奧威控股有限公司
AOWEI HOLDING LIMITED

(Incorporated in the British Virgin Islands and continued in the Cayman Islands with limited liability)
(formerly known as Hengshi Mining Investments Limited 恒實礦業投資有限公司)

Stock Code: 1370

2020
ANNUAL REPORT

CORE VALUE

CREATE
Wealth for the Society

CREATE
Value for Our Shareholders

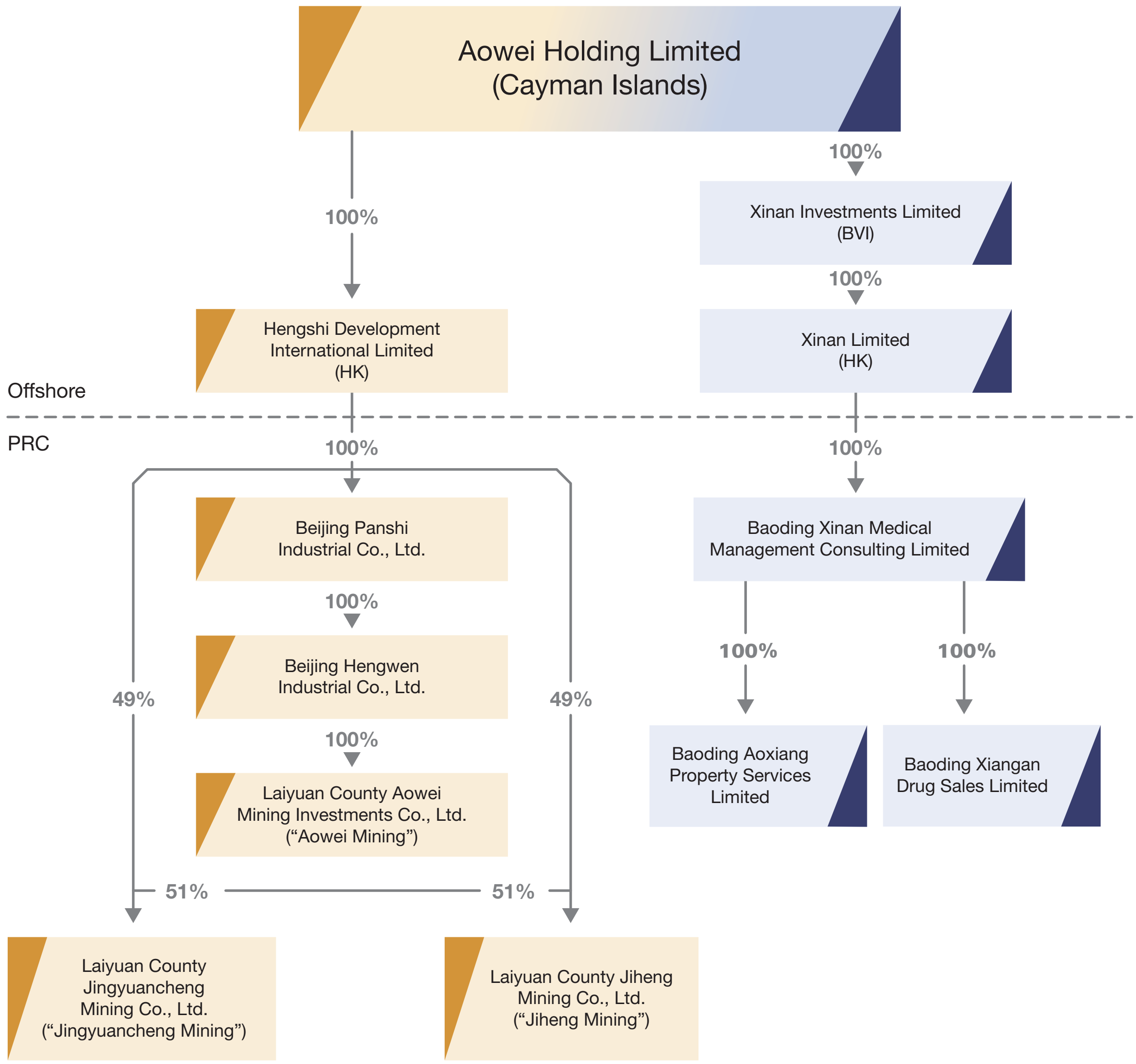
CREATE
Prospects for Our Employees

CONTENTS

CORPORATE INFORMATION

Aowei Holding Limited (formerly known as Hengshi Mining Investments Limited) (the "**Company**") was initially incorporated in the British Virgin Islands under the laws of the British Virgin Islands on 14 January 2011 and redomiciled to the Cayman Islands on 23 May 2013. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 November 2013 (stock code: 1370). On 28 November 2017, the name of the Company was changed from Hengshi Mining Investments Limited to Aowei Holding Limited.

The Company and its subsidiaries (collectively, the "**Group**" or "**we**" or "**our**") are principally engaged in (i) the exploration, mining, processing and trading of iron ore products and major products including iron ores, preliminary concentrates and iron ore concentrates; (ii) the provision of hospital management services; (iii) the green construction materials construction sand and gravel materials production and sales business in the People's Republic of China (the "**PRC**" or "**China**"). The Group owns and operates three mines in Hebei Province, which has the largest steel production and iron ore consumption volumes in China.



