AOWEI HOLDING LIMITED
奧威控股有限公司

(incorporated in the British Virgin Islands and continued in the Caymans Islands with limited liability)

(Stock Code: 1370)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

The revenue of the Group for the Reporting Period was approximately RMB1,191.7 million, representing an increase of approximately RMB623.7 million or 109.8% as compared to the corresponding period of last year.

The Group's cost of sales for the Reporting Period was approximately RMB774.5 million, representing an increase of approximately RMB300.6 million or 63.4% as compared to the corresponding period of last year.

The gross profit of the Group for the Reporting Period was approximately RMB417.2 million, representing an increase of approximately RMB323.1 million or 343.4% as compared with the corresponding period of last year.

For the Reporting Period, the profit attributable to the equity shareholders of the Company was approximately RMB203.1 million, while the loss attributable to the equity shareholders of the Company for the corresponding period last year was approximately RMB70.6 million.

For the Reporting Period, the basic earnings per share attributable to equity shareholders of the Company was RMB0.12, while the basic loss per share for the corresponding period last year was RMB0.04.

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 2021 (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 2021 annual report of the Company (the "**2021 Annual Report**"), together with the relevant comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	4	**1,191,741**	567,977
Cost of sales		**(774,498)**	(473,888)
Gross profit		**417,243**	94,089
Other income, gains and losses, net	6	**8,508**	(254)
Distribution expenses		**(8,652)**	(16,633)
Administrative expenses		**(102,473)**	(117,947)
(Impairment losses) reversal of impairment losses under expected credit loss model, net		**(1,845)**	2,470
Finance costs	7	**(34,630)**	(41,556)
Profit (loss) before tax	9	**278,151**	(79,831)
Income tax (expense) credit	8	**(75,008)**	9,260
Profit (loss) for the year		**203,143**	(70,571)
Other comprehensive (expense) income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(57)**	(140)
Total comprehensive income (expense) for the year		**203,086**	(70,711)
Earnings (loss) per share in RMB	11		
Basic		**0.12**	(0.04)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	*12*	**1,314,899**	1,011,763
Construction in progress		**323,786**	113,796
Intangible assets		**70,865**	77,172
Long-term receivables		**30,340**	30,340
Deferred tax assets		**218,023**	192,280
		1,957,913	1,425,351
Current assets			
Inventories		**121,423**	131,754
Trade and other receivables	*13*	**322,227**	452,856
Pledged bank deposit		**–**	300,000
Bank balances and cash		**104,066**	20,212
		547,716	904,822
Current liabilities			
Trade and other payables	*14*	**246,356**	238,131
Contract liabilities		**28,588**	1,954
Lease liabilities		**1,943**	3,669
Bank borrowings		**557,000**	430,000
Tax payable		**60,653**	50,559
Other financial liabilities		**–**	23,009
Provision for reclamation obligations		**4,276**	3,392
		898,816	750,714
Net current (liabilities) assets		**(351,100)**	154,108
Total assets less current liabilities		**1,606,813**	1,579,459

	2021	2020
	RMB'000	*RMB'000*
Non-current liabilities		
Bank borrowings	**–**	178,000
Lease liabilities	**2,911**	–
Other financial liabilities	**117,721**	115,695
Provision for reclamation obligations	**32,536**	35,205
	153,168	328,900
Net assets	**1,453,645**	1,250,559
Capital and reserves		
Share capital	**131**	131
Reserves	**1,453,514**	1,250,428
Total equity	**1,453,645**	1,250,559

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 (the "**PRC**"). The registered address of the Company is located at P.O. Box 309, Ugland House Grand Cayman KY1-1104, Cayman Islands. The principal place of business of the Company is located at 40th Floor, Dah Sing Financial Centre, No. 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 2021, the directors of the Company (the "**Directors**") considered the immediate parent and ultimate controlling party of the Group to be Hengshi International Investments Limited, a company incorporated in the British Virgin Islands, 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 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 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, International Accounting Standards ("**IAS**") 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of 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.

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (IAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition to Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
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 April 2021.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after 1 January 2023.
[4] Effective for annual periods beginning on or after a date to be determined.

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**").

As stated in the consolidated financial statements, the Group's current liabilities exceeded its current assets by approximately RMB351,100,000 as at 31 December 2021. As at the same date, the Group's total borrowings amounted to approximately RMB557,000,000 and has capital commitments of approximately RMB81,559,000, while its bank balances and cash amounted to approximately RMB104,066,000 only. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern after taking into consideration the followings:

(1) The Group had interest-bearing bank borrowings of RMB557,000,000 as at 31 December 2021, of which RMB177,000,000 and RMB260,000,000 have been renewed for two years and one year respectively during the year 2022; and

(2) Benefit from the rebound of average sales price of iron ore concentrates in first half of 2022, the Group is expected to record a net operating cash inflow for the year ending 31 December 2022.

The Directors have reviewed the Group's cash flow projection prepared by the management which covering a period of not less than twelve months from 31 December 2021 on the basis that the Group's aforementioned plans and measures will be successful, and are satisfied that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the twelve months from 31 December 2021. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The consolidated financial statements do not include any adjustments that would result from the failure of the Group to obtain sufficient future funding. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the assets of the Group to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

4. REVENUE

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

	2021	2020
	RMB'000	*RMB'000*
Mining Segment		
Iron ore concentrates	**1,109,360**	485,862
Preliminary concentrates	**–**	28,319
Gravel materials	**82,381**	53,796
	1,191,741	567,977

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 2021

	Mining segment *RMB'000*	**Medical segment** *RMB'000*	**Total** *RMB'000*
Revenue	**1,191,741**	**–**	**1,191,741**
Segment results	**284,007**	**(748)**	**283,259**
Unallocated corporate expenses			**(5,108)**
Profit before tax			**278,151**

