former legal person of a subsidiary without reporting to and without approval from the Board. However, entering into the pledge agreement on 22 December 2020 in respect of the Pledged Deposit constituted a disclosable transaction of the Company and was therefore subject to the reporting and announcement requirements under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Pledged Deposit is also subject to the general disclosure obligations under Rule 13.15 of the Listing Rules. Subsequently, the Company issued an announcement regarding to such notifiable transaction on 9 September 2022. Our opinion is not modified in respect of this matter.

MANAGEMENT'S VIEW AND POSITION ON THE DISCLAIMER OF OPINION

As mentioned in the section headed "EXTRACT OF INDEPENDENT AUDITOR'S REPORT" above in this announcement, there are limitations on the scope of the Prepayments.

The management of the Company emphasised that the prepayment arrangement with the Transportation Service Providers independent from the Group is taking into account:

1) The Group's principal place of business is located in Laiyuan County, Baoding City, Hebei Province. Due to the large-scale commencement of the construction of the Xiong'an New Area in Hebei Province established in 2017, the demand for short-distance transportation of muck vehicles in the Xiong'an New Area has been increasing, which has weakened the macro landscape of the transportation industry in Laiyuan County. In addition, the construction and transportation business in the Xiong'an New Area has a higher profit margin and a faster short-term transportation settlement rate than that of the mine transportation business, resulting in a higher preference for transportation service providers to develop business in the Xiong'an New Area and to give up business cooperation with the Company;

2) Mine transportation has a high requirement for the stability of the transportation team. As the geographical locations of mining enterprises are different from those of other enterprises, there are great safety risks. The transportation routes are in mountainous areas, and transportation drivers are required to be familiar with the transportation road conditions to ensure the safety of transportation. Due to the special nature and safety consideration of the transportation business of mining enterprises (including but not limited to mining area transportation, mining area loading and unloading, etc.) and the business of mining enterprises, as well as the replacement of the original transportation service providers which will lead to a large amount of replacement costs and losses from production suspension, the Group tends to maintain a relatively stable transportation team;

3) The actual operation of the Group requires a large amount of transportation capacity to ensure normal production and transportation is an indispensable part of production; and

4) As the Transportation Service Providers have commenced part of their respective business in Xiong'an, the daily operation and capacity of the existing Transportation Service Providers are limited, and the Transportation Service Providers have experienced vehicle ageing and insufficient drivers.

Therefore, the terms of the transaction arrangements between the Group and the Transportation Service Providers are legitimate terms after arm's length negotiations with each of the Transportation Service Providers and taking into account the above reasons, and are on normal commercial terms under special circumstances where the operating location of the Group is affected by the establishment of Xiong'an New Area.

The management of the Company noted that Asian Alliance (HK) CPA Limited was of the view that it needed more information to satisfy itself with the above confirmed transaction arrangements.

The Company has tried its best endeavour to meet the requirements of Asian Alliance (HK) CPA Limited and communicated with relevant parties accordingly. The management of the Company is of the view that the Group has a prepayment approval process in place, but the personnel responsible for the operation only focuses on the actual operation, due to which the approval process lacks documentation and no comprehensive due diligence, including detailed financial information, has been conducted. The Group has taken measures to improve the internal control system and implement better procurement and payment control procedures.

The Audit Committee has reviewed and agreed with the management's view and position above.

ACTIONS OF THE COMPANY TO ADDRESS THE DISCLAIMER OF OPINION

The Company has taken the following measures in response to the audit modification, including:

(a) holding the management meetings and Audit Committee meetings to discuss the matters;

(b) appointing PRO-WIS Risk Advisory Services Limited to conduct Listing Rules training for the management and directors of the Group to enhance the management control capability of the Group;

(c) enhancing internal control and training to staff to strictly implement the Group's prepayment approval and refund processes to ensure that valid and sufficient authorisation and supporting documents are retained in all prepayment approval processes;

(d) requiring relevant department to obtain, compare and document the quotations from different suppliers/service providers and enhance the approval procedures, which will be reviewed annually by the Group; the Group has enhanced the credit limit control system, and will assess the credit limit of customers and suppliers annually, taking into account the solvency and transaction amount of customers and suppliers before deciding on the credit limit to avoid excessive credit. Due diligence review procedure has been introduced on new customers or suppliers or applications for credit lines exceeding certain limits. The Group's projected operations, transportation and financial position will be reviewed at least semi-annually in order to make timely adjustments and request for refund of the prepayments if necessary.

(e) in order to enhance the internal control system of the Group, Avista PRO-WIS Risk Advisory Limited has been engaged to conduct an internal control review on all internal control procedures (including the prepayment system and process) of the Group, provide recommendations and conduct follow-up; the Company has made efforts to take actions to remedy the deficiencies identified in the internal control review.

