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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)

**KEY FINDINGS OF
THE SUPPLEMENTARY INDEPENDENT INVESTIGATION**

This announcement is made by Aowei Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is 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 Initial Resumption Guidance for the Company and the establishment of the Independent Investigation Committee by the Company; (iii) the announcement of the Company dated 13 May 2021 in relation to the resignation of the auditor of the Company; (iv) the announcement of the Company dated 21 May 2021 in relation to the appointment of the Independent Investigator and the appointment of the new auditor of the Company; (v) the announcements of the Company dated 29 June 2021, 29 September 2021, 15 October 2021, 29 December 2021, 29 March 2022 and 29 June 2022 in relation to, among other things, the quarterly update on the suspension of trading; (vi) the announcements of the Company dated 8 December 2021 and 4 March 2022 in relation to the key 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 the Internal Control Consultant; (ix) the announcement of the Company dated 29 August 2022 in relation to delay in publication of the 2022 Interim Results and update on progress of resumption of the Company; and (x) the announcement of the Company dated 9 September 2022 in relation to the provision of Deposit Pledge and provision of Loan to an entity (collectively, the “**Announcements**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

BACKGROUND

Reference is made to the announcement of the Company dated 8 December 2021. The Company received the Independent Investigation Report issued by the Independent Investigator on 8 December 2021. The key findings of the Independent Investigation and the recommendations from the Independent Investigation Committee are set out in the aforementioned announcement.

Reference is made to the announcement of the Company dated 29 December 2021. The Company has submitted the Independent Investigation Report to the Stock Exchange for review on 8 December 2021. The Company has subsequently instructed the Independent Investigator to conduct the Supplementary Independent Investigation in order to address the Stock Exchange's concerns on the Independent Investigation, namely the First Audit Issue, the Fourth Audit Issue and the Fifth Audit Issue as set out in the announcement of the Company dated 8 December 2021.

As disclosed in the announcement of the Company dated 29 August 2022, the Independent Investigator issued the Draft Supplementary Independent Investigation Report on 19 August 2022. On the same day, the Independent Investigation Committee reported the findings of the Supplemental Independent Investigation to the Board. The Board reviewed and approved the Draft Supplementary Independent Investigation Report on 19 August 2022 and submitted it to the Stock Exchange on the same day. On 30 August 2022, the Independent Investigation Committee received the signed supplementary independent investigation report dated 30 August 2022 (the "**Supplementary Investigation Report**") issued by the Independent Investigator. The Company confirms that there is no material difference between the contents of the Supplemental Investigation Report and the Draft Supplementary Independent Investigation Report. This announcement summarises the key findings of the Supplementary Independent Investigation.

SCOPE OF INVESTIGATION

The Independent Investigator was engaged to further address the following matters:

- (i) First Audit Issue – in relation to the prepayments made by the Group to the four transportation companies
- (ii) Fourth Audit Issue – in relation to the time deposit and pledge of RMB300,000,000 placed by the Company with a bank
- (iii) Fifth Audit Issue – in relation to the transportation and loading and unloading leasing service expenses of RMB380,000,000 having not been issued with value-added tax invoices

SUMMARY OF THE KEY FINDINGS OF THE SUPPLEMENTARY INVESTIGATION REPORT

(I) First Audit Issue

(a) *Nature of prepayment*

The Independent Investigator, through a review of the prepayment ledger, understood that the transportation companies have made several refunds of the prepayment to the Group during the investigation period of the Supplementary Independent Investigation from 1 January 2018 to 31 December 2021 (the “**Investigation Period**”). The Group explained to the Independent Investigator that such situation was mainly due to the fact that the Group had funding needs at that time and the prepayment made was still sufficient to cover the transportation expenses of the short-term budget and thus requested the transportation companies to make refunds of the prepayment.

By reviewing the meeting minutes (《會議紀要》) provided by the Group in relation to the prepayment matters (「預付款事項」) during the Investigation Period, the Group enters into a Contracting Contract for Transportation Companies (《運輸商承包合同》) with the transportation companies on an annual basis, and enters into a separate Supplementary Agreement (《補充協議》) or a Prepayment Agreement (《預付款協議》) or a Cooperation Agreement (《合作協議書》) with the transportation companies in relation to the prepayment matters, which have not expressly specified whether the prepayments involve interest calculation or refund arrangements, etc. Through interviews with the senior management of the Group’s subsidiaries and a review of the meeting minutes dated 20 December 2016 in relation to the establishment of the Transportation Company Management Committee (《運輸商管理委員會》) and related matters, the Independent Investigator noted that the transportation companies had experienced vehicle ageing and insufficient drivers. The Group is of the view that the implementation of the prepayment policy will enable the transportation companies to make investments in fixed assets by receiving the prepayments from the Group, such as replacing transportation vehicles, so as to ensure the safety of the transportation business cooperation between the four transportation companies and the Group and stabilize the operations of other businesses of the four transportation companies, in order to achieve the purpose of win-win.