For the year ended 31 December 2020

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

6. OTHER INCOME, GAINS AND LOSSES, NET

	2021 *RMB'000*	2020 *RMB'000*
Written-off of property, plant and equipment	**–**	(328)
Loss on disposal of property, plant and equipment	**(487)**	(33)
Bank interest income	**294**	107
Capital occupancy fee *(Note (a))*	**7,740**	–
Government grant *(Note (b))*	**592**	–
Gain on early termination of a lease	**369**	–
	8,508	(254)

Notes:

(a) During the year ended 31 December 2021, approximately RMB7,740,000 represented a capital occupancy fee from a loan of RMB300,000,000 provided to Laiyuan County Ruitong Transportation Co., Ltd.* ("**Laiyuan Ruitong**") (the "**Loan**") by Laiyuan County Jingyuancheng Mining Co., Ltd.* ("**Jingyuancheng Mining**") which (i) carried interest at 4.35% per annum, (ii) was unsecured and (iii) RMB50,000,000 should be repayable on or before 30 June 2021 and the remaining balance and the capital occupancy fee should be repayable on or before 31 December 2021. The Loan and the capital occupancy fee has been fully repaid and settled during the year ended 31 December 2021.

(b) During the year ended 31 December 2021, approximately RMB592,000 represented an incentive from Emergency Management Bureau of Laiyuan County* for maintaining good quality and upgrading of the tailings ponds of Jingyuancheng Mining.

7. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest expenses on:		
– Bank borrowings	**30,774**	35,281
– Lease liabilities	**389**	457
– Discounted bills	**70**	–
Unwinding interest expenses on:		
– Other financial liabilities	**2,684**	4,983
– Provision for reclamation obligations	**713**	835
	34,630	41,556

8. INCOME TAX EXPENSE (CREDIT)

	2021	2020
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**97,819**	11,804
Underprovision in prior years:		
Hong Kong Profits Tax	**2,932**	4,272
Deferred tax:		
Current year	**(25,743)**	(25,336)
Total	**75,008**	(9,260)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years. No provision for taxation in Hong Kong has been made for the years ended 31 December 2021 and 31 December 2020 as the Group did not generate any assessable profit 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 is 25% for both years.

* *For identification purpose only*

9. PROFIT (LOSS) BEFORE TAX

	2021 *RMB'000*	2020 *RMB'000*
Profit (loss) before tax has been arrived at after charging:		
Staff costs (include directors' and chief executive's emoluments):		
– salaries and other benefits in kind	**81,964**	57,262
– retirement benefits scheme contributions	**6,549**	221
Total staff costs	**88,513**	57,483
Capitalised in inventories	**(54,986)**	(33,818)
	33,527	23,665
Transportation service fees	**324,629**	373,698
Capitalised in inventories	**(205,338)**	(180,820)
Capitalised in construction in progress	**(99,875)**	(107,508)
Capitalised in property, plant and equipment	**(9,610)**	(67,687)
	9,806	17,683
Depreciation of property, plant and equipment (excluded right-of-use assets)	**110,760**	102,126
Depreciation of right-of-use assets	**19,491**	18,306
Amortisation of intangible asset	**6,307**	7,132
Total depreciation and amortisation	**136,558**	127,564
Capitalised in inventories	**(118,677)**	(100,798)
	17,881	26,766
Auditor's remuneration:		
– audit services	**3,025**	5,521
– non-audit services	**500**	1,700
Legal and professional fee	**3,958**	6,244
Donation	**120**	10,501
Cost of inventories recognised as an expense	**765,272**	468,889

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

11. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the following data:

	2021	2020
	RMB'000	*RMB'000*
Profit (loss) for the year attributable to owners of the Company for the purpose of basic earnings (loss) per share	**203,143**	(70,571)

	2021	2020
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**1,635,330**	1,635,330

No diluted earnings (loss) per share for both years ended 31 December 2021 and 31 December 2020 were presented as there were no potential ordinary shares in issue for both years ended 31 December 2021 and 31 December 2020.

12. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2021, the Group recognised addition of property, plant and equipment (including right-of-use assets) with a cost of approximately RMB401,196,000 (2020: approximately RMB299,089,000) and the depreciation of property, plant and equipment (including right-of-use assets) charged for the year ended 31 December 2021 was approximately RMB130,251,000 (2020: approximately RMB120,432,000).

13. TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**85,955**	88,109
Less: Allowance for credit losses	**(777)**	(277)
Total trade receivables, net	**85,178**	87,832
Prepayments and deposits	**213,484**	337,397
Value-added tax recoverable	**14,486**	7,107
Amounts due from directors	**81**	25
Other receivables	**10,977**	21,129
	239,028	365,658
Less: Allowance for credit losses	**(1,979)**	(634)
Total other receivables, net	**237,049**	365,024
Trade and other receivables, net	**322,227**	452,856

Note:

As at 1 January 2020, trade receivables from contracts with customers amounted to approximately RMB73,743,000, net of allowance for credit losses of approximately RMB15,074,000.

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

	2021	2020
	RMB'000	*RMB'000*
0 to 30 days	**23,708**	30,537
31 to 90 days	**51,631**	1,899
91 to 180 days	**4,523**	10,064
181 to 365 days	**4,514**	45,332
1 to 2 years	**802**	–
	85,178	87,832

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB802,000 (2020: Nil) which are past due as at the reporting date.

14. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**106,475**	69,541
Other taxes payables	**16,495**	13,435
Payables for construction work, equipment purchase and others	**53,686**	83,401
Interest payables	**1,251**	2,181
Other payables	**68,449**	69,573
	246,356	238,131

Note:

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

	2021	2020
	RMB'000	*RMB'000*
Up to 30 days	**20,618**	28,657
31 to 90 days	**24,714**	14,768
91 to 180 days	**19,788**	3,930
181 to 365 days	**12,208**	2,999
Over 1 year	**29,147**	19,187
	106,475	69,541

As at 31 December 2021, all trade payables are due and payable on presentation or within one year.