CORPORATE INFORMATION

COMPANY'S STATUTORY CHINESE NAME

奧威控股有限公司

COMPANY'S STATUTORY ENGLISH NAME

Aowei Holding Limited

STOCK CODE

1370

REGISTERED OFFICE

P.O. Box 309
Ugland House Grand Cayman KY1-1104
Cayman Islands

HEADQUARTERS IN THE PRC

No. 91 Guangping Avenue
Laiyuan County
Baoding City 074300
Hebei Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

AUTHORIZED REPRESENTATIVES

Mr. Li Yanjun
Ms. Kwong Yin Ping, Yvonne

COMPANY SECRETARY

Ms. Kwong Yin Ping, Yvonne

AUDITOR

Asian Alliance (HK) CPA Limited
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
8th Floor, Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong

HONG KONG LEGAL ADVISOR

Loong & Yeung
Room 1603, 16/F
China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR IN THE CAYMAN ISLANDS

Maples Fund Services (Cayman) Limited
P.O. Box 1093
Boundary Hall, Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

CORPORATE INFORMATION

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

INVESTOR INQUIRIES

Website: www.aoweiholding.com
E-Mail: ir@aow.com.cn

DIRECTORS

Executive Directors

Mr. Li Yanjun *(Chairman)*
Mr. Li Ziwei *(Chief Executive Officer)*
Mr. Sun Jianhua *(Chief Financial Officer)*
Mr. Jin Jiangsheng (resigned on 7 April 2020)
Mr. Tu Quanping

Independent Non-executive Directors

Mr. Ge Xinjian
Mr. Meng Likun
Mr. Kong Chi Mo (resigned on 24 March 2021)
Mr. Wong Sze Lok (appointed on 8 April 2021)