MANAGEMENT DISCUSSION AND ANALYSIS

IRON ORE BUSINESS

Market Review

In 2020, the domestic and foreign environment was turbulent and volatile. Particularly, the outbreak of the COVID-19 epidemic has had a severe impact on the global economy. Facing the complicated international economic environment and severe situation, the Chinese government adheres to the general principle of making steady progress, coordinating epidemic prevention and control, economic and social development, and scientifically and accurately implementing macro policies. As a result, China's epidemic prevention and control has improved, its economy operation has recovered steadily, and major targets and tasks for economic and social development have been accomplished better than expected. According to public data from the National Bureau of Statistics, the GDP exceeded RMB100 trillion in 2020, reaching RMB101.6 trillion with a year-on-year growth rate of 2.3%. China's economic strength, scientific and technological strength and comprehensive national strength have jumped to a new level.

Benefiting from a series of national policies to promote investment and stabilize growth, the capacity utilization rate of the domestic steel industry increased significantly in 2020, while domestic steel demand strengthened as a result of the serious global epidemic situation and escalated trade war. Therefore, steel production and demand both broke records, which have played an important role in supporting China's rapid macroeconomic recovery. In 2020, China's crude steel production grew strongly, breaking through 1 billion tons for the first time and reaching 1.05 billion tons with a year-on-year increase of 5.2%. In 2020, China's crude steel consumption was 1.04 billion tons with a year-on-year increase of 9.1%. In addition, according to the statistics of the General Administration of Customs, in 2020, China exported 53.67 million tons of steel with a year-on-year decrease of 14.8% and imported 20.23 million tons of steel with a year-on-year increase of 64.4%.

In 2020, steel production grew steadily, and its demand for raw materials, including iron ore, was strong, showing a trend of rising both in volume and price. As shown by the statistics of the General Administration of Customs, China's annual imports of iron ore and concentrates jumped above 1.1 billion tons for the first time to 1.17 billion tons with a year-on-year increase of 9.5%, and its accumulative import value for the year was approximately RMB35.10 billion with a year-on-year increase of 17.8%. During the year, iron ore Platts index of 62% was the highest in the recent nine years, reaching a historical high record of US$176.9 per ton. The high price level of iron ore was mainly due to the periodic tight supply and demand of iron ore during the epidemic period, the increased import cost of iron ore in China also resulting from the significant depreciation of the US dollar exchange rate, and capital market speculation among various factors, which led to the price of iron ore significantly increased in the fourth quarter.

As of the end of 2020, the supply and demand of iron ore were still tight, the release of iron ore supply side was slow, and port inventory was expected to continue to accumulate before the Spring Festival. According to public statistics, as of 31 December 2020, the port inventory of imported iron ore in the PRC was approximately 120 million tons.

RISK MANAGEMENT

In 2020, affected by the outbreak of the COVID-19 epidemic, global trade protectionism and geopolitical risks and other factors, global economic development encountered obstacles, and China's economic development was also affected. In the face of the sudden outbreak of the COVID-19 epidemic and the complicated international business environment, the Chinese government has taken decisive, scientific, and precise prevention and control measures to prevent the spread of the epidemic, such as regional lock down, traffic restrictions, and suspension of production. Although such measures have caused short term damage to the economy of China, various industries gradually resumed production in an orderly manner in the second quarter when the epidemic was effectively controlled through effective prevention and control in the first quarter. In addition, the Chinese government has also implemented proactive fiscal policies and loose monetary policies to boost market expectations and confidence, and ensure the smooth operation of enterprises, so as to reduce the impact of the epidemic on the economy. During the Reporting Period, the Group continued to strengthen internal management and coordinated arrangements for the prevention and control of the epidemic to ensure the safety of employees, and actively prepared for the resumption of operations to minimize the economic impact of the epidemic on the Group. At the same time, the Group also paid close attention to the national bonus policy, and maintained good communication and cooperation with banks and financial institutions to obtain maximum financial support from banks and financial institutions. As of December 31, 2020, the Group's bank loans have not been significantly affected.

In 2020, affected by the continuous outbreak of the COVID-19 epidemic, especially in the first half of the year, all provinces, cities and counties have adopted effective prevention and control measures such as regional lock down and traffic restrictions to stop the spread of the epidemic. Such measures have disrupted the supply chain of various industries. The sale and transportation of products of the Group has also been hindered. In the face of the severe situation of epidemic prevention and control and the complicated market environment, the Group adhered to the principle of prioritizing its own interests, paid close attention to market trends, and actively adjusted sales strategies to prioritize the explore of local customers, in order to reduce the economic impact of the epidemic on the Group.