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 2021, 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 Note 24(b) to the consolidated financial statements, as at 31 December 2020 and 31 December 2021, the Company made prepayments in aggregate of approximately RMB294,626,000 and RMB179,253,000 (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**").

During the years ended 31 December 2020 and 31 December 2021, we noted the Group has the following transactions with the Transportation Service Providers:

(i) upfront payments in aggregate of approximately RMB1,399,556,000 and RMB315,235,000 to the Transportation Service Providers (the "**Upfront Payments**"), respectively;

(ii) fees in aggregate of approximately RMB370,759,000 and RMB322,632,000 in relation to the Transportation Services provided by the Transportation Service Providers (the "**Transportation Service Fees**"), respectively; and

(iii) refunds in aggregate of approximately RMB1,289,430,000 and RMB120,000,000 from the Transportation Service Providers (the "**Refunds**"), respectively.

During our audit of the consolidated financial statements of the Group for the years ended 31 December 2020 and 31 December 2021, we have been provided with 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 stabilise 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), the Prepayments as at 31 December 2020 was approximately RMB294,626,000, representing 91% of the Transportation Service Fees for the year ended 31 December 2021 (i.e. approximately RMB322,632,000);

(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 Transportation 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. It is 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 the Prepayments as current assets as at 31 December 2020;

(ii) We are not able to justify the commercial substance and business rationale of the Upfront Payments during both years ended 31 December 2020 and 31 December 2021 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 orders 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 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 during both years ended 31 December 2020 and 31 December 2021.

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 RMB294,626,000 as at 31 December 2020, (2) the Upfront Payments of approximately RMB1,399,556,000 and RMB315,235,000 during the years ended 31 December 2020 and 31 December 2021 respectively, and (3) the Refunds of approximately RMB1,289,430,000 and RMB120,000,000 during the years ended 31 December 2020 and 31 December 2021 respectively.

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 2020, and the consolidated financial performance and cash flows of the Group for the years ended 31 December 2020 and 31 December 2021, 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

(a) During the year ended 31 December 2021, the Group provided a loan in cash in the amount of RMB300,000,000 to one of the Transportation Service Providers (the "**Provision of Loan**"). However, the Provision of Loan 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 Provision of Loan was 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.

(b) We draw attention to Note 3.1 to the consolidated financial statements, as at 31 December 2021, the Group's current liabilities exceeded its current assets by approximately HK$351,100,000. This condition, along with other matters as set forth in Note 3.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. As stated in Note 3.1 to the consolidated financial statements, the Group had interest-bearing bank borrowings of RMB557,000,000 as at 31 December 2021, of which RMB177,000,000 and RMB260,000,000 have been renewed for two years and one year respectively during the year 2022.

Our opinion is not modified in respect of these matters.

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, the disclaimer of opinion expressed by Asian Alliance (HK) CPA Limited (the "**Auditors**") was due to the lack of supporting documentations or evidence for the commercial substances and business rationale of (i) the prepayments as at 31 December 2020; (ii) upfront payments during both years ended 31 December 2020 and 31 December 2021 and (iii) refunds during both years ended 31 December 2020 and 31 December 2021.

The Company's view and position are as follows:

Commercial substance and business rationale of the Prepayments

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;

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; and

5) The Prepayments made by the Group with the Transportation Service Providers were mainly for the purpose of exchanging for their long-term and stable services, and the Transportation Service Providers were able to enhance their fixed assets such as replacing transportation vehicles to ensure the safety of the transportation business cooperation between them and the Group and to stabilise the operations of other businesses of the Transportation Service Providers.

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 the Auditors 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 the Auditors 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 but overlooked the importance of supporting documentations and due diligence, including detailed financial information, has been conducted.

Commercial substance and business rationale of the Upfront Payments

The Upfront Payments made by the Group were mainly based on the actual operation situation which may alter from time to time and the Auditors understand this circumstance. However, the change of the needs of Transportation Services, such as revised budget according to the change, credit reassessment and prepayment control were not properly documented and presented to the Auditors.

The principal business of the major operation subsidiaries of the Group is mining, processing and sale of iron ore products and gravel materials. The Transportation Service Providers mainly provide the transportation services in mining area where transportation conditions are poor with changing road conditions and the operation level staff may sometimes overlook the importance of detailed documentation. As expressed in the opinion of the audit modification by the Auditors, no documentary payment orders were 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.

As disclosed in the 2020 annual report of the Company, the Chinese government has become more stringent in aspects of environmental protection and restoration of mines, and resource exploration and utilisation, 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 was 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 17 June 2020 to commence green mine construction.

In 2019, the Company expected the production would continuously increase in 2020. At that time, the Upfront Payments were made to cater for the expected growth of the operation of the Group and to ensure the transportation capacity and stabilities can meet the production of the Group. However, in early 2020, the sudden outbreak of the COVID-19 and the execution of the stringent environmental policies of the mining industry unexpectedly and significantly affected the business activities of the Group. It caused a significant deviation between the Upfront Payments and the actual utilisation of the Transportation Service Fees.

In the aspect of operation, the Company regarded the management, and the operation team has spared no effort in contributing the revenue and profit growth to the Group. However, the hard work and emphasis placed on the actual operation situation caused the deficiency in the internal control, especially on the procedures and documentations.

The Company is now fully aware of the importance of the stringent implementation of the improved internal control procedures as well as the preparation and record of relevant documentations. It is equally important to the business development and operation of the Company.

Commercial substance and business rationale of the Refunds

The making of the Refunds was mainly due to the fact that the Group had funding needs at that time and the Prepayments made were still sufficient to cover the transportation expenses of the short-term budget and thus requested the Transportation Service Providers to make the Refunds.

The funding needs of the abovementioned are mainly to cater for the bank loans (including revolving loans, short-term loans and other bank facilities). The operation of the Group requires the financing from banks. If a new request of facilities was made to the banks, the Group would also need to make certain repayment to certain previous loans. In light of this situation, the Group, if necessary, request the Transportation Service Providers to make the Refunds to the Group for repayment of certain bank loans or facilities.