The prepayments made by the Group with the four transportation companies were mainly for the purpose of exchanging for their long-term and stable services, and the transportation companies were able to enhance their fixed assets such as replacing transportation vehicles to ensure the safety of the transportation business cooperation between the four transportation companies and the Group and to stabilize the operations of other businesses of the four transportation companies. The prepayments made by the Group to the four transportation companies included amounts used to offset the Group’s transportation service fees. From time to time, the four transportation companies will refund the prepayments in response to adjustments to the Group’s expected transportation and financial conditions. The Group’s net prepayments as at 31 December 2021 amounted to RMB153,410,000 and the transportation expenses for the full year of 2021 amounted to RMB322,720,000. The net prepayments accounted for approximately 47.54% of the total transportation expenses for the full year.

(b) *Background for the initiation of the prepayments matters*

The Independent Investigator, through interviews with the key interviewed personnel, understood the background and reasons for the Group's initiation of the prepayments matters with the four transportation companies. The principal place of operation of the Group is Laiyuan County, Hebei Province. The establishment of the nearby Xiong'an New Area in Hebei in 2017 has led to a large number of local construction plans, which has significantly increased the growth of local demand for supporting transportation for industries such as construction, attracted the transportation industry from Laiyuan County to go there for development and weakened the supply of the transportation industry in Laiyuan County.

The establishment of Xiong'an New Area in 2017 has led to a rapid growth in its construction business and the increasing demand for short-distance transportation of muck vehicles. Most of the staff of the transportation companies are natives of Xiong'an. The construction transportation business in Xiong'an New Area has higher profit and faster settlement than the mine transportation business. For the above two reasons, the transportation companies tend to return to Xiong'an New Area for business development and abandon the business cooperation with the Company. In view of the heavy loss from the suspension of production to be incurred by the replacement of the original transportation companies, the Company negotiated with four transportation companies to formulate the prepayments policy.

The management and decision-making level of the Group are of the view that mine transportation is more reliant on the stability of the transportation team. Since the geographical location of the mining enterprises is different from that of other enterprises, there are certain potential safety concerns. The transportation routes are mostly in mountainous areas, and the transportation drivers need to be familiar with the transportation routes to ensure the safety of transportation. Based on the transportation business of mining enterprises (including but not limited to mining area transportation, mining area loading and unloading, sales transportation, etc.) and the special nature and safety concerns of the business of mining enterprises, the Group tends to maintain long-term cooperation with the transportation companies.

The Independent Investigator interviewed three potential transportation companies in Laiyuan County. They indicated that the integration of mines after 2018 has reduced the business of mines. The establishment of Xiong'an New Area in 2017 required a large number of transportation fleets for short-distance transportation of muck, and the development of local transportation enterprises in Laiyuan County experienced bottlenecks, which resulted in the outflow of a large number of transportation companies. The settlement method of transportation expenses will be determined based on the market supply and demand and negotiation between the parties.

Based on the above reasons, Aowei Mining formulated its prepayments policy in 2016.

(c) Deduction and refund of prepayments and transportation expenses

In view of the corporate internal control on the prepayments, the Group negotiated with the four transportation companies on the arrangements for the refund of the prepayments in August 2020, and entered into guarantee contracts respectively to secure the recovery of prepayments.

According to the Prepayment-Supplementary Agreement (《預付款—補充協議》) entered into between the Group and the four transportation companies, it is stated that “Party A (Jiheng Mining and Jingyuancheng Mining) has the right to request Party B (the transportation companies) to refund the prepayment. Party A shall notify Party B in advance, and Party B shall return the prepayment requested by Party A within a reasonable period requested by Party A”.

During the review of the financial information of the Group, the Independent Investigator found that, besides the deduction for transportation expenses, certain amounts of prepayments were refunded to the Group by the four transportation companies during the Investigation Period, and the total net prepayments amounted to approximately RMB153,410,000 as of 31 December 2021, of which Aotong Transportation accounted for 17.0%, Huiguang Logistics accounted for 37.3%, Ronghui Logistics accounted for 25.9% and Ruitong Transportation accounted for 19.8%.

(d) Decrease in net prepayments

The net prepayments as at 31 December 2020 decreased by approximately RMB265 million as compared to the net prepayments as at 31 December 2019, representing a decrease of approximately 48.1%. The net prepayments as at 31 December 2021 decreased by approximately RMB133 million as compared to the net prepayments as at 31 December 2020, representing a decrease of approximately 46.5%.