As the Chinese government has become more stringent in aspects of environmental protection and restoration of mines, and resource exploration and utilization, green mines acceptance work has been included in the scope of the processing and renewal of mining licenses nationwide. The Baoding Municipal Government of Hebei Province requires all mining companies within its jurisdiction to complete green mines acceptance work in 2023, and companies that do not meet the standards cannot renew their licenses. Therefore, the construction of green mines is urgent. In accordance with the national green mines industry policy and the requirements of provincial, municipal and county authorities, the Group suspended production of Jiheng Mining on June 17, 2020 to commence green mine construction. The Company strictly complies with the requirements of the "Code for the Construction of Green Mines in the Nonferrous Metals Industry" (DZ/T 0320-2018). By engaging professional design and planning consultants, the Group started to implement green mine construction with third-party environmental protection companies and internal experts in formulating green mine plans. The Group strengthened the self-discipline of the mining industry, actively assumed the corporate responsibility of saving and intensive use of resources, energy conservation and emission reduction, environmental reconstruction, land reclamation, and driving local economic and social development, and increased investment in ecological environmental protection and governance of mines. At present, Jiheng Mining has been included in the list of provincial green mines.

The establishment of Xiong'an New Area in 2017 has led to the rise of the construction business, which in turn drives the increasing demand for the transportation business. In addition, the construction and transportation business in Xiong'an New Area has a higher profit and faster settlement rate than the mine transportation business. In view of the above two factors, transportation companies tend to return to Xiong'an New Area for development instead of cooperating with the Company. In view of the fact that the replacement of the original transportation companies would lead to a large amount of loss from production suspension, the Company has discussed with four transportation companies to formulate the prepayment policy. Based on the scale and credit status of the transportation companies, the Group made prepayments of different scales to the transportation companies in exchange for their long-term stable services and preferential transportation prices. As a result, the Group accumulated certain prepayments. If the transportation companies cannot continuously provide stable transportation services, the Company may be exposed to the default risk of prepayments. In order to avoid the default risk of prepayments, the Group has set up a special transportation management agency to manage the prepayments, discussed with the transportation companies about the arrangements for prepayments withdrawal and reduction, and signed guarantee contracts separately to guarantee the recovery of prepayments.

BUSINESS REVIEW

Affected by the suspension of production during the outbreak of the epidemic and the suspension of operation of green mines by Jiheng Mining, the Company's iron ore production and sales volume decreased during the Reporting Period, and the Company's financial performance for the year was not as expected. For the year ended 31 December 2020, the production volume of the Group's iron ore concentrates was approximately 723.8 Kt, representing a year-on-year decrease of approximately 43.8%, which was mainly due to the continuing suspension of the construction of green mines implemented by Jiheng Mining due to the outbreak of COVID-19 in the beginning of 2020; during the Reporting Period, the sales volume of iron ore concentrates was 695.7 Kt, representing a year-on-year decrease of approximately 46.6%; during the Reporting Period, the unit cash operating cost of Jingyuancheng Mining's iron ore concentrates was approximately RMB550.7 per tonne, and the operating period of Jiheng Mining was short, its unit cash operating cost wasn't representative.

For the year ended 31 December 2020, the Group's iron ore business recorded a revenue of approximately RMB568.0 million, representing a year-on-year decrease of approximately 30.3%; the gross profit was approximately RMB94.1 million, and the gross profit ratio was approximately 16.6%; for the year ended 31 December 2020, the distribution expenses and administrative expenses of the Group's iron ore business was approximately RMB134.6 million in total, representing a year-on-year increase of approximately RMB46.9 million; for the year ended 31 December 2020, the Group recorded a net loss after tax of approximately RMB70.6 million, representing a year-on-year decrease of approximately RMB28.4 million, which was mainly due to a year-on-year decrease of impairment provision during the Reporting Period, and the continuing suspension of the construction of green mines implemented by Jiheng Mining.

The table below sets out the breakdown of output and sales volume of iron ore concentrates for each operating subsidiary of the Group:

The Group	As of 31 December Output (Kt)			As of 31 December Sales volume (Kt)			As of 31 December Average sales price (RMB)		
	2020	2019	% of change	**2020**	2019	% of change	**2020**	2019	% of change
Jiheng Mining									
Iron ore concentrates	**82.5**	790.3	-89.6%	**81.7**	810.0	-89.9%	**601.6**	606.0	-0.7%
Jingyuancheng Mining									
Iron ore concentrates	**641.3**	498.6	28.6%	**614.0**	492.0	24.8%	**711.3**	656.9	8.3%
Total									
Iron ore concentrates	**723.8**	1,288.9	-43.8%	**695.7**	1,302.0	-46.6%	**698.4**	625.3	11.7%

Notes:

(1) The TFe grade of iron ore concentrates sold by Jiheng Mining was 63%.