The banks also from time to time review the financial position of the Group to ascertain the repayment abilities for the purpose of granting future loans or credit facilities. The banks usually conduct periodic reviews on the Group, among others, at the half year end and the year end. In order to strengthen the financial position, the Group has requested the Refunds from the Transportation Service Providers around these review periods.

Due to the abovementioned situation, it, on the surface, appeared that the Refunds were made in a short period of time after Upfront Payments or vice versa. However, the Company was not able to provide any documents for the Auditors to demonstrate the above requests from the banks as the discussions between the Company and the banks are mainly verbal. However, the Company has provided the bank statements to the Auditors for these repayments and bank balances.

During the audit process, the Company was unable to provide the Auditors with the supporting documents, documentation of calculations, and basis of each of the Refunds. As explained above, the Refunds were based on the actual operation needs of the Group. The Company was also of the view that the Refunds meant getting back funds which, in any event, is good for the Company and was not aware of the importance of detailed documentation to demonstrate the rationale and commercial substance of the Refunds.

ACTIONS OF THE COMPANY TO ADDRESS THE DISCLAIMER OF OPINION

The Company has taken the following measures in response to the audit modification (the "**Actions**"), 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 (the "**Internal Control Consultant**") has been engaged to conduct an internal control review (the "**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; and

(f) the improvement of the internal control system especially in the Upfront Payments, the Company is of the view that the improved credit control procedures will help to prevent and monitor the Upfront Payments so as that the Prepayments will be more accurate to be predicted and maintained on a reasonable level to cater for the operation needs in a designated period and the occurrence of the Refunds will be minimised.

Based on the results of the Internal Control Review, the Internal Control Consultant is of the view that the Company has in place adequate corporate governance, internal control and financial reporting systems to discharge the Company's obligations under the Listing Rules. The Company has also demonstrated to the Auditor that the internal control of the Group, inter alia, the Prepayments have been substantially improved in 2022.

AUDITORS' VIEW ON THE ACTIONS

The Auditors have also conducted a preliminary review of the updated financial information and the relevant documentations in relation to the Upfront Payments and Refunds in 2022. The Company has also demonstrated to the Auditors that the enhancement of the internal control system assisted the Group to have more effective estimation and control on the Prepayments.

Due to the demonstration of the improvement of the internal control system and the decrease in the amount of the Prepayments, the Auditors did not express disclaimer opinion on the closing figures of the consolidated statement of financial position for the financial year ended 31 December 2021 and are of the view that, if the Company continuously implements the existing effective internal control on the Prepayments, and no unexpected situation occurs, the audit modification is expected to be addressed for the financial year ending 31 December 2022.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

The audit committee of the Company (the "**Audit Committee**") has reviewed the existing internal control procedures, including the implementation of the prevention and detection measures. The Audit Committee has also examined some management of the major operation subsidiaries for their understanding of the existing internal control system by way of discussion. In addition, the Audit Committee has also reviewed the existing approval procedures and documentations of making Upfront Payments and the monitoring system of the credit control of the Prepayments made and did not identify any significant deficiencies.

The Audit Committee has also reviewed the audit procedures of the Auditors in preparation of the 2021 Annual Results and their expected audit modifications. The Audit Committee understands the view of the Auditors and the situation of the Company. With the implementation of the enhanced internal control system, the Audit Committee concur with the management's view and the Auditors' view (as set out above) in addressing the audit modifications in the 2022 annual results.

MANAGEMENT DISCUSSION AND ANALYSIS

IRON ORE BUSINESS

Market Review

2021 was the first year of China's 14th Five-Year Plan and the second year of the outbreak of COVID-19 pandemic. With the gradual increase in the vaccination rate of COVID-19, lockdown measures for COVID-19 pandemic have gradually been released by various countries, and the global economy has also shown a trend of further improvement. China leads the world in economic growth and its economic strength has been enhanced significantly. According to the public information from the National Bureau of Statistics, GDP in 2021 exceeded RMB11 billion, reaching RMB114.4 trillion, representing a year-on-year increase of 8.1%, and the 14th Five-Year Plan achieved a good start. In 2021, affected by the factors such as the overall improvement of the national economy and the increase in the prices of global bulk commodities, the overall operation of the iron and steel industry was in good condition. In the first half of the year, driven by domestic and overseas demand, national output of crude steel continued to grow. However, in the second half of the year, with the implementation of national control policies, the market demand was weakened, and the excessive growth of iron and steel output was also effectively curbed. According to the public information, the output of crude steel of China in 2021 was approximately 1.04 billion tons, representing a year-on-year decrease of 2.8% as compared to last year; the consumption volume of crude steel was approximately 995 million tons, representing a year-on-year decrease of 5.0% as compared to last year; the demand side of the steel market formed a strong positive feedback on iron ore prices. In 2021, the iron ore market experienced drastic fluctuation, and the prices showed a trend of rising before falling. In 2021, affected by the rising global prices of bulk commodities and the recovery of global iron and steel production capacity, the demand for iron ore was strong and the supply was relatively tight, and its price fluctuated at a high level, showing a trend of increase in both volume and price. The iron ore Platts index of 62% once exceeded the historical high of US$230.0 per ton. However, in the third quarter, with the expected implementation of compressing crude steel production, the weak demand for iron ore continued to intensify, and the price started a unilateral downward movement. The iron ore Platts index of 62% began to rebound to US$119 per ton at the end of the year after hitting the annual lowest point of US$87.0 per ton in November. In 2021, although the prices of iron ore market showed a trend of rising before falling and experienced a large volatility, the average price of the iron ore Platts index of 62% for the full year still reached US$159.5 per ton, representing an increase of 46% as compared to the average of last year. According to the statistics from General Administration of Customs, China imported approximately 1.12 billion tons of iron ore and concentrates in aggregate throughout the year, representing a year-on-year increase of 3.9%. The increase in import volume was not significant, but the accumulated import amount for the full year reached approximately RMB1,194.16 billion, representing a year-on-year increase of 39.6%.