AUDIT COMMITTEE

Mr. Wong Sze Lok *(Chairman)*
Mr. Ge Xinjian
Mr. Meng Likun

REMUNERATION COMMITTEE

Mr. Meng Likun *(Chairman)*
Mr. Li Ziwei
Mr. Ge Xinjian

NOMINATION COMMITTEE

Mr. Li Yanjun *(Chairman)*
Mr. Meng Likun
Mr. Wong Sze Lok

FIVE-YEAR FINANCIAL SUMMARY

SUMMARY DATA OF CONDENSED CONSOLIDATED INCOME STATEMENTS

	For the year ended 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	**567,977**	815,549	854,783	869,122	757,137
Cost of sales	**(473,888)**	(545,314)	(562,525)	(594,757)	(488,291)
Gross Profit	**94,089**	270,235	292,258	274,365	268,846
Distribution expenses	**(16,633)**	(2,645)	(21,093)	(10,731)	(13,144)
Administrative expenses	**(117,947)**	(85,047)	(91,779)	(74,056)	(97,240)
Impairment losses, net	**2,470**	(259,786)	(55,876)	(449,055)	–
(Loss) profit from operations	**(38,021)**	(77,234)	123,510	(259,477)	158,462
Finance income	**107**	130	7,674	3,871	4,065
Finance costs	**(41,556)**	(43,099)	(38,269)	(45,574)	(43,577)
Net finance costs	**(41,449)**	(42,969)	(30,595)	(41,703)	(39,512)
Other losses	**(361)**	–	–	–	–
Gains from disposal of a subsidiary	**–**	5,424	–	–	–
(Loss) profit before taxation	**(79,831)**	(114,788)	92,915	(301,180)	118,950
Income tax	**9,260**	15,817	(51,373)	(55,828)	(33,284)
(Loss) profit for the year	**(70,571)**	(98,971)	41,542	(357,088)	85,666
Attributable to:					
Equity shareholders of the Company	**(70,571)**	(98,971)	41,542	(357,088)	85,666
Non-controlling interests	**–**	–	–	–	–
Basic (loss) earnings per share (RMB)	**(0.04)**	(0.06)	0.03	(0.22)	0.05
Diluted (loss) earnings per share (RMB)	**N/A**	N/A	N/A	N/A	N/A

FIVE-YEAR FINANCIAL SUMMARY

SUMMARY DATA OF CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Assets and liabilities					
Non-current assets	**1,425,351**	1,311,093	1,598,499	1,483,069	1,977,855
Current assets	**904,822**	1,023,242	623,256	795,749	622,460
Non-current liabilities	**(328,900)**	(171,388)	(223,696)	(259,119)	(299,403)
Current liabilities	**(750,714)**	(841,677)	(578,085)	(642,511)	(569,625)
Total equity	**1,250,559**	1,321,270	1,419,974	1,377,188	1,731,287
Non-controlling interests	**–**	–	–	–	–
Equity attributable to equity shareholders of the Company	**1,250,559**	1,321,270	1,419,974	1,377,188	1,731,287

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Aowei Holding Limited (the "**Company**"), I hereby present the report of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (the "**Year**" or the "**Reporting Period**") and extend our gratitude to the shareholders of the Company (the "**Shareholders**").

In 2020, the business environment was full of challenges that were greater than ever. The global economic activities were hampered by, among others, the COVID-19 ("**COVID-19**") pandemic and geopolitical uncertainty, resulting in the downturn in many industries. Following the outbreak of the COVID-19 epidemic during the year, a package of control measures, such as lockdown, traffic restriction, work suspension and production suspension, was implemented across the country, disrupting the supply chain and affecting the mines' production capacity, supply chain and construction of the Company to varying degrees. Facing the severe epidemic situation and the complicated economic environment, the Group continued to strengthen internal management, made overall arrangements for epidemic prevention and control to safeguard the safety of the employees, and at the same time proactively prepared for the resumption of operation, with a view to minimizing the economic impact of the epidemic on the Group.

By adhering to ecological priority and practicing the concept of green development, the Group has proactively promoted the construction of green mines. In 2020, in view of the ongoing outbreak of COVID-19 epidemic and the sustainable operation and development in the future, efforts were made particularly on the construction of green mines of Jiheng Mining. Due to the limited space in the mining area of the Jiheng Mining, the mining couldn't be carried out at the same time, and thus the operation of Jiheng Mining was suspended to build the green mines in the limited area. As a result of the suspension of operation, the Group's business in green construction materials of sand aggregate failed to reach the design capacity, and the financial results of the Company was also affected. Despite the temporary disadvantage, the Company believes that the construction of green mines is conducive to the Company's future stable operation and sustainable development. As at December 31, 2020, Jiheng Mining has been listed in the list of provincial-level green mines. The Company will strive to complete the construction of the green mines of the Jiheng Mining within 2021.

During the reporting period, the Company recorded a loss of approximately RMB70.6 million, which was mainly due to the outbreak of COVID-19 and the continuing suspension of production of building of green mines implemented by Jiheng Mining. Due to the impacts on the decrease of production and sales volume of iron ore concentrates during the Reporting Period, the revenue amounted to RMB568.0 million, representing a year-on-year decrease of approximately 30.4%; the gross profit decreased to RMB94.1 million as the decrease of revenue; and the gross profit rate decreased to 16.6% from 33.1% in the corresponding period of last year.

