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奧威控股
AOWEI HOLDING LIMITED

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 2022

FINANCIAL HIGHLIGHTS

The revenue of the Group for the Reporting Period was approximately RMB937.8 million, representing a decrease of approximately RMB254.0 million or 21.3% as compared to the corresponding period of last year. The Group's cost of sales for the Reporting Period was approximately RMB774.1 million, representing a decrease of approximately RMB0.4 million as compared to the corresponding period of last year. The gross profit of the Group for the Reporting Period was approximately RMB163.7 million, representing a decrease of approximately RMB253.5 million or 60.8% 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 RMB60.8 million, representing a decrease of approximately RMB142.3 million or 70.1% as compared to the corresponding period of last year.

For the Reporting Period, the basic earnings per share attributable to equity shareholders of the Company was RMB0.04, representing a decrease of approximately RMB0.08 or 66.7% as compared to the corresponding period of last year.

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 2022 (the "**Reporting Period**" or the "**Year**"), along with the relevant comparable figures for the year ended 31 December 2021, which are extracted from the audited consolidated financial statements of the Group prepared in accordance with the International Financial Reporting Standards as set out in the Company's 2022 annual report (the "**2022 Annual Report**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	4	**937,751**	1,191,741
Cost of sales		**(774,054)**	(774,498)
Gross profit		**163,697**	417,243
Other income, gains and losses, net	6	**121,191**	8,508
Distribution expenses		**(3,519)**	(8,652)
Administrative expenses		**(102,631)**	(102,473)
Impairment losses under expected credit loss model, net		**(315)**	(1,845)
Impairment losses of property, plant and equipment, construction in progress and intangible assets		**(54,559)**	–
Finance costs	7	**(27,727)**	(34,630)
Profit before tax	9	**96,137**	278,151
Income tax expenses	8	**(35,382)**	(75,008)
Profit for the year		**60,755**	203,143
Other comprehensive income (expense) for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**388**	(57)
Total comprehensive income for the year		**61,143**	203,086
Earnings per share in RMB	11		
Basic		**0.04**	0.12
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	*12*	**1,202,006**	1,314,899
Construction in progress		**392,963**	323,786
Intangible assets		**61,680**	70,865
Long-term receivables		**–**	30,340
Prepayments	*13*	**48,006**	–
Deferred tax assets		**232,362**	218,023
		1,937,017	1,957,913
Current assets			
Inventories		**86,838**	121,423
Trade and other receivables	*13*	**318,023**	322,227
Restricted bank balances		**26,882**	–
Cash and cash equivalents		**56,086**	104,066
		487,829	547,716
Current liabilities			
Trade and other payables	*14*	**211,143**	246,356
Contract liabilities		**62,186**	28,588
Lease liabilities		**1,628**	1,943
Bank borrowings		**337,000**	557,000
Tax payable		**86,912**	60,653
Provision for reclamation obligations		**1,201**	4,276
		700,070	898,816
Net current liabilities		**(212,241)**	(351,100)
Total assets less current liabilities		**1,724,776**	1,606,813

	2022	2021
	RMB'000	*RMB'000*
Non-current liabilities		
Bank borrowings	**176,000**	–
Lease liabilities	**1,283**	2,911
Other financial liabilities	**–**	117,721
Provision for reclamation obligations	**32,705**	32,536
	209,988	153,168
Net assets	**1,514,788**	1,453,645
Capital and reserves		
Share capital	**131**	131
Reserves	**1,514,657**	1,453,514
Total equity	**1,514,788**	1,453,645

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 sales 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 2022, 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 Group's annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

Except as described below, the application of 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 Amendments to IFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the "**Conceptual Framework**") instead of the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010), add a requirement that, for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

Impacts on application of Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The Group has applied the amendments for the first time in the current year. The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with IAS 2 *Inventories*.

In accordance with the transitional provisions, the Group has applied the new accounting policy retrospectively to property, plant and equipment made available for use on or after the beginning of 1 January 2021. The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

Impacts on application of Amendments to IFRSs Annual Improvements to IFRSs 2018-2020

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

IFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 January 2022.

IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

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 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
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]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or 1 January 2024.