PRINCIPAL BUSINESS RISKS

Commodity price risk

The macro business environment in which the Group operates is complex and volatile. Geopolitical environment, changes in global supply and demand, fluctuations in domestic and overseas market prices, and market downturn caused by the COVID-19 pandemic, will adversely affect the Group's turnover and consolidated revenue. In this complex business environment and during the COVID-19 pandemic period, the Group closely monitors domestic and overseas economic situation and market dynamics and proactively changes the marketing strategies to minimise the adverse impact caused by the above risks.

National policy risk

As the Chinese government continues to introduce increasingly strict environmental protection policies, the open-pit mine industry, which has a significant impact on the environment, has become one of the industries that the environmental protection regulatory authorities pay close attention to. Focusing on multiple aspects such as environmental protection, restoration and management of mines, resource development and utilisation, the Group proactively promotes the upgrading and transformation of mines, accelerates the construction of green mines, and builds a green, environmentally friendly and civilised ecological economic system, so as to minimise the impact of the Group's business operation on the environment.

Interest rate risk

The fair value interest rate risk of the Group mainly relates to bank borrowings. The management of the Group will continue to monitor the loan portfolio and interest rate risks of the Group and consider taking appropriate measures to hedge material interest rate risks when necessary.

Prepayment default risk

The establishment of Xiong'an New Area in 2017 led to a rapid growth in construction business, which in turn drove the increasing demand for transportation business. In addition, the construction transportation business in Xiong'an New Area realised higher profit and faster settlement as compared to mine transportation business. Due to the above two considerations, the transportation companies tended to return to Xiong'an New Area for development and abandon the cooperation with the Company. In view of the fact that the replacement of the original transporter would lead to a large amount of loss from production suspension, the Company discussed with the four transportation companies to formulate the prepayment policy. According to the scale and credit status of the transportation companies, we made prepayments of different sizes to the transportation companies respectively in exchange for long-term and stable services of the transportation companies, and thus obtaining preferential transportation prices. As a result, the Group accumulated certain prepayments. If the transportation companies fail to provide stable transportation services continuously, the Company may be exposed to the risk of prepayment recovery. In order to avoid the prepayment default risk, the Group has set up a special transportation management agency to manage the prepayments, discussed with the transportation companies on the arrangements for the refund and reduction of the prepayments, and entered into guarantee contracts respectively to secure the recovery of prepayments.

BUSINESS REVIEW

In 2021, benefiting from the significant increase in domestic market prices of iron ores, the performance of the Group's iron ore business enhanced significantly as compared to last year. For the year ended 31 December 2021, the Group's output of iron ore concentrates was approximately 1,121.9 Kt, representing an increase of approximately 55.0% as compared with the corresponding period last year, mainly due to recovery of the production for iron ore concentrates of Jiheng Mining. During the Reporting Period, the Group's sales of iron ore concentrates were approximately 1,127.1 Kt, representing an increase of approximately 62.0% as compared with the corresponding period last year. During the Reporting Period, average unit cash operating cost for iron ore concentrates of Jingyuancheng Mining was approximately RMB699.0 per ton, and average unit cash operating cost for iron ore concentrates of Jiheng Mining was approximately RMB464.4 per ton.

As of 31 December 2021, the Group recorded the revenue of approximately RMB1,109.4 million for iron ore business, representing an increase of approximately 128.3% as compared with the corresponding period of last year; the gross profit was approximately RMB417.2 million and the gross profit margin was approximately 35%. As of 31 December 2021, the sales costs and administrative expenses of the Group's iron ore business amounted a total of approximately RMB105.2 million, representing a decrease of approximately RMB24.5 million compared to the corresponding period of the last year. As of 31 December 2021, the Group's iron ore business recorded net profits after tax of approximately RMB211.9 million, representing an increase of approximately RMB273.3 million compared to the corresponding period of the last year, mainly due to recovery of the production of Jiheng Mining during the Reporting Period, and the increase in output and sales volume of iron ore concentrates and average sales price of iron ore concentrates as compared to the corresponding period of the last year.

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

	For the year ended 31 December Output (Kt)			For the year ended 31 December Sales volume (Kt)			For the year ended 31 December Average sales price (RMB))			For the year ended 31 December Average unit cash operating costs (RMB)		
The Group	**2021**	2020	% of change	**2021**	2020	% of change	**2021**	2020	% of change	**2021**	2020	% of change
Jiheng Mining												
Iron ore concentrates	**546.8**	82.5	562.8%	**551.6**	81.7	575.2%	**961.0**	601.6	59.7%	**464.4**	*(Note (3))*	N/A
Jingyuancheng Mining												
Iron ore concentrates	**575.1**	641.3	(10.3%)	**575.5**	614.0	(6.3%)	**1,006.6**	711.3	41.5%	**699.0**	550.7	26.9%
Total												
Iron ore concentrates	**1,121.9**	723.8	55.0%	**1,127.1**	695.7	62.0%	**984.3**	698.4	40.9%	**584.7**	*(Note (3))*	N/A

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%.

(3) The operating period of Jiheng Mining in 2020 was short, and its average unit cash operating cost was not representative, so there was no comparison.