In respect of the default risk of prepayments, the management of the Group indicated that the Group attached great importance to the default risk of the four transportation companies. The Group has also set up a special transportation company management committee to manage the payment of prepayments. At the same time, the Group also indicated that the four transportation companies provided sustained and stable transportation services during the Investigation Period, and there was no default.

(e) Procedures for prepayment approval

The Independent Investigator obtained the internal control system of the Company, namely the Management System for Current Payments (《往來款項管理制度》), which had established procedures for the payment approval. During the Supplementary Independent Investigation, a total of 77 vouchers (25 of Aotong Transportation, 23 of Huiguang Logistics, 4 of Ronghui Logistics and 25 of Ruitong Transportation) were randomly selected from the prepayment ledgers for 2018, 2019 and 2021, the Independent Investigator found that the Payment Approval Form (《付款審批表》) in the sample was not accompanied by any invoices or supporting documents. The Group explained to the Independent Investigator that the Payment Approval Form would

be prepared upon receipt of the verbal prepayment request from the transportation companies and the Group would not request the transportation companies to provide the written application. In addition, in accordance with the Procedures for Payment Approval (《付款審批流程》) stipulated in the abovementioned Management System for Current Payments, the Payment Application Form (《付款申請單》) was required to be accompanied by relevant contracts, agreements, invoices, etc. as supporting documents, while the Independent Investigator's sample Payment Approval Form was found to be not accompanied by any invoices or supporting documents, which was not in compliance with the requirements of the Management System for Current Payments. This process deficiency reflects the lack of sufficient documented records of the Group's procedures for payment approval.

The Independent Investigator further enquired with the Group on the findings of the approval procedures. The Group indicated that it understood that the staff responsible for operation were well aware of the production volume and the relevant circumstances, and each payment was approved and processed according to the actual operating conditions. They regard increasing the production efficiency and the revenue of the Group as their primary responsibility and the Group's performance is sufficient to prove their hardwork and contribution to the Group. The consistent operation model has never caused losses to the Group, but rather generating profits. The management of the Group is of the view that the team responsible for operation overlooked the importance of supporting documents due to their putting too much emphasis on actual operation, but this can be improved by enhancing internal training.

(f) Our relationship with the four transportation companies

The four transportation companies were introduced by the Group's employees. The contact person between Aotong Transportation and the Group is the general manager of Jiheng Mining; the contact person between Huiguang Logistics and the Group is the general manager of Jiheng Mining/the former executive deputy general manager and the former legal person of Jingyuancheng Mining; the contact person between Ronghui Logistics and the Group is the deputy general manager of sales of Laiyuan County Aowei Mining Investments Co., Ltd* (涇源縣奧威礦業投資有限公司) (“**Aowei Mining**”), an indirect wholly-owned subsidiary of the Company; and the contact person between Ruitong Transportation and the Group is the former executive deputy general manager and former legal person of Jingyuancheng Mining.

The supervisor of Aotong Transportation is the same person as the executive director of Huiguang Logistics. In addition, the supervisor of Huiguang Logistics is the same person as the executive director of Ruitong Transportation.

After comparing the Corporate Credit Report (《企業信用報告》) of the four transportation companies with the Register of In-service Staff (《在職人員名冊》) provided by the Group, the Independent Investigator did not find that the Group's personnel served as senior management in the four transportation companies, nor did they find that the senior management of the four transportation companies appeared on the Register of In-service Staff of the Group. Upon enquiry with the Board, it is confirmed that there is no relationship between the four transportation companies and the substantial shareholders, directors and connected persons of the Group.

(II) Fourth Audit Issue

(a) *Refund of prepayments by Ruitong Transportation*

In August 2020, the management of the Company considered that due to the impact of the epidemic and the internal capital requirements of the Company, the Group requested the former executive deputy general manager and former legal person (the “**Former Legal Person**”) of Jingyuancheng Mining, to require each of the transportation companies to refund the prepayments of more than RMB300,000,000 in total by the end of December of the same year.

In September 2020, the Former Legal Person communicated with Ruitong Transportation many times regarding the refund of the prepayments. As Ruitong Transportation indicated that it was unable to refund the prepayment of RMB300,000,000 within a short period of time, Ruitong Transportation proposed to mortgage two sand and gravel production lines to Aowei Mining, to delay the refund of the prepayments.

The matter was reported by the Former Legal Person during the manager’s office meeting of Aowei Mining. After discussion and detailed consideration of the Group’s business development, the acquisition of the sand and gravel production lines was planned.

In order to facilitate the acquisition of the sand and gravel production lines by the Group, Aowei Mining required Ruitong Transportation to repay the prepayment of RMB300,000,000 first, and then re-disburse such amount of RMB300,000,000 to Ruitong Transportation upon completion of the acquisition of the production lines.