(2) The TFe grade of iron ore concentrates sold by Jingyuancheng Mining was 66%.

Resources and Reserves

During the Reporting Period, the Group did not incur any new exploration expenses as no exploration was conducted.

The results of the ore reserves and resources in the report are calculated by deducting the consumption amount from 1 July 2013 to 31 December 2020 from the estimated amount of ore reserves and resources stated in the SRK's Competent Person Report in November 2013. The estimation assumptions contained in the SRK's Competent Person Report in 2013 were not changed and the figures were reviewed by internal experts of the Group.

The iron ore reserves which complied with JORC Code (2004 Edition) in respect of each mine of the Group as of 31 December 2020 are shown in the following table:

Company	**Mine**	**Exploration approach**	**Reserve category**	**Ore reserves**		
				(Kt)	*TFe(%)*	*mFe(%)*
Jiheng Mining	Zhijiazhuang	Open-pit	Probable	1,302.79	33.75	20.74
Jingyuancheng Mining	Wang'ergou	Open-pit	Probable	5,337	12.52	9.11
		Underground	Probable (graded above 12%)	18,077	15.87	8.5
	Shuanmazhuang	Open-pit	Probable	84,460	13.57	5.54
		Underground	Probable (graded above 12%)	35,723	16.00	7.11
Total		Open-pit	Probable	91,100	13.80	5.97
		Underground	Probable (graded above 12%)	53,800	15.96	7.58
		Total	Probable	143,597	14.60	5.56

As at 31 December 2020, the iron ore resources which complied with JORC Code (2004 Edition) in respect of each mine of the Group are as follows:

Company	Mine	Controlled resource			Inferred resource		
		(Kt)	*TFe(%)*	*mFe(%)*	*(Kt)*	*TFe(%)*	*mFe(%)*
Jiheng Mining	Zhijiazhuang	1,303	33.75	20.74	1,572	29.24	25.06
Jingyuancheng Mining	Wang'ergou	49,654	13.97	6.70	17,824	12.41	6.03
	Shuanmazhuang	149,064	14.00	5.73	70,967	12.78	4.89
Total		200,021	14.12	6.07	90,363	13.00	5.47

Mines in Operation

The Group has completed all infrastructure stripping projects for all the existing iron ore mines in 2015. As a result, the Group had no additional expenditure on infrastructure stripping projects during the Reporting Period. Furthermore, since the average stripping ratio of the operating entities in PRC was lower than their respective remaining mines during the Reporting Period, no production and stripping costs were capitalised.

Zhijiazhuang Mine

Zhijiazhuang Mine, which is wholly owned and operated by Jiheng Mining, is located in Yangjiazhuang Town, Laiyuan County. The area covered by the mining license for Zhijiazhuang Mine is 0.3337 sq.km. Zhijiazhuang Mine has comprehensive basic infrastructures such as water, electricity, highways and railways. The annual mining capacity of Zhijiazhuang Mine was 2.40 Mtpa, and the dry processing capacity and the wet processing capacity were 4.20 Mtpa and 1.80 Mtpa, respectively, as at 31 December 2020.

During the Reporting Period, the operating period of Jiheng Mining was short, its unit cash operating cost wasn't representative.

Wang'ergou Mine and Shuanmazhuang Mine

Wang'ergou Mine and Shuanmazhuang Mine, which are both wholly owned and operated by our wholly owned subsidiary, Jingyuancheng Mining, are located in Zoumayi Town, Laiyuan County. The areas covered by the mining licenses for Wang'ergou Mine and Shuanmazhuang Mine are 1.5287 sq.km. and 2.1871 sq.km. respectively. Wang'ergou Mine and Shuanmazhuang Mine have comprehensive basic infrastructures such as water, electricity and highways. As at 31 December 2020, the aggregate annual mining capacity of Wang'ergou Mine and Shuanmazhuang Mine was 14.0 Mtpa, and the dry processing capacity and wet processing capacity were 17.6 Mtpa and 3.5 Mtpa, respectively.

The following table sets forth a breakdown of the cash operating costs of Wang'ergou Mine and Shuanmazhuang Mine:

Iron ore concentrates

Unit: RMB per tonne of iron ore concentrates	For the year ended 31 December **2020**	2019	% of change
Mining costs	**312.2**	324.0	-3.6%
Dry processing costs	**86.2**	108.0	-20.2%
Wet processing costs	**71.7**	67.8	5.8%
Administrative expenses	**46.6**	45.9	1.5%
Distribution costs	**3.6**	5.3	-32.1%
Taxation	**30.4**	25.0	21.6%
Total	**550.7**	576.0	-4.4%

During the Reporting Period, the cash operating cost per unit of iron ore concentrates in Wang'ergou Mine and Shuanmazhuang Mine decreased as compared with that in the same period of last year, which was mainly due to the decrease in the stripping ratio during the mining process, the year-on-year decrease of the dry processing costs and the year-on-year increase of tax expenses.