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 this announcement 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's Report in November 2013. The estimation assumptions contained in the SRK's Competent Person's 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 2021 are shown in the following table:

Company	**Mine**	**Exploration approach**	**Reserve category**	**Ore reserves**		
				(Kt)	*TFe (%)*	*mFe (%)*
Jiheng Mining	Zhijiazhuang	Open-pit	Probable	603	33.75	20.74
Jingyuancheng Mining	Wang'ergou	Open-pit	Probable	4,380	12.47	10.08
		Underground	Probable (graded above 12%)	18,077	15.87	8.5
	Shuanmazhuang	Open-pit	Probable	84,110	13.58	5.54
		Underground	Probable (graded above 12%)	35,723	16.00	7.11
Total		Open-pit	Probable	89,093	13.66	5.87
		Underground	Probable (graded above 12%)	53,800	15.96	7.58
		Total	Probable	142,893	14.85	6.45

The iron ore resources which complied with JORC Code (2004 Edition) in respect of each mine of the Group as of 31 December 2021 are shown in the following table:

Company	**Mine**	**Controlled resource**			**Inferred resource**		
		(Kt)	*TFe (%)*	*mFe (%)*	*(Kt)*	*TFe (%)*	*mFe (%)*
Jiheng Mining	Zhijiazhuang	603	33.75	20.74	441	29.42	25.06
Jingyuancheng Mining	Wang'ergou	48,708	13.99	6.74	14,037	12.31	6.41
	Shuanmazhuang	147,889	14.01	5.74	70,406	12.78	4.89
Total		197,200	14.07	6.03	84,884	12.79	5.25

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, highway and railway. As of 31 December 2021, the annual mining capacity of Zhijiazhuang Mine was 2.4 Mtpa, and the dry processing capacity and the wet processing capacity were 4.2 Mtpa and 1.8 Mtpa, respectively.

The following table sets forth a breakdown of the average unit cash operating costs of Zhijiazhuang Mine:

Iron ore concentrates

Unit: RMB per ton of iron ore concentrates	**For the year ended 31 December 2021**
Mining costs	**151.1**
Dry processing costs	**46.6**
Wet processing costs	**166.3**
Administrative expenses	**60.2**
Sales costs	**3.2**
Taxation	**37.0**
Total	**464.4**

The operating period of Jiheng Mining in 2020 was short, and its average unit cash operating cost was not representative, so there was no comparison.

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 and Shuanmazhuang have comprehensive basic infrastructures such as water, electricity and highway. As of 31 December 2021, 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 average unit cash operating costs of Wang'ergou Mine and Shuanmazhuang Mine:

Iron ore concentrates

	For the year ended 31 December		
Unit: RMB per ton of iron ore concentrates	**2021**	2020	% of change
Mining costs	**363.8**	312.2	16.5%
Dry processing costs	**145.8**	86.2	69.1%
Wet processing costs	**92.6**	71.7	29.1%
Administrative expenses	**48.3**	46.6	3.6%
Sales costs	**3.8**	3.6	5.6%
Taxation	**44.7**	30.4	47.0%
Total	**699.0**	550.7	26.9%

During the Reporting Period, the average unit cash operating cost for iron ore concentrates of Wang'ergou Mine and Shuanmazhuang Mine increased compared with the same period last year, mainly because the stripping ratio in the mining process increased, and the material consumables, electricity and wage costs in the dry processing and wet processing increased, and the resource taxes in taxation increased compared with the same period last year.

GREEN CONSTRUCTION MATERIALS BUSINESS

The Company practiced the concept of ecological priority and green development. While ensuring the stable operation of the iron ore business, it also actively promoted solid waste comprehensive utilisation and expanded the production and sales business of mechanism sand and gravel materials for construction. With advanced equipment, high-quality products and the State's support for solid waste recycling, green mining, environmental protection and other policies, the Group has successfully been shortlisted as a qualified supplier of sand and gravel materials in Xiong'an New Area. In 2021, Jiheng Mining, a subsidiary of the Group, was awarded as a demonstration backbone enterprise for comprehensive utilisation of bulk solid waste by the National Development and Reform Commission. This is an important positive milestone for the Company and the green construction materials solid waste comprehensive utilisation project.

With the country's in-depth promotion of the comprehensive utilisation of bulk solid waste, the high-quality development of mechanism sand and gravel, and the acceleration of the construction of waste-free cities, the implementation plan and preferential policies for the comprehensive utilisation of bulk solid waste in Hebei Province's 14th Five-Year Plan have been introduced. With the large-scale development and construction in Xiong'an, Baoding and other regions, the Group seized the opportunity to speed up the industrial layout, and expanded the scale of solid waste comprehensive utilisation and treatment through acquisition to further increase the market share of green construction materials.

As of 31 December 2021, the total treatment capability of solid waste comprehensive utilisation project of the Group was approximately 6.40 Mtpa, of which the treatment capacity of solid waste comprehensive utilisation project of Jiheng Mining was approximately 3.70 Mtpa; the treatment capacity of solid waste comprehensive utilisation project of Jingyuancheng Mining was approximately 2.70 Mtpa.

The table below sets out the breakdown of output and sales volume of sand and gravel materials of the Group:

		For the year ended 31 December 2021			
Subsidiary	**Product**	**Output**	**Sales volume**	**Average sales price**	**Average unit cash operating costs**
		(Kt)	*(Kt)*	*(RMB)*	*(RMB)*
Jiheng Mining	Construction gravel	699.8	745.6	31.7	4.4
	Mechanism sand	734.5	731.0	41.6	9.1
Jingyuancheng Mining	Construction gravel	352.7	309.1	32.5	9.5
	Mechanism sand	528.5	347.9	39.0	13.6
Total		2,315.5	2,133.6	36.4	8.8

During the Reporting Period, the output, sales and cost data of the Group's sand and gravel materials were not compared with those of the same period last year, mainly due to the suspension of operations of Jiheng Mining in 2020 and the continuous suspension of production focusing on the construction of green mines (for details, please refer to the Company's inside information and business update announcements issued on 17 June 2020 and 27 November 2020), which resulted in the failure of the Jiheng Mining solid waste comprehensive utilisation project to formally reach output. The comparative data was not for reference. In addition, Jingyuancheng Mining acquired sand and gravel materials production line from an independent third-party on 25 June 2021 (for details, please refer to the Company's inside information and announcement on the acquisition of target assets in a discloseable transaction issued on 25 June 2021) before launching the production and sales business of sand and gravel materials. Therefore, Jingyuancheng Mining has no comparable data.