However, after verification, Ruitong Transportation did not have any legal documents to support its actual interests in the sand and gravel production lines. And there is not any legal documents to support the direct connection between Laiyuan County Zengzhi Construction Materials Co., Ltd.* (涇源縣增志建材有限公司), being the transferor of the sand and gravel production lines, and Ruitong Transportation.

(b) *Deposit and Pledge of RMB300,000,000 with Bank of Nanjing*

Due to the shortage of funds of Ruitong Transportation, the funds returned to Aowei Mining were borrowed by the general manager of Ruitong Transportation from Hunan Wenzu Trading Co., Ltd.* (湖南文祖商貿有限公司) (“**Wenzu Trading**”), an independent third party company confirmed by the Group. Ruitong Transportation stated that at the request of the lender, Jingyuancheng Mining was required to deposit the fund with Bank of Nanjing designated by Wenzu Trading for a fixed term of six months, and pledged the same to Bank of Nanjing for issuing bank acceptance bills for Jiangsu Dakang Electromechanical Equipment Co., Ltd.* (江蘇大康機電設備有限公司) (“**Jiangsu Dakang**”).

The Former Legal Person stated that since the prepayment of RMB300,000,000 would ultimately be used to offset the consideration for the acquisition of the sand and gravel production lines (details of which are set out in the announcements of the Company dated 25 June 2021, 7 July 2021 and 12 July 2021), he chose to let Ruitong Transportation to refund the prepayment in name to Jingyuancheng Mining to meet the management's target of recovering the prepayment of RMB300,000,000 in aggregate by the end of 2020 while pledging such RMB300,000,000 on the other hand.

The Former Legal Person stated that the process of pledge was that on 21 December 2020, he, together with the financial personnel of Jingyuancheng Mining and the legal person of Ruitong Transportation, went to Nantong Gangzha Sub-branch of Bank of Nanjing (南京銀行南通港閘支行) to handle the bank account opening procedures of Jingyuancheng Mining. The Former Legal Person entered into a pledge agreement on 22 December 2020, with Nantong Branch of Bank of Nanjing Co., Ltd. (南京銀行股份有限公司南通分行) as the pledgee, and Jingyuancheng Mining as the pledgor. The collateral was the deposit of RMB300,000,000 for issuing bank acceptance for Jiangsu Dakang.

Jiangsu Dakang replaced the above-mentioned pledge of deposit of RMB300,000,000 by Jingyuancheng Mining with the guarantee deposit provided by it to the bank by 4 March 2021. On 4 March 2021, Jingyuancheng Mining released the deposit pledge of RMB300,000,000 and withdrew such amount of RMB300,000,000 on the same day.

(c) *Loan of RMB300,000,000 provided by Jingyuancheng Mining to Ruitong Transportation*

On the same date of 4 March 2021, Jingyuancheng Mining transferred the amount of RMB300,000,000 to Ruitong Transportation again in the nature of a loan, so as to avoid the failure of Ruitong Transportation to repay the borrowed funds and the consequent debt collection, which would affect the financial position and operation of Ruitong Transportation, and in turn affect the production of Jingyuancheng Mining.

Both parties entered into a repayment agreement on 23 June 2021 with a total repayment amount of RMB300,000,000. Ruitong Transportation committed to repay RMB50,000,000 by 30 June 2021 and RMB250,000,000 by 31 December 2021. In addition, both parties entered into a supplemental agreement on 27 October 2021, confirming that the total amount of the capital occupancy fee under the original agreement was RMB7,740,000. The calculation of the capital occupancy fee is based on the actual number of days of Ruitong Transportation occupying the capital multiplied by the then benchmark interest rate for one-year loans of the People's Bank of China of 4.35%.

Ruitong Transportation has repaid RMB50,000,000, RMB40,000,000 and RMB210,000,000 to Jingyuancheng Mining during the period from 28 June 2021 to 30 June 2021, on 22 October 2021 and on 27 October 2021, respectively, with a total repayment of RMB300,000,000.

(d) The management was not aware of the above matters that led to the Fourth Audit Issue

The Former Legal Person did not truthfully report the status of Ruitong Transportation to the management and arranged to pledge the Group's assets for a third party without authorization in order to meet the management's prepayment refund target. Even though the Group did not incur actual loss, the Independent Investigator still considered that the Former Legal Person, being the Group's operational management, had very insufficient knowledge of the Listing Rules and had serious issues on the conduct.