Green Construction Materials of Sand Aggregate Business

Green construction materials solid waste comprehensive utilization project is recycling the tailings and solid wastes and then processing them into construction sand and gravel materials, realizing energy conservation and emission reduction as well as resources sustainable development. This project is wholly owned and operated by Jiheng Mining, a wholly-owned subsidiary of the Group. It was built in the neighbourhood of dry processing workshop and fully equipped with infrastructures such as water, electricity and roads. As of 31 December 2020, the annual treatment capability of the solid waste comprehensive utilization project of Jiheng Mining is 3.70 Mtpa.

In 2020, in view of the ongoing outbreak of COVID-19 and sustainable operational development in the future, Jiheng Mining focused on the construction of green mines. The continuing suspension gradually resumed normal operations until 30 November 2020. For details, please refer to the Company's inside information announcement and business updates announcement published on 17 June 2020 and 27 November 2020, respectively. Therefore, the solid waste comprehensive utilization project of Jiheng Mining failed to formally reach the target output. During the Reporting Period, during the trial operating period of Jiheng Mining sand aggregate business, sales revenue was approximately RMB50.7 million, gross profit was approximately RMB10.2 million, and gross profit margin was approximately 20.1%.

The following table sets forth a breakdown of the output and sales volume of Jiheng Mining's sand aggregate:

Products	Output	Sales volume	Average sales price	Cash operating costs
	As at 31 December 2020			
	(Kt)	**(Kt)**	**(RMB)**	**(RMB)**
Building stones	742.6	876.2	40.3	9.2
Crushed sand	384.2	416.3	36.9	14.1
Total	1,126.8	1,292.5	39.2	10.9

Medical business

As disclosed in the Company's inside information announcement dated 3 March 2020 and the Company's 2019 annual report, the Group has entered into termination agreements with the Rongcheng County Health Bureau and the entrusted hospital on 3 March 2020 respectively. For details, please refer to the above announcement and the Company's 2019 Annual Report. The Company will also rely on a team of medical experts to actively seek opportunities and develop related medical business.

SAFETY AND ENVIRONMENTAL PROTECTION

The Group attached great importance to the health and safety of employees and all on-site staff, strictly abode by relevant national laws and regulations, policies and related standards and norms, and earnestly fulfilled the main responsibilities. It had been consistently promoting safety standards and strengthening environmental protection measures so as to develop the Group into a socially responsible enterprise with high safety awareness. During the Reporting Period, the Group recorded no major safety accident.

The Group has strictly complied with relevant provisions of national environmental protection policies. By adhering to ecological priority and practicing the concept of green development, and for the purpose of the construction of green mines, the Group has continued to improve the mines' environmental quality and stability by taking effective measures for environmental protection and ecological restoration. The Group has also carried out in-depth sustainable development strategies and accelerated the promotion of green and low-carbon development. Through strategies such as resource recycling and technological upgrading, the Group will comprehensively improve resource utilization efficiency, achieve energy conservation and emission reduction, and clean production to reduce the impact of production and operations on the surrounding environment.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had 907 full-time employees in total (31 December 2019: 849 employees). For the year ended 31 December 2020, expenses of employees' benefits (including salaries, wages, pension plan contributions and other benefits) were approximately RMB57.5 million (2019: RMB69.1 million).

The remuneration policy of the Group is determined based on performance, experience, competence and the level of comparable companies in the market. Remuneration packages generally include salaries, housing allowances, pension plan contributions and discretionary bonuses which are in relation to the performance of the Group.

FINANCIAL REVIEW

Revenue

The revenue of the Group during the Reporting Period was approximately RMB568.0 million, representing a decrease of approximately RMB247.5 million as compared to the corresponding period of last year, which was mainly attributable to the continuous suspension of production of Jiheng Mining during the reporting period, and the decrease in production volume/sales volume and the increase in the average sales price of iron ore concentrates of the Group during the Reporting Period as compared to the corresponding period of last year.

Cost of sales

The Group's cost of sales for the Reporting Period was approximately RMB473.9 million, representing a decrease of approximately RMB71.4 million as compared to the corresponding period of last year, which was mainly attributable to the combined influence of the decrease in sales volume of iron ore concentrates and the increase in unit operating cost.