Despite the impact on the financial results of the Company within the reporting period, I am still fully confident on the operation team and will work out a good strategy to gradually improve the operating conditions and financial results and achieve the revenue growth.

FUTURE OUTLOOK

During the year, China used a lot of resources and took decisive measures for prevention and control, and as a result the severe situation of the COVID-19 was alleviated and the domestic economic activity also gradually stabilized. However, the spread of the epidemic has not been fully contained due to the imported cases from abroad. At the time of writing this report, some parts of Hebei Province, where the Company is located, is also experiencing an outbreak of COVID-19, and access control measures have been implemented in several affected areas to prevent the spread of the epidemic. To minimize the impact of the epidemic on the Company's operation, the Company will implement multiple response plans and prevention and control measures and use all resources to maintain the health and safety of employees, ensure the smooth production and operation, and also fulfill its social responsibility for the community epidemic prevention.

In 2021, The Group will continue to maintain the steady operation of the existing iron ore business and strive to achieve the annual production and operation goals, the medium and long-term sustainable development goals and good financial results by making scientific planning and fine organization, strengthening management mode, improving industrial technology, tapping potential and increasing efficiency. While maintaining the steady operation of the existing iron ore business, the Group will grasp the historic opportunity of the coordinated development of Beijing-Tianjin-Hebei region and construction of Xiong'an New Area in line with the basic choice of "Adhering to Enlarging Domestic Demand" put forward by the state to develop the Group's business in green construction materials of sand aggregate business and rapidly snatch more market share for greater economic benefits by giving full play to its market and geographical advantages.

The Group will continue adhering to ecological priority and practicing the concept of green development, actively respond to the policy of promoting mine ecology restoration, and accelerating the construction of green mines and land reclamation. The Group will also implement the sustainable development strategy, improve the green and low-carbon development system, and actively promote the upgrading of mines and industrial structure with a view to building a green, environmentally friendly and civilized eco-economic system and generating the long-term and sustainable investment return for shareholders.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to all the Directors, management and the staff for their unremitting efforts and collaboration to realize the development strategy of the Group in a challenging business environment. I also would like to give my sincere thanks to the Shareholders, customers, suppliers, banks and business partners for their long-term trust and support.

Li Yanjun
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

IRON ORE BUSINESS

Market Review

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

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

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

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

RISK MANAGEMENT

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

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

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

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

BUSINESS REVIEW

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

For the year ended 31 December 2020, the Group's iron ore business recorded a revenue of approximately RMB568.0 million, representing a year-on-year decrease of approximately 30.3%; the gross profit was approximately RMB94.1 million, and the gross profit ratio was approximately 16.6%; for the year ended 31 December 2020, the distribution expenses and administrative expenses of the Group's iron ore business was approximately RMB134.6 million in total, representing a year-on-year increase of approximately RMB47.0 million; for the year ended 31 December 2020, the Group recorded a net loss after tax of approximately RMB70.6 million, representing a year-on-year decrease of approximately RMB28.4 million, which was mainly due to a year-on-year decrease of impairment provision during the Reporting Period, and the continuing suspension of the construction of green mines implemented by Jiheng Mining.

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

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

Notes:

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

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

Resources and Reserves

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

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

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

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

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

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

Mines in Operation

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

Zhijiazhuang Mine

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

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

Wang'ergou Mine and Shuanmazhuang Mine

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

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

Iron ore concentrates

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

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

Green Construction Materials of Sand Aggregate Business

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

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

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

	As at 31 December 2020			
Products	**Output**	**Sales volume**	**Average sales price**	**Cash operating costs**
	(Kt)	**(Kt)**	**(RMB)**	**(RMB)**
Building stones	742.6	876.2	40.3	9.2
Crushed sand	384.2	416.3	36.9	15.1
Total	1,126.8	1,292.5	39.2	11.2