The Group resolved to dismiss the Former Legal Person at the board meeting held on 31 May 2022. According to the Legal Analysis Opinion (《法律分析意見》) issued by Shanghai AllBright (Shenzhen) Law Offices (上海市錦天城(深圳)律師事務所) in May 2022, in view of the fact that the interests of the Group or other entities have not suffered any serious loss as a result of this incident, if there is no other serious damage to the interests of the Shareholders or other persons or other serious circumstances, the Former Legal Person will not violate the provisions of Article 161 of the Criminal Law and thus will not constitute a criminal offence. By not reporting to judicial authorities, the Group will not bear any punitive consequences or other legal liabilities. The Directors are of the view that, after review, the Group will take appropriate measures such as internal rectification and staff training to strengthen internal control and risk control.

(III) Fifth Audit Issue

(a) **Background and reasons for the transportation and leasing expenses having not been issued with value-added tax invoices**

(i) *Overview of the Group's amounts in the book having not been issued with value-added tax invoices*

The Group's transportation and loading and unloading leasing services are mainly divided into transportation expenses and waste slag dumping and transportation expenses for the green mines construction project. According to the information provided by the Group, the four transportation companies were unable to issue sufficient value-added tax invoices. Please refer to the table below for details of the uninvoiced amount from 2018 to 2021:

<i>RMB (0'000)</i>	End of 2018 <i>Unaudited</i>	End of 2019 <i>Unaudited</i>	End of 2020 <i>Unaudited</i>	End of 2021 <i>Unaudited</i>
<i>Production process</i>				
Aotong Transportation	2,056	3,993	7,862	11,935
Ruitong Transportation	3,058	3,263	7,490	10,751
Huiguang Logistics	2,363	3,052	5,495	8,695
Ronghui Logistics	–	–	110	86
Sub-total	7,477	10,308	20,957	31,467
<i>Green mines</i>				
Aotong Transportation	–	–	5,538	8,338
Ruitong Transportation	–	–	5,530	9,565
Huiguang Logistics	–	–	5,969	9,122
Ronghui Logistics	–	–	–	–
Sub-total	–	–	17,037	27,025
Total	7,477	10,308	37,994	58,492

Aotong Transportation, Ruitong Transportation and Huiguang Logistics all have tax credit rating of A. During the period from 2018 to 2021, (i) the proportion of the annual invoice amount issued by Aotong Transportation to the Group each year to their quota of issuing value-added tax invoice for that year ranged from 37% to 97%; (ii) the proportion of the annual invoice amount issued by Ruitong Transportation to the Group each year to their quota of issuing value-added tax invoice for that year ranged from 13% to 27%; and (iii) the proportion of the annual invoice amount issued by Huiguang Logistics to the Group each year to their quota of issuing value-added tax invoice for that year ranged from 31% to 53%.

(ii) Reasons for failure to issue invoices

The Independent Investigator conducted an interview with the decision-making level and the management of the Group to understand the reasons for the failure to obtain the value-added tax invoices. They indicated that as the transportation companies have limited monthly invoice quota (subject to the invoice quota for each enterprise approved by the statutory authority) and there are other customers in other regions besides Aowei Mining, the transportation business for which needs to be taken into account, the transportation companies cannot grant all the monthly invoice quota to Aowei Mining, thus forming a shortfall in value-added tax invoice amount. In previous years, there were also cases in which the transportation companies failed to issue value-added tax invoices for transportation and loading and unloading leasing services fees in full in a timely manner, but the amount of the outstanding value-added tax invoice each year was not significant. Recently, the increase in outstanding value-added tax invoice amount was due to the increase in transportation volume resulting from the expansion of the production volume and the green mines projects of Aowei Mining compared to the original issued value-added tax invoice amount of the transportation companies.

In addition, the Independent Investigator conducted interviews with the representatives of the four transportation companies to understand the reasons for the failure to issue invoices in a timely manner. The representatives of Aotong Transportation, Huiguang Logistics and Ruitong Transportation indicated that, with the construction of Xiong'an New Area by the PRC in 2017, the demand by the transportation market of the local construction industry in Xiong'an New Area increased, and the development layout of the transportation companies was also gradually moving to the transportation market in Xiong'an New Area. According to the interviewees, the current transportation volume of Aowei Mining accounts for approximately 50%, 40% and 40% of the overall transportation volume of Aotong Transportation, Huiguang Logistics and Ruitong Transportation, respectively. The transportation companies need to take into account the transportation business in other regions and cannot grant all the monthly invoice quota to Aowei Mining.

(iii) Undertakings by the transportation companies

Aotong Transportation, Ruitong Transportation and Huiguang Logistics have expressed that they have been communicating with the taxation bureaus, applying to the State Taxation Administration and local taxation bureaus to increase the monthly invoice quota, and have signed the "letter of undertaking" with the Group to issue the outstanding value-added tax invoices as soon as possible. If failing to issue outstanding value-added tax invoices to the Group in full and timely in accordance with the letter of undertaking, they shall bear the losses to the Group arising from their having not issued the outstanding value-added tax invoices.