Gross profit and gross profit margin

The gross profit of the Group for the Reporting Period was approximately RMB94.1 million, representing a decrease of approximately RMB176.1 million as compared to the corresponding period of last year, which was mainly attributable to the decrease in revenue as compared to the corresponding period of last year; the Group's gross profit margin also decreased during the Reporting Period from 33.1% to 16.6% as compared to the corresponding period of last year.

Sales and distribution expenses

The Group's sales and distribution expenses for the Reporting Period were approximately RMB16.6 million, representing an increase of approximately RMB14.0 million as compared to the corresponding period of last year, which was mainly due to the increase in the total sales volume of the products, of which the Group were responsible for the delivery to customers and the related transportation cost as compared to the corresponding period of last year. Sales and distribution expenses included transportation expenses, labour cost and other expenses.

Administrative expenses

The Group's administrative expenses for the Reporting Period were approximately RMB117.9 million, representing an increase of approximately RMB33.0 million as compared to RMB84.9 million in the corresponding period of last year. The increase in administrative expenses was mainly due to the combined influence of the increase in the amount of loss on work stoppage as the Group's subsidiaries suspended operations in the year and strengthened the control over administrative expenses.

Impairment losses

The Group recorded a reversal of impairment of approximately RMB2.5 million during the Reporting Period, which was mainly attributable to the reversal of impairment under the expected credit loss model of the Group.

Trade receivables and expected credit loss

Based on the management assessment of credit losses and impairment of assets according to IFRS 9 Financial instruments, management has estimated the impairment loss of trade receivables by reference to historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. The provision amounted to RMB0.3 million.

Finance costs

The Group's finance costs for the Reporting Period were approximately RMB41.6 million, representing a decrease of approximately RMB1.5 million as compared to the corresponding period of last year. Finance costs included interest expenses of bank borrowings, discounted expenses, other finance expenses and the amortisation of discounted expenses of long-term payables.

Income tax credit

The Group's income tax credit for the Reporting Period were approximately RMB9.3 million, representing a decrease of approximately RMB6.6 million as compared to the corresponding period of last year, which was mainly due to the decrease in deferred tax of the Group. Income tax expenses comprised of the sum of current tax payable, tax underprovision in prior year and deferred tax, among which current tax payable was approximately RMB11.8 million.

Loss for the year and total comprehensive (expenses) income for the year

The Group recorded a loss after tax during the Reporting Period of approximately RMB70.6 million, which was mainly due to the Group's subsidiary continuing to suspend operations of green mines.

Property, plant and equipment

The net value of the property, plant and equipment of the Group as of 31 December 2020 was approximately RMB1,011.8 million, representing an increase of approximately RMB216.6 million or 27.3% as compared to the corresponding period of last year. The change was mainly due to the Group's addition of property, plant and equipment, and provision for depreciation and impairment.

Intangible assets

As of 31 December 2020, the net intangible assets of the Group were approximately RMB77.2 million, representing a decrease of approximately RMB7.1 million as compared to the corresponding period of last year, which was mainly due to the influence of the amortization of intangible assets of the Group.

Inventories

As of 31 December 2020, inventories of the Group amounted to approximately RMB131.8 million, representing an increase of approximately RMB18.3 million or 16.2% as compared to the corresponding period of last year, which was mainly due to the increase in the Group's inventory of iron ore raw materials.

Trade and other receivables

As of 31 December 2020, trade receivables of the Group amounted to approximately RMB87.8 million, representing an increase of approximately RMB14.1 million as compared to RMB73.7 million in the corresponding period of last year, which was mainly due to the increase in credit sales during the credit period. As of 31 December 2020, other receivables of the Group amounted to approximately RMB365.0 million, representing a decrease of approximately RMB231.4 million as compared to RMB596.3 million in the corresponding period of last year. Other receivables mainly included prepayments to suppliers and deposits paid.

Trade and other payables

As of 31 December 2020, trade payables of the Group amounted to approximately RMB69.5 million, representing a decrease of approximately RMB4.4 million as compared to RMB73.9 million in the corresponding period of last year. The decrease was mainly attributable to the decrease in trade payables to suppliers.

As of 31 December 2020, other payables of the Group amounted to approximately RMB168.6 million, representing an increase of approximately RMB80.1 million as compared to RMB88.4 million in the corresponding period of last year. The increase was mainly due to the increase in payable for construction projects and equipment purchases.

Cash and borrowings

As of 31 December 2020, the balance of cash and cash equivalents of the Group amounted to approximately RMB20.2 million, representing a decrease of approximately RMB441.4 million or 95.6% as compared to the corresponding period of last year.