Except for the new and amendments to IFRSs mentioned in the Group's 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 RMB212,241,000 as at 31 December 2022. As at the same date, the Group's borrowings due within one year amounted to approximately RMB337,000,000 and has capital commitments of approximately RMB171,753,000, while its cash and cash equivalents amounted to approximately RMB56,086,000 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) Subsequent to the end of the reporting period, the Group successfully obtained new borrowings of RMB120,000,000, RMB117,000,000, RMB200,000,000 and RMB142,500,000 from certain financial institutions in PRC of which RMB413,000,000 have been used to settle the existing borrowings. Pursuant to the loan agreements, those new borrowings carried interest rate at 4.00%–9.23% per annum and repayable on 23 February 2024, 26 February 2024, 20 December 2025 and 13 January 2026, respectively;

(2) The executive directors, Mr. Li Yanjun who is also the chairman and substantial shareholder of the Company, and Mr. Li Ziwei (also known as Leung Hongying Li Ziwei) who is also the chief executive officer and substantial shareholder of the Company (collectively referred to the "**Substantial Shareholders**") have undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due. If necessary, the Substantial Shareholders will use their unsecured shares of the Group to provide the financial support to the Group. Therefore, the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the next twelve months from 31 December 2022; and

(3) Benefit from the steadily increase of average selling price of iron ore concentrates in first quarter of 2023, the Group is expected to record a net operating cash inflow for the year ending 31 December 2023.

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 2022 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 2022. 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:

	2022	2021
	RMB'000	*RMB'000*
Mining Segment		
Iron ore concentrates	**813,190**	1,109,360
Gravel materials	**124,561**	82,381
	937,751	1,191,741

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 sales 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.

(a) 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 2022

	Mining segment *RMB'000*	**Medical segment** *RMB'000*	**Total** *RMB'000*
Revenue	**937,751**	**–**	**937,751**
Segment results	**102,829**	**(771)**	**102,058**
Unallocated corporate expenses, net			**(5,921)**
Profit before tax			**96,137**

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, net			(5,108)
Profit before tax			278,151

6. OTHER INCOME, GAINS AND LOSSES, NET

	2022 *RMB'000*	2021 *RMB'000*
Written-off of property, plant and equipment	**(1,087)**	–
Gain (loss) on disposal of property, plant and equipment	**41**	(487)
Bank interest income	**116**	294
Capital occupancy fee *(Note (a))*	**–**	7,740
Government grants *(Note (b))*	**–**	592
Gain on early termination of a lease	**–**	369
Gain from remeasurement of mining right consideration *(Note (c))*	**122,121**	–
	121,191	8,508

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.

(c) During the year ended 31 December 2022, the Group mutually agreed with Hebei Provincial Department of Land and Resources* ("**HPDLR**") on the mining rights consideration of Shuanmazhuang Mine and Wang'ergou Mine which have been remeasured (the "**Remeasurement**") from approximately RMB85,466,000 and RMB51,000,000 to approximately RMB37,560,000 and RMB15,951,000, respectively.

As at the date of the agreement, the Group had paid mining rights consideration of Shuanmazhuang Mine and Wang'ergou Mine of approximately RMB34,595,000 and RMB23,316,000 respectively to HPDLR. HPDLR agreed to refund the excessive net payment of mining rights consideration of approximately RMB4,400,000 to the Group (the "**Refund**").

The other financial liabilities of approximately RMB117,721,000, which represented the outstanding mining rights consideration and the unwinding interest, should be derecognised (the "**Derecognition**") as a result of Remeasurement.

The Refund of RMB4,400,000 together with the Derecognition of approximately RMB117,721,000 arising from the Remeasurement was recognised as other income for the year ended 31 December 2022.

* *For identification purpose only*

7. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest expenses on:		
– Bank borrowings	**26,820**	30,774
– Lease liabilities	**207**	389
– Discounted bills	**134**	70
Unwinding interest expenses on:		
– Other financial liabilities	**–**	2,684
– Provision for reclamation obligations	**566**	713
	27,727	34,630

8. INCOME TAX EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**49,721**	97,819
Underprovision in prior years:		
Hong Kong Profits Tax	**–**	2,932
Deferred tax:		
Current year	**(14,339)**	(25,743)
Total	**35,382**	75,008

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 2022 and 31 December 2021 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.

9. PROFIT BEFORE TAX

	2022	2021
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging:		
Staff costs (include directors' and chief executive's emoluments):		
– salaries and other benefits in kind	**89,344**	81,964
– retirement benefits scheme contributions	**9,068**	6,549
	98,412	88,513
Transportation service fees	**174,185**	324,629
Depreciation of property, plant and equipment (exclude right-of-use assets)	**131,214**	110,760
Depreciation of right-of-use assets	**11,257**	19,491
Amortisation of intangible asset	**14,299**	6,307
Total depreciation and amortisation	**156,770**	136,558
Auditor's remuneration:		
– audit services	**2,864**	3,025
– non-audit services	**650**	500
Legal and professional fee	**4,294**	3,958
Donation	**–**	120
Cost of inventories recognised as an expense	**766,808**	765,272

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

11. EARNINGS PER SHARE

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

	2022	2021
	RMB'000	*RMB'000*
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**60,755**	203,143

	2022	2021
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,635,330**	1,635,330

No diluted earnings per share for both years ended 31 December 2022 and 2021 were presented as there were no potential ordinary shares in issue for both years ended 31 December 2022 and 2021.

12. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2022, the Group recognised addition of property, plant and equipment (including right-of-use assets) with a cost of approximately RMB51,506,000 (2021: approximately RMB401,196,000) and the depreciation of property, plant and equipment (including right-of-use assets) charged for the year ended 31 December 2022 was approximately RMB142,471,000 (2021: approximately RMB130,251,000).

13. TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**91,580**	85,955
Less: Allowance for credit losses	**(1,211)**	(777)
Total trade receivables, net	**90,369**	85,178
Bills receivables	**12,151**	–
Prepayments and deposits	**224,032**	213,484
Value-added tax recoverable	**11,139**	14,486
Amounts due from directors	**–**	81
Other receivables	**30,198**	10,977
	265,369	239,028
Less: Allowance for credit losses	**(1,860)**	(1,979)
Total other receivables, net	**263,509**	237,049
Prepayments classified as non-current assets	**(48,006)**	–
Other receivables, net	**215,503**	237,049
Trade and other receivables, net	**318,023**	322,227

Note:

As at 1 January 2021, trade receivables from contracts with customers amounted to approximately RMB87,832,000, net of allowance for credit losses of approximately RMB277,000.

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

	2022	2021
	RMB'000	*RMB'000*
0 to 30 days	**28,928**	23,708
31 to 90 days	**19,232**	51,631
91 to 180 days	**31,553**	4,523
181 to 365 days	**7,926**	4,514
1 to 2 years	**2,730**	802
	90,369	85,178

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB2,730,000 (2021: RMB802,000) which are past due as at the reporting date.

14. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**106,333**	106,475
Other taxes payables	**13,649**	16,495
Payables for construction work, equipment purchase and others	**40,692**	53,686
Interest payables	**1,176**	1,251
Other payables	**49,293**	68,449
	211,143	246,356

Note:

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

	2022	2021
	RMB'000	*RMB'000*
Up to 30 days	**18,148**	20,618
31 to 90 days	**26,305**	24,714
91 to 180 days	**35,729**	19,788
181 to 365 days	**12,896**	12,208
Over 1 year	**13,255**	29,147
	106,333	106,475

As at 31 December 2022, 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 2022, which has included a disclaimer of opinion.

Qualified Opinion

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Limitation of scope on prepayments during the year ended 31 December 2021

As at 1 January 2021 and 31 December 2021, the Group 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 year ended 31 December 2021, we noted the Group has the following transactions with the Transportation Service Providers:

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

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

(iii) refunds in aggregate of approximately RMB120,000,000 from the Transportation Service Providers.

During our audit of the consolidated financial statements of the Group for the year ended 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 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 1 January 2021 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 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. 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, during our audit for the years ended 31 December 2021 and 31 December 2022, we have not been provided with explanations together with the supporting documents from the board of Directors (the "**Board**") that would satisfy ourselves as to the accuracy, occurrence, commercial substance and business rationale, valuation and allocation and classification of the Prepayments as at 1 January 2021, the Upfront Payments and the Refunds during the year ended 31 December 2021, 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 1 January 2021;

(ii) We are not able to justify the commercial substance and business rationale of the Upfront Payments during the year ended 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 Transportation Service Providers;

(d) there was no documentary payment orders received from 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;

(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 the year ended 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 1 January 2021, (2) the Upfront Payments of approximately RMB315,235,000 during the year ended 31 December 2021, and (3) the Refunds of approximately RMB120,000,000 during the year ended 31 December 2021.

Any adjustment found to be necessary in respect of these matters might have significant consequential effects on the consolidated financial performance and cash flows of the Group for the year ended 31 December 2021, and the related disclosures in the consolidated financial statements.

Material Uncertainty Related to Going Concern

We draw attention to Note 3.1 to the consolidated financial statements, as at 31 December 2022, the Group's current liabilities exceeded its current assets by approximately RMB212,241,000. As the same date, the Group's borrowings due within one year amounted to approximately RMB337,000,000 and has capital commitments of approximately RMB171,753,000 while its cash and cash equivalents amounted to approximately RMB56,086,000 only. These conditions, 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, subsequent to the end of the reporting period, the Group successfully obtained new borrowings in aggregate of RMB579,500,000 from certain financial institutions in PRC of which RMB413,000,000 have been used to settle the existing borrowings. Pursuant to the respective loan agreements, those new borrowings carried interest rate at 4.00%-9.23% per annum and repayable in 2024 to 2026. Our opinion is not modified in respect of this matter.