SAFETY AND ENVIRONMENTAL PROTECTION

The Group attached great importance to the health and safety of employees and all on-site staff, strictly abided 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 policies 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.

Domestic environmental protection policies and supervision became increasingly stricter, especially for the industrial and mining industry in which the Group operated. The Group strictly complied with relevant provisions of national environmental protection policies. With adhering to ecological priority and practicing the concept of green development, and for the purpose of building of green mines, the Group strove to build modern ecological mines by taking measures for environmental protection and recovery, and to achieve energy conservation, emission reduction and clean production by means of recycling and technology upgrading, so as to relieve the impacts of production activities on the environment.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2021, the Group had 1,030 full-time employees in total (31 December 2020: 907 employees). For the year ended 31 December 2021, expenses of employees' benefit (including salaries, wages, pension plan contributions and other benefits) were approximately RMB88.5 million (2020: RMB57.5 million).

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 RMB1,191.7 million, representing an increase of approximately RMB623.7 million as compared to the corresponding period of last year, which was mainly attributable to the combined influence of the increase in sales volume and 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 RMB774.5 million, representing an increase of approximately RMB300.6 million as compared to the corresponding period of last year, which was mainly attributable to the influence of the increase in sales volume of iron ore concentrates.

Gross profit and gross profit margin

The gross profit of the Group for the Reporting Period was approximately RMB417.2 million, representing an increase of approximately RMB323.2 million or 343.5% as compared to the corresponding period of last year, which was mainly attributable to the increase in revenue as compared to the corresponding period of last year; the Group's gross profit margin also increased during the Reporting Period from 16.6% to 35.0% 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 RMB8.7 million, representing a decrease of approximately RMB7.9 million or 47.6% as compared to the corresponding period of last year, which was mainly due to the decrease 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 RMB102.5 million, representing a decrease of approximately RMB15.4 million or 13.1% as compared to RMB117.9 million in the corresponding period of last year. The decrease in administrative expenses was mainly due to no amount of loss on work stoppage as the Group suspended operations in the Reporting Period.

Impairment losses

The Group recorded an impairment loss of approximately RMB1.8 million during the Reporting Period, and such impairment loss was mainly the amount of the 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. The provision, net of reversal, amounted to RMB0.5 million.

Finance costs

The Group's finance costs for the Reporting Period were approximately RMB34.6 million, representing an increase of approximately RMB7.0 million or 16.8% 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 (expenses) credit

The Group's income tax expenses for the Reporting Period were approximately RMB75.0 million, while the income tax credit for the corresponding period of last year were approximately RMB9.2 million, which was mainly due to the increase in profit before taxation of the Group. The income tax expenses comprised the sum of current tax expense of approximately RMB97.8 million, underprovision of income tax in prior year approximately RMB2.9 million, offset by deferred tax credit of approximately RMB25.7 million.

Profit (loss) for the year and total comprehensive income (expense) for the year

The Group recorded a profit after tax during the Reporting Period of approximately RMB203.1 million, which was mainly due to the increase in gross profit of the Group.

Property, plant and equipment

The net value of the property, plant and equipment of the Group as of 31 December 2021 was approximately RMB1,314.9 million, representing an increase of approximately RMB303.1 million or 30.0% as compared to the corresponding period of last year. The change was mainly due to the combined influence of the Group's acquisition of sand and gravel materials production line during the Reporting Period, and provision for depreciation.

Intangible assets

As of 31 December 2021, the net intangible assets of the Group were approximately RMB70.9 million, representing a decrease of approximately RMB6.3 million as compared to the corresponding period of last year, which was mainly due to the influence of the amortisation of intangible assets of the Group.

Inventories

As of 31 December 2021, inventories of the Group amounted to approximately RMB121.4 million, representing a decrease of approximately RMB10.4 million or 7.9% as compared to the corresponding period of last year which was mainly due to increase of gravel materials and consumables and supplies, offset by decrease of iron ore raw materials.

Trade and other receivables

As of 31 December 2021, trade receivables of the Group amounted to approximately RMB85.2 million, representing a decrease of approximately RMB2.6 million as compared to RMB87.8 million in the corresponding period of last year, and the changes in trade receivables was relatively stable. As of 31 December 2021, other receivables of the Group amounted to approximately RMB237.0 million, representing a decrease of approximately RMB128.0 million as compared to RMB365.0 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 2021, trade payables of the Group amounted to approximately RMB106.5 million, representing an increase of approximately RMB37.0 million as compared to RMB69.5 million in the corresponding period of last year. The increase was mainly attributable to the increase in trade payables to main suppliers.

As of 31 December 2021, other payables of the Group amounted to approximately RMB139.9 million, representing a decrease of approximately RMB28.7 million as compared to RMB168.6 million in the corresponding period of last year. The decrease was mainly due to the settlement of payables for construction projects and equipment purchases.

Cash and borrowings

As of 31 December 2021, the balance of cash and cash equivalents of the Group amounted to approximately RMB104.1 million, representing an increase of approximately RMB83.9 million or 415.3% as compared to the corresponding period of last year.

As of 31 December 2021, bank loans of the Group were RMB557.0 million, representing a decrease of RMB51 million or 8.4% as compared to the end of last year.

The interest rates of the borrowings as of 31 December 2021 ranged from 3.8% to 9.23% per annum. The borrowings of RMB557 million were accounted for as current liabilities of the Group (as of 31 December 2020: RMB430.0 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 2021 and up to the date of this announcement. As of 31 December 2021, the overall financial status of the Group remained in a good condition.

Restricted deposits

Restricted deposits of the Group generally represent the bank deposits, deposits pledged as guarantee for bills payable and other deposits within one year. As of 31 December 2021, the Group had no restricted deposits.