As of 31 December 2020, bank borrowings of the Group were RMB608.0 million, representing an increase of RMB53.0 million or 9.5% as compared to the end of last year. The interest rates of the borrowings as of 31 December 2020 ranged from 3.8% to 9.23% per annum. The borrowings of RMB430.0 million were accounted for as current liabilities of the Group (as of 31 December 2019: RMB555.0 million). The above borrowings were denominated in RMB.

Save as disclosed above, the Group has no outstanding mortgages, pledges, bonds or other loan capital (issued or agreed to be issued), bank overdrafts, borrowings, acceptance liabilities or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that there was no material change in the liabilities and contingent liabilities of the Group since 31 December 2020 and up to the date of this announcement. As of 31 December 2020, the overall financial status of the Group remained in a good condition.

Restricted deposits

Restricted deposits of the Group generally represent the pledged bank deposits. As of 31 December 2020, the Group had restricted deposits of RMB300.0 million.

Gearing ratio

The gearing ratio of the Group as of 31 December 2020 was approximately 26.1%, representing an increase of approximately 2.3% as compared to the corresponding period of last year. The gearing ratio was calculated as total bank borrowings divided by total assets.

Capital expenditure

The Group's total capital expenditure amounted to approximately RMB449.8 million, which consisted of installments for mining right costs, technical transformation of dry-processing plant and other sporadic projects.

Significant acquisitions and disposals of subsidiaries and affiliated companies

The Group did not have any significant acquisition and disposal of subsidiaries and affiliated companies during the Reporting Period.

Pledge of assets and contingent liabilities made for the Group's loans

As of 31 December 2020, the Group's bank loans of RMB140.0 million, RMB290.0 million and RMB178.0 million were secured by the Group's mining right, right-of-use assets (land use rights), properties and equipment, the land use rights and properties of a related party of the Group, and collectively secured by land and properties of third parties and a related party, respectively.

The carrying amounts of the Group's mining rights, right-of-use assets (land use rights) and properties pledged for bank loans were approximately RMB55,000, RMB10.1 million and RMB27.8 million respectively as of 31 December 2020. The Group had no material contingent liabilities as of 31 December 2020

As at 31 December 2020, the restricted deposit of RMB300,000,000 was pledged in favour of Bank of Nanjing to guarantee the obligations of the indebtedness owing by an independent third party to Bank of Nanjing for an amount of RMB300,000,000.

Significant investments held

There were no significant investments held by the Company as at 31 December 2020.

OUTLOOK AND STRATEGY

As we are looking ahead to 2021, the global business environment will remain challenging due to COVID-19 and the ongoing escalation of trade tensions between China and the US. During this turbulent period, the Group will maintain a prudent approach to managing its business and strategy.

The year 2021 is the first year of the 14th Five-Year Plan. China's economic development has entered a "new normal" stage. The Chinese Government will steadily build a new development pattern, deepen supply-side structural reform, continue promoting high-quality development, and provide a favorable macro environment for China's sound economic development. In 2021, China will double its efforts to form a "new development pattern of dual circulation" and kick off a new round of expanding domestic demand, which will provide strong support for the steel demands. From the perspective of the downstream market of steel industry, the manufacturing, real estate and infrastructure remain the major drivers for the steel demands, and the investment in manufacturing equipment is expected to start a cyclical upswing thanks to the requirements of high-quality development. The investment in infrastructure and real estate will also continue to pick up, and China's steel demand will maintain a generally stable, and positive trend. With the deepening of the supply-side structural reform of the steel industry and the introduction of the Implementation Measures for Capacity Replacement in the Steel Industry, China will implement the control policy of both production capacity and output to prohibit the addition of new steel capacity and achieve the reduction of steel output. Compared with 2020, the supply and demand fundamentals for iron ore will continue to improve in 2021. It is expected that the overall demand-supply balance will remain tight in iron ore and the iron-ore prices may trend higher and then lower in 2021. The Group will pay close attention to market dynamics and promptly and appropriately adjust its marketing strategies in order to achieve higher economic benefits. At the same time, efforts will be made to continuously improve business management and financial performance, and strictly control cash operating costs, with a view to increasing the profitability in the future.

In 2021, Xiong'an New Area will continue development with a high degree of prosperity. The Group will firmly grasp the historic opportunity of the construction of Xiong'an New Area, proactively promote the development of the business in green building materials of sand aggregate, and gradually snatch more market share of the Company's sand aggregate in Beijing-Tianjin-Hebei region by giving full play to the geographical and policy advantages. The Group will continuously improve the process and enhance the fine management level to reduce business operating costs and improve product quality, consolidate the Group's competitive advantage in the sand aggregate market, and lay a solid foundation for the subsequent market expansion and project contracting of the Company.