The View and Position of the Management on the Qualified Opinion

As mentioned in the section headed "**EXTRACT OF INDEPENDENT AUDITOR' S REPORT**" above in this announcement, the qualified opinion issued by Asian Alliance (HK) CPA Limited (the "**Auditor**") was due to the lack of supporting documents or evidence of commercial substance and commercial rationale in relation to (1) the Prepayments as at 1 January 2021; (2) the Prepayments for the year ended 31 December 2021; and (3) the Refunds for the year ended 31 December 2021.

The Directors and the audit committee of the Company (the "**Audit Committee**") are of the view that the auditor's qualified opinion is due to the fact that the audit opinion on the consolidated financial statements for the year ended 31 December 2021 forms the basis for the comparative figures presented in the consolidated financial statements for the year ended 31 December 2022.

The Company has made efforts to take actions to remedy the deficiencies identified in the Internal Control Review and to improve the internal control system, in particular the prepayment aspect, in response to the audit modification (the "**Actions**"), and the independent 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 is of the view that the improved credit control procedures will help prevent and monitor prepayments so as to more accurately forecast and maintain the prepayments at a reasonable level to meet operational needs for a given period and minimize the occurrence of refunds.

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.

The Auditor concurred with the view of the Directors and the Audit Committee that the qualified opinion in relation to the Company will be removed in the consolidated financial statements of the Company for the financial year ending 31 December 2023 if the above internal control system can continue to be effectively implemented.

MANAGEMENT DISCUSSION AND ANALYSIS

IRON ORE BUSINESS

Market Review

In 2022, the global economy showed a significant slowdown in recovery. Affected by various adverse factors such as the escalation of military conflicts in Russia-Ukraine, the impact of global trade and the COVID-19 pandemic, the global inflation "stayed high". As most central banks tightened monetary policies, resulting in weak consumption and purchasing power, the risk of global economic downturn intensified. The economy of China also faced great downward pressure. In particular, the COVID-19 pandemic hit China again since February 2022, further curbing the pace of recovery of economic growth in China. In the face of the complicated economic environment and the continuous volatility of the COVID-19 pandemic, the Chinese government efficiently coordinated the pandemic prevention and control policies accelerating optimization and adjustment, implemented proactive fiscal policies and prudent monetary policies, and strengthened the adjustment of macro policies. As a result, the economy of China maintained strong resilience and potential driven by stable growth policies. In 2022, China's GDP exceeded RMB120 trillion, representing an increase of 3% as compared with the corresponding period of last year.

In 2022, the COVID-19 pandemic spread in China and abroad, the pressure of global inflation intensified, domestic demand weakened, and the steel market showed a downward trend with a downward trend in average price. Due to the impact of global inflation, energy prices recorded a robust performance, the drive for profit was insufficient in the steel industry and output was cut. According to the public information, the output of crude steel of China was approximately 1.013 billion tons, representing a year-on-year decrease of 4.3% as compared to last year. The self-production cut of steel mills also weakened the demand for raw materials, which affected the price of iron ore accordingly. According to the public information, the average value of 62% iron ore Platts Index in 2022 was approximately US$120.2, representing a decrease of US$39.3 or 24.6% as compared with the corresponding period of last year.

PRINCIPAL BUSINESS RISKS

Market price risk

Fluctuations in the price of iron ore concentrates are affected by a number of factors, such as overall economic conditions, global political environment and changes in supply and demand, all of which may materially affect the business of the Group, cash flows and revenue. In response to this risk, the Company has adopted a more prudent approach in market judgment, fully leveraged the monitoring and early warning mechanism of market price risk, and continued to strengthen the control of product costs and expenses.

Policy risk

The mining business is subject to a number of risks and uncertainties as affected by the current environmental protection policies in the PRC. In response to this risk, the Company actively promotes the upgrading and transformation of mines, accelerates the layout of green industry, so as to cultivate new profit growth and strengthen its comprehensive competitiveness and risk resistance capacity.