In particular, the annual invoice quota of Aotong Transportation from 2018 to 2021 was significantly lower than that of Ruitong Transportation and Huiguang Logistics, while as seen from the Independent Investigator's investigation, the annual invoice quota of Aotong Transportation in 2022 has increased by 100% from RMB60,000,000 in 2021 to RMB120,000,000.

Ronghui Logistics did not issue invoices in full only in 2020 and 2021, which amounted to RMB1,100,000 and RMB860,000 as at the end of 2020 and 2021, respectively.

(b) Transportation expenses analysis

The transportation expenses are calculated by multiplying the total transportation volume by the transportation unit price. An analysis of the total transportation volume and transportation unit price is set out below:

(i) Sampling verification of supporting documents for transportation expenses

The records of the transportation volume of Jiheng Mining and Jingyuancheng Mining are the Weighing Lists (《過磅單》), which record the weight of each vehicle and each trip. The subsidiaries of the Company registered the Daily Transportation Expenses of Shuanmazhuang (《拴馬樁日運費》) and the Breakdown List of Leasing Expenses (《租賃費明細清單》) according to the Weight Lists and the Machine Per 8-hour Shift Record (《台班記錄》) on the same day. At the end of the month, the Company summarised the Daily Transportation Expenses (《日運費》) and the Breakdown List of Leasing Expenses and prepared the Monthly Transportation Expenses Settlement Form (《月度運費結算表》) and the Monthly Remuneration Collection Form for Excavator Work (《月度挖掘機工作報酬領取表》). During the Investigation Period, there were a total of 104 Monthly Transportation Expenses Settlement Forms and Monthly Remuneration Collection Forms for Excavator Work. The Independent Investigator, on a sampling basis, selected a total of 10-month Daily Transportation Expenses and Breakdown List of Leasing Expenses of Jiheng Mining for January 2018, December 2018, December 2019, December 2020, December 2021 and of Jingyuancheng Mining for December 2018, December 2019, March 2020, December 2020 and December 2021, respectively, to check against the Monthly Transportation Expenses Settlement Form and the Monthly Remuneration Collection Form for Excavator Work, and the expense figures were consistent based on the checking results.

According to the communication between the Independent Investigator and Aowei Mining, the Weighing Lists issued each day were over 2,000. The Independent Investigator randomly sampled a total of 3,460 Weighing Lists for 3 December 2020, including 1,454 from Jingyuancheng Mining and 2,006 from Jiheng Mining. The transportation records of the Weighing Lists were checked against the Daily Transportation Expenses and the Breakdown List of Leasing Expenses for 3 December 2020. Upon verification, the tonnages and transportation fees (盤倒費) in the Daily Transportation Expenses and the Breakdown List of Leasing Expenses are consistent with the quantity and amount in the Monthly Transportation Expenses Settlement Form. The loading fees and machine-shift costs in the Daily Transportation Expenses and the Breakdown List of Leasing Expenses are consistent with the settlement data of loading fees of mine rock and machine-shift costs in the Monthly Remuneration Collection Form for Excavator Work. The Independent Investigator found no abnormality in the verification of the original data of the transportation volume records of Jiheng Mining and Jingyuancheng Mining in the Weighing Lists against the Daily Transportation Expenses and the Breakdown List of Leasing Expenses.

In addition, the Independent Investigator randomly sampled a total of 10-day Weighing Lists for 15 June 2018, 7 October 2018, 20 February 2019, 28 April 2019, 9 July 2019, 28 March 2020, 5 September 2020, 22 January 2021, 2 May 2021 and 10 November 2021. One set of Weighing Lists was randomly selected for each day to check against the corresponding records of the Daily Transportation Expenses and the Breakdown List of Leasing Expenses. A total of 936 copies were obtained, including 635 from Jiheng Mining and 301 from Jingyuancheng Mining. Upon verification, the Independent Investigator found no abnormality in the verification of the original data of the transportation volume records of Jiheng Mining in the Weighing Lists against the Daily Transportation Expenses and the Breakdown List of Leasing Expenses. For the verification of the original data of the transportation volume records of Jingyuancheng Mining in the Weighing Lists against the Daily Transportation Expenses and the Breakdown List of Leasing Expenses, the Independent Investigator found that, the stamp of the Weighing Lists for 28 April 2019 was the Weighing Stamp of Wang'ergou of Jingyuancheng Mining (「京源城礦業旺兒溝過磅章」), showing that the Weighing Stamp of the Weighing Lists was wrong, and the weighing lists were recorded in the Daily Transportation Expenses of Shuanmazhuang and the Breakdown List of Leasing Expenses. The stamp of the Weighing Lists for 5 September 2020 was “the Weighing Stamp of Wang'ergou of Jingyuancheng Mining”, showing that the Weighing Stamp of the Weighing Lists was wrong, and the weighing lists were recorded in the Daily Transportation Expenses of Shuanmazhuang and the Breakdown List of Leasing Expenses. The Group understood that such findings are clerical errors and do not involve any suspicious circumstances. No abnormality was found in the verification for other months.