While ensuring the stable operation of the existing businesses, the Group will also continue to explore other derivative products from solid waste recycling, build an industrial base of green building materials, create a green ecological economic system for the Group and create more lasting economic benefits for shareholders.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2020.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2020, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the Directors' dealings in the Company's securities. Specific enquiries have been made to all Directors of the Company and all Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2020.

COMPLIANCE OF THE CORPORATE GOVERNANCE CODE

As a company with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company is committed to maintaining a high level of corporate governance. Throughout the Reporting Period, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for 2020 and the consolidated financial statements for the year ended 31 December 2020.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the Preliminary Announcement have been agreed by the Group's auditors, Asian Alliance (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Asian Alliance (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Asian Alliance (HK) CPA Limited on the preliminary announcement.

COMPLIANCE OF DEED OF NON-COMPETITION

The Company entered into a deed of non-competition ("**Deed of Non-Competition**") with Mr. Li Ziwei, Mr. Li Yanjun, Hengshi International Investments Company Limited and Hengshi Holdings Limited (the "**Controlling Shareholders**") on 12 November 2013. Pursuant to the Deed of Non-Competition, each Controlling Shareholder has undertaken to the Company (for itself and in favour of its subsidiaries) that they will not, profitably or non-profitably, and will procure their associates (except any members of the Group) not to, directly or indirectly, either on his own or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate in or hold interests in or engage in or acquire or hold construction, development, operation or management of any business or activity which competes or may compete with the restricted business of the Group, being the exploration, mining, processing and trading of iron ore products and the major products include iron ores, preliminary concentrates and iron ore concentrates (the "**Restricted Business**"). The Controlling Shareholders have also granted us an option for new business opportunities, a pre-emptive right and an option for acquisition to acquire any potential interest in their business which competes or is likely to compete, either directly or indirectly, with the Restricted Business.

In accordance with the Deed of Non-Competition, the independent non-executive Directors of the Company are responsible for reviewing and considering whether exercising the option for new business opportunities, pre-emptive right and the option for acquisition as well as conducting annual review of the implementation of the Deed of Non-Competition on behalf of the Company. Each Controlling Shareholder of the Company has confirmed its/his compliance with the Deed of Non-Competition, and the independent non-executive Directors of the Company have also reviewed the implementation of the Deed of Non-Competition, and confirmed that the Controlling Shareholders have fully abided by the Deed of Non-Competition without any breach of the Deed of Non-Competition.

SUBSEQUENT EVENTS

References are made to (i) the announcement of the Company dated 29 March 2021 in relation to the delay in publication of the 2020 Annual Results, postponement of Board meeting and suspension of trading in the shares of the Company; (ii) the announcements of the Company dated 30 April 2021 and 10 May 2021 in relation to the publication of the unaudited management accounts of the Company for the year ended 31 December 2020, the preliminary resumption guidance of the Company and the formation of the Independent Investigation Committee of the Company; (iii) the announcement of the Company dated 13 May 2021 in relation to the resignation of auditor of the Company; (iv) the announcement of the Company dated 21 May 2021 in relation to the appointment of the Independent Investigator and the appointment of the new auditor of the Company; (v) the announcements of the Company dated 29 June 2021, 29 September 2021, 15 October 2021, 29 December 2021, 29 March 2022 and 29 June 2022 in relation to, among other things, the quarterly update announcements on suspension of trading; (vi) the announcements of the Company dated 8 December 2021 and 4 March 2022 in relation to the major findings of the independent investigation; (vii) the announcement of the Company dated 16 December 2021 in relation to the additional resumption guidance; (viii) the announcement of the Company dated 27 January 2022 in relation to the appointment of Internal Control Consultant; (ix) the announcement of the Company dated 29 August 2022 in relation to the delay in publication of the 2022 Interim Results and update on resumption progress of the Company; and (x) the announcement of the Company dated 9 September 2022 in relation to the key findings of the supplementary independent investigation (collectively, the "**Announcements**").

Save as specifically disclosed in the Announcements and this announcement, there is no material subsequent event affecting the Group which has occurred since 1 January 2020 and up to the date of this announcement.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 9: 00 a.m. on 29 March 2021 and will remain suspended until further notice.

PUBLICATION OF 2020 ANNUAL REPORT

The 2020 Annual Report containing all relevant information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aoweiholding.com) in due course.

By order of the Board
Aowei Holding Limited
Mr. Li Yanjun
Chairman

Beijing, 20 September 2022

As at the date of this announcement, the executive directors of the Company are Mr. Li Yanjun, Mr. Li Ziwei, Mr. Sun Jianhua and Mr. Tu Quanping and the independent non-executive directors of the Company are Mr. Wong Sze Lok, Mr. Ge Xinjian and Mr. Meng Likun.