Safety and environmental risk

The Company is engaged in mining and processing business in the PRC. The Company is well aware that the Law of the People's Republic of China on Work Safety (中華人民共和國安全生產法) and the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) have strict requirements on the production safety and environmental protection capabilities of enterprises. In the event of safety or environmental accidents, it will bring huge losses to the Company's reputation and properties. In response to this risk, the Company has formulated a number of management mechanisms in respect of safety and environmental protection and fulfilled responsibilities at all levels, further strengthened supervision and inspection, excluded hidden dangers, and adopted preventive measures to continuously enhance the safety and environmental protection awareness of the Company and all employees. The Company has also improved the level of on-site management and safety and environmental protection governance through training. At the same time, the Company will increase investment in safety and environmental protection to upgrade and transform technologies and equipment, and continue to promote energy conservation and emission reduction.

Financial risk

The Group's finance department (including the Board) holds meetings regularly to analyse and formulate strategies to manage and monitor the risks associated with the operations of the Group. Generally, the Group adopts conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

BUSINESS REVIEW

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 operated at a low level, and the price of iron ore has been affected by production contraction and weak demand. The financial performance of the Group has also been greatly affected. For the year ended 31 December 2022, the Group's output of iron ore concentrates was approximately 1,052.4 Kt, representing an decrease of approximately 6.2% as compared with the corresponding period last year. During the Reporting Period, the Group's sales of iron ore concentrates were approximately 1,042.3 Kt, representing an decrease of approximately 7.5% 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 RMB785.0 per ton, and average unit cash operating cost for iron ore concentrates of Jiheng Mining was approximately RMB423.5 per ton.

As of 31 December 2022, the Group recorded the revenue of approximately RMB813.2 million for iron ore business, representing a decrease of approximately 26.7% as compared with the corresponding period of last year; the gross profit was approximately RMB120.6 million and the gross profit margin was approximately 14.8%.

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

The Group	For the year ended 31 December Output (Kt) 2022	2021	% of change	For the year ended 31 December Sales volume (Kt) 2022	2021	% of change	For the year ended 31 December Average sales price (RMB) 2022	2021	% of change	For the year ended 31 December Average unit cash operating costs (RMB) 2022	2021	% of change
Jiheng Mining												
Iron ore concentrates	**514.1**	546.8	-6.0%	**511.6**	551.6	-7.3%	**751.2**	961.0	-21.8%	**423.5**	464.4	-8.8%
Jingyuancheng Mining												
Iron ore concentrates	**538.3**	575.1	-6.4%	**530.7**	575.5	-7.8%	**808.2**	1,006.6	-19.7%	**785.0**	699.0	12.3%
Total												
Iron ore concentrates	**1,052.4**	1,121.9	-6.2%	**1,042.3**	1,127.1	-7.5%	**780.2**	984.3	-20.7%	**608.4**	584.7	4.1%

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 this announcement are calculated by deducting the consumption amount from 1 July 2013 to 31 December 2022 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 2022 are shown in the following table:

Compamy	**Mine**	**Exploration approach**	**Reserve category**	**Ore reserves** *(Kt)*	*TFe (%)*	*mFe (%)*
Jiheng Mining	Zhijiazhuang	Open-pit	Probable	508	34.57	19.38
Jingyuancheng Ming	Wang'ergou	Open-pit	Probable	3,251	13.12	12.74
		Underground	Probable (graded above 12%)	18,077	15.87	8.50
	Shuanmazhuang	Open-pit	Probable	82,743	13.63	5.58
		Underground	Probable (graded above 12%)	35,723	16.00	7.11
Total		Open-pit	Probable	86,502	13.73	5.93
		Underground	Probable (graded above 12%)	53,800	15.96	7.58
		Total	Probable	140,302	14.59	6.56

The iron ore resources which complied with JORC Code (2004 Edition) in respect of each mine of the Group as of 31 December 2022 are shown in the following table:

Company	Mine	Controlled resource			Inferred resource		
		(Kt)	*TFe (%)*	*mFe (%)*	*(Kt)*	*TFe (%)*	*mFe (%)*
Jiheng Mining	Zhijiazhuang	509	34.57	19.38	377	29.76	24.87
Jingyuancheng Ming	Wang'ergou	46,473	14.16	6.90	12,547	12.52	6.76
	Shuanmazhuang	146,057	14.06	5.77	69,532	12.81	4.91
Total		193,039	14.14	6.08	82,456	12.84	5.28

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 2022, 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

	For the year ended 31 December		
Unit: RMB per ton of iron ore concentrates	**2022**	2021	% of change
Mining costs	**131.4**	151.1	-13.0%
Dry processing costs	**58.4**	46.6	25.3%
Wet processing costs	**141.4**	166.3	-15%
Administrative expenses	**55.1**	60.2	-8.5%
Sales costs	**0.4**	3.2	-87.5%
Taxation	**36.8**	37	-0.5%
Total	**423.5**	464.4	-8.8%

During the Reporting Period, the average unit cash operating cost for iron ore concentrates of Zhijiazhuang Mine decreased compared with the same period last year, which was mainly due to the combined influence of the decrease in stripping ratio of mining process and the decrease in wet processing ratio of wet processing during the Reporting Period.