Gearing ratio

The gearing ratio of the Group as of 31 December 2021 was approximately 22.2%, representing a decrease of approximately 3.9% 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 RMB672.5 million, which consisted of installments for mining right costs, technical transformation of dry-processing plant and other sporadic projects.

Capital commitment

At at 31 December 2021, the total capital commitments of the Group amounted to approximately RMB81.6 million (2020: approximately RMB41.5 million).

Interest rate risk and foreign currency risk

The fair value interest rate risk of the Group is primarily related to bank borrowings. Most of the bank borrowings of the Group are due within one year. Therefore their fair value interest rate risk is low.

The Company currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider to hedge significant interest rate exposure if necessary. The principal business of the Group is located in the PRC and the principal operation and transactions are carried out in RMB. Substantially all of the assets and liabilities of the Group are denominated in RMB. Since RMB is not freely convertible, the Chinese government may take actions to affect the exchange rate exposure, which may affect the Group's net assets, earnings and any dividends it declares if such dividends are translated into foreign currency. The Group had no hedging in respect of the exchange rate risk.

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

As of 31 December 2021, the Group's bank loans of RMB260 million, RMB120 million and RMB177 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 use rights 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, RMB9.8 million and RMB24.4 million respectively as of 31 December 2021. The Group had no material contingent liabilities as of 31 December 2021.

Significant investments held

There were no significant investments held by the Company as at 31 December 2021.

OUTLOOK AND STRATEGY

2022 is the crucial year for China to implement the 14th Five-Year Plan and China's economy has entered a stage of high-quality development, which is also a critical period of "stable growth" for the Chinese economy. In the context of the dual carbon target, relevant national ministries and commissions are continuously improving policies to promote industrial energy conservation, environmental protection and green development. In the future, the profitability, capacity expansion and development capacity of industrial enterprises will all depend on low-carbon and green development capabilities, which is undoubtedly a difficult challenge for the mining industry. There are also opportunities in challenges.

It is estimated that in 2022, affected by the continuation of the COVID-19 pandemic and the escalation of global political situation, both the supply and demand sides of the steel industry will operate at a low level, and the prices of steel and iron ore will be affected by production contraction and weak demand. In this turbulent period, the Group will maintain a prudent business and strategic management policy. In terms of pandemic prevention and control, the Company will coordinate and arrange pandemic prevention and control according to the requirements of the local government to ensure health and safety of the employees; in terms of business management, the Company will continue to strengthen the level of refined management, strictly control major capital expenditure, implement the measures on budget control and cost reduction and efficiency increase, and improve the production processes and product quality through technical means to ensure the stable and long-term operation of the Company's various businesses; at the same time, the Group will also make full use of the opportunity of mineral resources integration to improve the production capacity of iron ore business through acquisition, so as to ensure the high-quality and high-volume production of the Group's iron ore business. The Company will also pay close attention to market dynamics and adjust marketing strategies in time to achieve higher economic benefits.

With the state's in-depth promotion of comprehensive utilisation of bulk solid waste, the high-quality development of the machine-processed sand and gravel, and the acceleration of the construction of zero-waste cities, the introduction of the implementation plan and preferential policies for the comprehensive utilisation of bulk solid waste in Hebei Province for the 14th Five-Year Plan, and the large-scale development and construction in regions such as Xiong'an, Baoding, the Company will continue to adhere to the national concept of "Ecological Priority and Green Development" and actively promote solid waste comprehensive utilisation projects to accelerate the layout of green construction materials industry in accordance with the principle of "Reduction, Reuse and Recycling of Solid Waste", and seize the construction opportunities in the regions such as Xiong'an New Area and Baoding to further increase the market share of green construction materials through acquisition or new construction. In order to achieve the goal of zero discharge of solid waste, the Company will also cooperate with domestic authoritative scientific research institutions in the future to develop other green construction materials through the recycling of solid waste to achieve zero discharge of mine production, so as to build the Group into a green and environmentally friendly eco-economic system, provide guarantee of green construction materials for the construction of Beijing-Tianjin-Hebei and Xiong'an New Area, and create more and more sustainable economic benefits for shareholders.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2021.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2021, 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 2021.

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, saved for disclosed below, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

On 24 March 2021, Mr. Kong Chi Mo resigned as an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee. Following the resignation of Mr. Kong Chi Mo, the Board comprises six members, including four executive Directors and two independent non-executive Directors. The Company failed to comply with Rules 3.10, 3.10A and 3.21 of the Listing Rules and the code provision A.5.1 of the Corporate Governance Code.

On 8 April 2021, Mr. Wong Sze Lok was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee of the Company. On the same date, Mr. Ge Xinjian, an existing independent non-executive Director, was re-designated from the chairman of the Audit Committee to a member of the Audit Committee.

Following the appointment of Mr. Wong Sze Lok, the Company has complied with Rules 3.10, 3.10A and 3.21 of the Listing Rules and the code provision A.5.1 of the Corporate Governance Code from 8 April 2021 to the end of the Reporting Period.

For details, please refer to the announcements of the Company dated 24 March 2021 and 8 April 2021.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for 2021 and the consolidated financial statements for the year ended 31 December 2021.

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2021 and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 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 (the "**Deed of Non-Competition**") with Mr. Li Ziwei, Mr. Li Yanjun, Hengshi International Investments 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 may 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, the 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, 29 June 2022 and 29 September 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; (x) the announcement of the Company dated 9 September 2022 in relation to the key findings of the supplementary independent investigation; (xi) the announcement of the Company dated 9 September 2022 in relation to the provision of Deposit Pledge and provision of Loan to an entity; (xii) the announcement of the Company dated 20 September 2022 in relation to the publication of the 2020 Annual Results; and (xiii) the announcement of the Company dated 21 September 2022 in relation to results of the internal control review (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 2022 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 2021 ANNUAL REPORT

The 2021 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, 24 October 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.