(ii) Transportation unit price analysis

Based on the Transportation Expenses Settlement Form (《運費結算單》) and the Freight Forwarding Contract (《貨物運輸合同》) provided by the management of the Group, the Independent Investigator understood that the transportation prices and/or leasing prices of the four transportation companies are determined based on the transportation routes, the types of transportation products and/or the working hours of machine-shift. Regarding the basis for determining the transportation unit price inquired by the Independent Investigator with the Group, the Group indicated that the complex transportation environment of the mine, poor road conditions, large range of slopes and high risk coefficient results in a very large difference from road transportation. The transportation environment of the mine will directly lead to an increase in vehicle failures with significantly shortened service life. Generally, the service life of road transportation vehicles is five to six years, while the service life of mine transportation vehicles is only two to three years. The consumption of consumables such as diesel, accessories and tires for mine transportation is larger than that for road transportation. In this regard, Jingyuancheng Mining and Jiheng Mining set their respective unit price standards and conduct monthly spot checks on the transportation efficiency and road conditions of the transportation routes.

The Independent Investigator was unable to obtain the transportation unit price standards of other similar local companies for further analysis. However, the Independent Investigator considered that it was reasonable for the Group to set different price standards in different sections of the mines with different road conditions.

(c) Tax effect of outstanding invoices on the Group

(i) Tax effect of the Group's expenses without value-added tax invoices in 2021

According to the breakdown of accrued expenses provided by the management of the Group, the Independent Investigator understood that up to 31 December 2021, the accumulated uninvoiced amount of Jiheng Mining in relation to transportation expenses and leasing fees was RMB137,013,766. In 2022, at the time of final settlement of 2021 tax liabilities, the transportation companies have provided value-added tax invoices with the amount of RMB17,085,726, therefore the accumulated uninvoiced amount for the year ended 31 December 2021 was RMB119,928,040. As the Group had already added back the uninvoiced amount in relation to the transportation expenses and leasing fees of RMB83,779,823 for the year ended 31 December 2020, therefore only RMB36,148,217 should be added back to calculate the 2021 taxable profit and the additional income tax payable of RMB9,037,054 was resulted.

Up to 31 December 2021, the accumulated uninvoiced amount of Jingyuancheng Mining in relation to transportation expenses and leasing fees was RMB176,794,257. In 2022, at the time of final settlement of 2021 tax liabilities, the transportation companies have provided value-added tax invoices with the amount of RMB37,651,306, therefore the accumulated uninvoiced amount for the year ended 31 December 2021 was RMB139,142,951. As the Group had already added back the uninvoiced amount in relation to the transportation expenses and leasing fees of RMB91,369,734 for the year ended 31 December 2020, therefore only RMB47,773,217 should be added back to calculate the 2021 taxable profit and the additional income tax payable of RMB11,943,304 was resulted.

(ii) Tax effect of cost expenditures without value-added tax invoices for 2021 under the Tax Consultation Report

On 25 January 2022, the Group appointed Beijing Zhonghuisheng Taxation Agency Co., Ltd.* (北京中慧聖稅務師事務所有限公司), a certified tax agent, to provide consulting services on the tax effect of transportation expenses and excavator leasing fees without value-added tax invoices provided by Jiheng Mining and Jingyuancheng Mining in 2020 and 2021 with three transportation companies, namely Aotong Transportation, Huiguang Logistics and Ronghui Logistics. On 22 June 2022, the Group also engaged Shenzhen Wuzitao Taxation Agency Co., Ltd.* (深圳市五姿陶稅務師事務所有限公司) to provide consultation opinions on the general reasons for the suppliers not being able to obtain sufficient value-added tax invoice quota and recommendations on how to handle such situation. According to the Tax Consultation Report, Jiheng Mining incurred expenses of RMB53,233,944 without value-added tax invoices in 2021, and Jingyuancheng Mining incurred expenses of RMB138,658,466 without value-added tax invoices in 2021, totalling RMB191,892,410. If the value-added tax invoices could not be issued at the time of final settlement of tax liabilities in 2022, the Group would incur additional income tax payable of RMB47,973,103 for the year ended 31 December 2021.