Wang'ergou Mine and Shuanmazhuang Mine

Wang'ergou Mine and Shuanmazhuang Mine, which are both wholly-owned and operated by Jingyuancheng Mining, our wholly-owned subsidiary 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 2022, 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	**2022**	2021	% of change
Mining costs	**389.0**	363.8	6.9%
Dry processing costs	**193.7**	145.8	32.9%
Wet processing costs	**109.7**	92.6	18.5%
Administrative expenses	**58.3**	48.3	20.7%
Sales costs	**5.0**	3.8	31.6%
Taxation	**29.4**	44.7	-34.2%
Total	**785.1**	699.0	12.3%

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, which was mainly due to the decrease in the production volume of iron concentrates, the increase in unit cost of fixed expenses in production cycle and period, and the increase in material consumables and electricity expenses in the dry processing and wet processing increased compared with the same period last year.

GREEN CONSTRUCTION MATERIALS BUSINESS

As a bulk basic construction material, sand and gravel materials is widely used in infrastructure construction (railway, highway, rail transit, etc.), housing construction, water conservancy and hydropower, etc. At present, China is in a stage of rapid development. With the continuous increase of national investment in relevant infrastructure construction, the scale of infrastructure construction has also continued to expand, which in turn drives a strong growth in the demand for sand and gravel materials to a certain extent. According to public information, the annual demand for sand and gravel materials in China is approximately 20 billion tonnes. With the Chinese government's promotion of energy conservation and emission reduction, promotion of ecological and environmental protection, and development of green concept, the management and control of natural sand, river sand and other resources exploitation have been strengthened, and the production capacity of natural sand and gravel materials has been reduced sharply accordingly, resulting in a huge gap between supply and demand. The sand and gravel materials industry has also ushered in transformation, gradually shifting from the traditional natural sand and gravel mining to industrial, standardised, intensive, energy-saving and green mechanism sand and gravel materials. The application of mechanism sand materials has become an inevitable trend.

The Company implements the concept of "Ecological Priority and Green Development" and takes "Solid Waste Recycling, Ecological Restoration and Industrial Extension" as the development direction. The Group will make full use of its own abundant solid waste resources, actively grasp the historical opportunities of the coordinated development of Beijing-Tianjin-Hebei and Xiong'an New Area. The Group actively promotes the comprehensive utilisation of bulk solid waste, produces and processes green construction materials sand and gravel materials to improve resource utilisation efficiency and perfect the green, low-carbon and circular development system, thereby promoting the transformation of the Company's green industry and achieving new profit growth.

As of 31 December 2022, 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.

As of 31 December 2022, the Group's sand and gravel materials business recorded revenue of approximately RMB124.6 million, representing an increase of approximately 51.2% as compared to the corresponding period of last year, which was mainly attributable to the increase in sales volume of sand and gravel materials during the Reporting Period; the gross profit was approximately RMB42.6 million and the gross profit margin was approximately 35.1%.

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 2022			
The Group		**Output** *(Kt)*	**Sales volume** *(Kt)*	**Average sales price** *(RMB)*	**Average unit cash operating costs** *(RMB)*
Jiheng Mining	Construction gravel	**912.6**	**880.8**	**30.7**	**4.1**
	Mechanism sand	**920.6**	**803.5**	**39.7**	**10.3**
Jingyuancheng Mining	Construction gravel	**945.4**	**960.4**	**29.9**	**7.4**
	Mechanism sand	**1,035.0**	**904.6**	**37.3**	**17.2**
Total		**3,813.6**	**3,549.3**	**34.2**	**10.0**

SAFETY AND ENVIRONMENTAL PROTECTION

The Group attached great importance to the health and safety of employees and all on-site staff, and focused on improving environmental quality. The Company earnestly fulfilled its main responsibility to continuously promote safety standards and strengthen environmental protection measures in accordance with the policy of "compliance with regulations, safety and health, continuous improvement and green development", so as to minimise the adverse impact of the Group's production and operation on the health and safety of employees and the ecological environment, which will promote the Group to develop into an enterprise with high safety awareness and social responsibility. During the Reporting Period, there were no material safety and environmental incidents in the Group's operations.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2022, the Group had 1,027 full-time employees in total (31 December 2021: 1,030 employees). For the year ended 31 December 2022, expenses of employees' benefit (including salaries, wages, pension plan contributions and other benefits) were approximately RMB98.4 million (2021: RMB88.5 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 RMB937.8 million, representing a decrease of approximately RMB254.0 million as compared to the corresponding period of last year, which was mainly attributable to the combined influence of the decrease in sales volume and average sales price of iron ore concentrates of the Group during the Reporting Period.