MEDICAL BUSINESS

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

SAFETY AND ENVIRONMENTAL PROTECTION

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

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

EMPLOYEES AND REMUNERATION POLICY

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

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

FINANCIAL REVIEW

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Sales and distribution expenses

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

Administrative expenses

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

Impairment losses

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

Trade receivables and expected credit loss

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

Finance costs

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

Income tax credit

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

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

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

Property, plant and equipment

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

Intangible assets

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

Inventories

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

Trade and other receivables

As of 31 December 2020, trade receivables of the Group amounted to approximately RMB87.8 million, representing an increase of approximately RMB14.1 million as compared to RMB73.7 million in the corresponding period of last year, which was mainly due to the increase in credit sales during the credit period. As of 31 December 2020, other receivables of the Group amounted to approximately RMB365.0 million, representing a decrease of approximately RMB9.4 million as compared to RMB374.4 million in the corresponding period of last year. Other receivables mainly included prepayments to suppliers and deposits paid.

Trade and other payables

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

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

Cash and borrowings

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

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

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

Restricted deposits

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

Gearing ratio

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

Capital expenditure

The Group's total capital expenditure amounted to approximately RMB372.0 million, which consisted of installments for mining right costs, technical transformation of dry-processing plant and other sporadic projects.

Capital commitment

As at 31 December 2020, the total capital commitments of the Group amounted to approximately RMB41,487,000 (2019: Nil).

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, there is a risk that 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.

Significant acquisitions and disposals of subsidiaries and affiliated companies

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

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

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

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

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

Significant investments held

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

Emphasis of matter

The pledged bank deposit of RMB300,000,000 (the "**Pledged Deposit**"), as disclosed in Note 26 to the consolidated financial statements, was executed by a former legal person of a subsidiary without reporting to and without approval from the Board. However, entering into the pledge agreement on 22 December 2020 in respect of the Pledged Deposit constituted a disclosable transaction of the Company and was therefore subject to the reporting and announcement requirements under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Pledged Deposit is also subject to the general disclosure obligations under Rule 13.15 of the Listing Rules. Subsequently, the Company issued an announcement regarding to such notifiable transaction on 9 September 2022.

MANAGEMENT'S VIEW AND POSITION ON THE DISCLAIMER OF OPINION

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

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

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

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

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

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

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

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

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

ACTIONS OF THE COMPANY TO ADDRESS THE DISCLAIMER OF OPINION

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

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

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

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

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

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

OUTLOOK AND STRATEGY

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

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

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

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHIES OF EXECUTIVE DIRECTORS

Mr. Li Yanjun (李豔軍), aged 58, is our executive Director and the chairman of the Board, and is mainly responsible for the overall business plan, strategies and major decisions making of the Group. Mr. Li is the founder of the Group, and through the positions he held at Hebei Aowei Industrial Group Co., Ltd. (河北奧威實業集團有限公司) ("**Aowei Group**"), Laiyuan County Aoyu Steel Co., Ltd. (淶源縣奧宇鋼鐵有限公司) ("**Aoyu Steel**") and the Group, Mr. Li has over 24 years of experience in the iron ore mining, steel industry and corporate management. Mr. Li was also a member of the 12th National People's Congress (第十二屆全國人大). Mr. Li Yanjun is the father of Mr. Li Ziwei.

Mr. Li Ziwei (also known as Leung Hongying Li Ziwei) (李子威), aged 35, is our executive Director and was appointed as the chief executive officer of the Company on 23 August 2018 and is responsible for the Group's overall business development, daily operation management and investments. Mr. Li Ziwei acted as the General Manager of Aowei Mining on 25 June 2019. Mr. Li Ziwei joined the Group in August 2008. He has gained over 14 years of experience in the iron ore mining industry from his involvement in the areas of procurement, supply and sales of raw materials and steel products at Aowei Group, Aoyu Steel and the Group. He is also the director of Hengshi Development International Limited. Mr. Li Ziwei is the son of Mr. Li Yanjun.