(iii) Tax effect of capital expenditures without value-added tax invoices for 2021 under the Tax Consultation Report

By reviewing the Tax Consultation Report, the Independent Investigator understood that the transportation expenses and leasing fees incurred by the Group from 1 January 2020 to 31 December 2021 in relation to the construction of green mines amounted to RMB270,250,471, of which the transportation expenses and leasing fees incurred by Jiheng Mining in relation to the construction of green mines amounted to RMB117,894,427, and the transportation expenses and leasing fees incurred by Jingyuancheng Mining in relation to the construction of green mines amounted to RMB152,356,044, which were not recognised as the cost for the years and have been capitalised but not depreciated or amortised while the construction was not completed. Therefore, the calculation of income tax payable in 2020 and 2021 was not affected by the aforesaid uninvoiced amounts. If the value-added tax invoices are not issued by the time of completion of the construction of the green mines, the uninvoiced amount of RMB270,250,471 is expected to be amortised over 20 years, with an annual amortisation amount of RMB13,512,524. At an enterprise income tax rate of 25%, the Group will incur additional income tax payable of RMB3,378,131 per annum for 20 years.

(d) General consultation advice from the tax agency

The Group has consulted two domestic certified tax agents, Shenzhen Wuzitao Taxation Agency Co., Ltd.* (深圳市五姿陶稅務師事務所有限公司) and Beijing Zhonghuisheng Taxation Agency Co., Ltd.* (北京中慧聖稅務師事務所) respectively on the issue of not issuing value-added tax invoices. Both Tax Consultation Reports have the same conclusion that the expenses incurred without value-added tax invoices should be added back when calculating the tax assessable income for that year, which would result in increasing the taxable profit and the income tax payable for that year, and the cash outflow of the income tax payment of the Group would increase. Such uninvoiced amount could be deducted within 5 years after the expenses incurred with value-added tax invoice provided to the relevant tax bureau. Based on the advice of two domestic certified tax agents, no material tax non-compliance was found in relation to the Group's not being able to obtain value-added tax invoices.

OPINIONS FROM THE INDEPENDENT INVESTIGATION COMMITTEE AND THE BOARD ON THE SUPPLEMENTARY INVESTIGATION REPORT

The Board (including the Independent Investigation Committee) has reviewed the contents of the Supplementary Investigation Report and believed that the Independent Investigator had sufficiently investigated the issues involved in the First Audit Issue, the Fourth Audit Issue and the Fifth Audit Issue and the conclusions of the Supplementary Investigation Report were reasonable and acceptable. The Board (including the Independent Investigation Committee) also agreed with the observations by the Independent Investigator, considering inadequate execution, review and update, or deficiency existed in the internal control of the Group.

To comply with the requirements of the Listing Rules, the Company has published an announcement on 9 September 2022 in relation to the above-mentioned: (i) pledge agreement entered into on 22 December 2020; and (ii) RMB300,000,000 loan provided to Ruitong Transportation on 4 March 2021 which constituted discloseable transactions of the Company, respectively. To the best knowledge, information and belief of the Board, the Company has complied with the requirements of the Listing Rules under Rule 14.34 of the Listing Rules.

The Board is of the view that the issues identified in the Independent Investigation Report and the Supplementary Investigation Report have no material adverse impact on the Group's business operations. The business operation of the Group continues to proceed as usual even though the trading in the Shares was suspended from 29 March 2021. The Company has also appointed the Internal Control Consultant to address all identified internal control deficiencies. The Company will publish announcements in relation to any significant progress in due course.

PROGRESS ON THE INTERNAL CONTROL REVIEW

As disclosed in the Announcements, the Company has appointed Avista PRO-WIS Risk Advisory Limited as the Internal Control Consultant to conduct an independent internal control review of the Group (the “**Internal Control Review**”) and to demonstrate that the Company has adequate internal controls and procedures in place to comply with the Listing Rules. It was expected that the internal control review report (the “**Internal Control Review Report**”) would be ready within July 2022. However, due to the continuous outbreak of the COVID-19 Epidemic in China, strict epidemic prevention measures and epidemic control measures have been implemented nationwide from time to time, hindering the work of the Internal Control Review. As of the date of this announcement, Internal Control Consultant is in the course of finalising the Internal Control Review Report. Upon discussion with the Internal Control Consultant, it is currently expected that the Internal Control Review Report will be available by mid-September 2022. The Company shall publish further announcements to inform the Shareholders and potential investors of the Company of any material developments as and when appropriate.

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.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Beijing, the PRC, 9 September 2022

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

* *In this announcement, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.*

The Supplementary Investigation Report is written in Chinese. In case there is any conflict regarding contents or understanding between the Chinese version and the English version of this announcement, the Chinese version shall prevail.