Cost of sales

The Group's cost of sales for the Reporting Period was approximately RMB774.1 million, representing a decrease of approximately RMB0.4 million as compared to the corresponding period of last year. The steady fluctuation in cost of sales was mainly attributable to the combined influence of the decrease in sales volume of iron ore concentrates and the increase in sales volume of sand and gravel materials.

Gross profit and gross profit margin

The gross profit of the Group for the Reporting Period was approximately RMB163.7 million, representing a decrease of approximately RMB253.5 million or 60.8% 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 35.0% to 17.5% 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 RMB3.5 million, representing a decrease of approximately RMB5.1 million or 59.3% 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 RMB102.6 million, representing an increase of approximately RMB0.1 million as compared to RMB102.5 million in the corresponding period of last year.

Impairment losses of property, plant and equipment, construction in progress and intangible assets

The Group recorded an impairment loss of property, plant and equipment, construction in progress and intangible assets of approximately RMB54.6 million during the Reporting Period, and such impairment loss was attributable to the impairment losses on property, plant and equipment, construction in progress and intangible assets of the Group's subsidiaries, Jingyuancheng Mining and Jiheng Mining.

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 RMB0.4 million.

Finance costs

The Group's finance costs for the Reporting Period were approximately RMB27.7 million, representing a decrease of approximately RMB6.9 million or 19.9% 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

The Group's income tax expenses for the Reporting Period were approximately RMB35.4 million, representing a decrease of approximately RMB39.6 million as compared with the same period of last year, which was mainly due to the decrease in profit of the Group. The income tax expenses comprised current tax expense of approximately RMB49.7 million, and offset by deferred tax credit of approximately RMB14.3 million.

Profit for the year and total comprehensive income for the year

The Group recorded a profit after tax during the Reporting Period of approximately RMB60.8 million, representing a decrease of approximately RMB142.3 million as compared with the same period of last year, which was mainly due to the decrease in gross profit and increase in other income and impairment of assets of the Group.

Property, plant and equipment

The net value of the property, plant and equipment of the Group as of 31 December 2022 was approximately RMB1,202.0 million, representing a decrease of approximately RMB112.9 million or 8.6% as compared to the corresponding period of last year. The change was mainly due to the combined influence of the Group's provision for depreciation and impairment.

Intangible assets

As of 31 December 2022, the net intangible assets of the Group were approximately RMB61.7 million, representing a decrease of approximately RMB9.2 million as compared to the corresponding period of last year. The change was mainly due to the combined influence of amortisation and impairment of intangible assets of the Group during the Reporting Period.

Inventories

As of 31 December 2022, inventories of the Group amounted to approximately RMB86.8 million, representing a decrease of approximately RMB34.6 million or 28.5% as compared to the corresponding period of last year, which was mainly due to the decrease in the raw materials for gravel materials and the storage of iron ore and preliminary concentrates.

Trade and other receivables

As of 31 December 2022, trade and bills receivables of the Group amounted to approximately RMB102.5 million, representing an increase of approximately RMB17.3 million as compared to RMB85.2 million in the corresponding period of last year, and the changes in trade and bills receivables was mainly due to the increase in bills receivable from customers. As of 31 December 2022, other receivables of the Group amounted to approximately RMB263.5 million, representing an increase of approximately RMB26.5 million as compared to RMB237.0 million in the corresponding period of last year, which was mainly due to the increase in prepayments to construction service providers.

Trade and other payables

As of 31 December 2022, trade payables of the Group amounted to approximately RMB106.3 million, representing a decrease of approximately RMB0.2 million as compared to RMB106.5 million in the corresponding period of last year. The change in trade payables was stable.

As of 31 December 2022, other payables of the Group amounted to approximately RMB104.8 million, representing a decrease of approximately RMB35.1 million as compared to RMB139.9 million in the corresponding period of last year, which was mainly due to the decrease in payables for construction projects and equipment purchases and compensation payable.

Cash and borrowings

As of 31 December 2022, the balance of cash and cash equivalents of the Group amounted to approximately RMB56.1 million, representing a decrease of approximately RMB48.0 million or 46.1% as compared to the corresponding period of last year.

As of 31 December 2022, bank loans of the Group were RMB513.0 million, representing a decrease of RMB44.0 million or 7.9% as compared to the end of last year.

The interest rates of the borrowings as of 31 December 2022 ranged from 3.2% to 9.23% per annum. The borrowings of RMB337.0 million were recorded as current liabilities of the Group (as of 31 December 2021: RMB557.0 million) and RMB176.0 million were recorded as non-current liabilities of the Group (as of 31 December 2021: Nil). 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 2022 and up to the date of this announcement. As of 31 December 2022, the overall financial status of the Group remained in a good condition.

Gearing ratio

The gearing ratio of the Group as of 31 December 2022 was approximately 21.2%, representing a decrease of approximately 1% 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 RMB159.8 million, which consisted of purchase of property, plant and equipment, construction in progress and intangible assets.

Capital commitment

As at 31 December 2022, the total capital commitments of the Group amounted to approximately RMB171.8 million (2021: approximately RMB81.6 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 2022, the Group's bank loans of RMB237.0 million, RMB100.0 million and RMB176.0 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 use rights and properties of third parties, a director of the Company, a director of a subsidiary and related parties, 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 RMB0.2 million, RMB8.8 million and RMB22.6 million respectively as of 31 December 2022. The Group had no material contingent liabilities as of 31 December 2022.

Significant investments held

There were no significant investments held by the Company as at 31 December 2022.

OUTLOOK AND STRATEGY

2023 is the crucial year for the 14th Five-Year Plan. In order to better coordinate the pandemic prevention and control and economic and social development, the Chinese government strengthened the foundation for economic recovery, vigorously boosted market confidence, and created conditions for accelerating the release of economic vitality by deepening the supply-side structural reform and implementing the strategy of expanding domestic demand. With the continuous optimisation and adjustment of pandemic prevention measures and the effective implementation of a package of policies to stabilise the economy, it is inevitable that the overall economic recovery will stabilise and improve.

Mineral resources are the foundation of the Company's development. The Company will continue to increase the reserve of high-quality iron ore resources through exploration in its own mines and surrounding areas. Meanwhile, the Company will also make solid efforts in budget control, cost reduction and efficiency improvement, continue to optimise management standards, improve production processes, and improve product output and quality to safeguard the Company's low-cost competitive advantages.

With the optimisation and adjustment of pandemic prevention and control policies and the continuous promotion of the coordinated development of the Beijing-Tianjin-Hebei, Xiong'an New Area will further accelerate the undertaking of Beijing's non-capital functions, and the construction of Xiong'an New Area will also be further strengthened, which will in turn promote the demand for iron ore concentrates and gravel materials as the raw materials for infrastructure construction. While ensuring the stable operation of the iron ore business, the Company will continue to adhere to the concept of "Ecological Priority and Green Development" and combine with the implementation plan and relevant preferential policies for the comprehensive utilisation of solid waste in Hebei Province for the 14th Five-Year Plan to continuously promote the Company's green construction materials, gravel materials business. In view of the large scale and long cycle of the construction of Xiong'an New Area and Baoding and other regions, the huge demand for sand and gravel materials, and the insufficient design scale of sand and gravel mines in the Beijing-Tianjin-Hebei Region, the Company will fully occupy the market share and actively seize the opportunities. The Company intends to accelerate the layout of green construction materials industry, thereby further increasing the market share of green construction materials. In order to takes full advantages of the efficiency of resource use and achieve the goal of zero discharge of solid waste, the Company will also cooperate with domestic authoritative institutions in the field of solid waste construction materials to establish a research team, actively promote the industrial production technology of high-quality solid waste machine sand, and continuously extend the research and production of other green building materials environmental protection projects, which will gradually form the business model of "one polar and diversified" comprehensive utilisation of tailings resources, and become a new building materials enterprise with the largest comprehensive utilisation volume, the most comprehensive product line and the strongest comprehensive benefits in the Beijing-Tianjin-Hebei region.

No matter how the external environment may change, the Company will remain persistent and diligent, forge ahead resolutely, uphold the long-term core value of maximizing shareholders' interests under both changed and unchanged circumstances, and make relentless efforts to attain sustainable development of the Company

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2022 (2021: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2022, 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 2022.

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 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 2022 and the consolidated financial statements for the year ended 31 December 2022.

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2022 and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 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 Reporting Period. 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 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 acquisitions as well as conducting annual review of 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

Save as disclosed specifically in this announcement, there were no significant subsequent events affecting the Group which occurred since 1 January 2023 and up to the date of this announcement.

PUBLICATION OF 2022 ANNUAL REPORT

The 2022 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, 29 March 2023

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. Meng Likun and Mr. Ge Xinjian.