Mr. Sun Jianhua (孫建華), aged 40, is our executive Director and the chief financial officer. He is responsible for the Group's accounting and financial management. He joined the Group in February 2012 and was appointed as executive director of the Company in June 2013. Mr. Sun has over 17 years of experience in financial and accounting management. He served as the head of the finance department of Aowei Mining from February 2012 to June 2013. He held several positions at Aoyu Steel between February 2004 and February 2012, including accountant, head of the finance division and vice head of the finance department. He was also appointed as a director of Xinan Investments Limited and Xinan Limited since August 2016. Mr. Sun graduated from Baoding Financial Senior Professional Institute (保定市金融高等專科學校) in June 2003. He was admitted as a certified public accountant by the Chinese Institute of Certified Public Accountants in December 2010 and was accredited as a certified tax advisor by the State Taxation Administration in June 2011 and a certified public valuer by the Ministry of Finance of the PRC in September 2011.

Mr. Tu Quanping (塗全平), aged 53, is our executive Director. He is responsible for the supervision of mining, processing, design and mining plan of all our iron ore mines. Mr. Tu has more than 27 years of experience in the mining industry. Since joining the Group in August 2005, he has been in charge of the project design, infrastructure construction, development and mining of our mines, coordination of our production plan, design of the technical parameters of our ore preparation plants and onsite management and supervision. Prior to joining the Group, Mr. Tu served as a mining engineer, and chief of mining department, of Anhui Magang Group Nanshan Mining Company (安徽馬鋼集團南山礦業公司) from August 1991 to August 2005. Mr. Tu obtained a bachelor's degree in Mining Engineering from Wuhan Steel Institute (武漢鋼鐵學院) (now known as Wuhan University of Science and Technology (武漢科技大學)) in July 1991. He took the postgraduate course of enterprise planning and development at Nanjing University (南京大學) from September 2001 to December 2003. Mr. Tu was accredited as a senior mining engineer by Magang Metallurgy Projects Senior Engineer Evaluation Committee (馬鋼冶金工程高級工程師評審委員會) in December 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ge Xinjian (葛新建), aged 62, is our independent non-executive Director, primarily responsible for providing independent advice and guidance to the Board. He serves as the general manager of Anhui Xinjian Mining Engineering Technology Co., Ltd. (安徽新建礦業工程技術有限責任公司). Mr. Ge has more than 37 years of experience in processing research, design and technical management. Mr. Ge currently serves as a member of the 7th Ore Dressing Branch Committee of the Chinese Society for Metals (中國金屬學會選礦分會委員會), the part-time professor of Anhui University of Technology, the member of China Metallurgical Mining Enterprise Association (中國冶金礦山企業協會) and the member of the Expert Committee, the standing director of the China Mining Development Strategic Alliance (中國礦業發展戰略聯盟). Mr. Ge served as the chief engineer of Magang Group Design & Research Institute Co., Ltd. (馬鋼集團設計研究院有限責任公司) from March 2004 to December 2014. During this period, Mr. Ge held a concurrent post as the vice president from August 2011 to December 2014.

Mr. Ge published several theses in different professional journals and compiled many professional works, including Current Application of High-Pressure Grinder of Metallurgy Mine in China "高壓輥磨工藝在我國冶金礦山的應用現狀" (Modern Mining, 9th edition of 2009). Mr. Ge obtained a bachelor's degree in Ore Dressing from Jiangxi Metallurgy Institute (江西冶金學院) (now known as Jiangxi University of Science and Technology (江西理工大學)) in July 1983. Mr. Ge is a professor-level senior engineer in ore dressing recognized by Personnel Department of Anhui Province (安徽省人事廳) in December 2009, a national mineral reserves appraiser recognized by Department of Personnel and Education of Ministry of Land and Resources (國土資源部人事教育司) in September 2007 and a registered national environment engineer recognized by Personnel Department of Anhui Province in September 2007.

Mr. Meng Likun (孟立坤), aged 60, is our independent non-executive Director, primarily responsible for providing independent advice and guidance to the Board. Mr. Meng has been the chairman of the board of Guojie Investments Holding Ltd. (國傑投資控股有限公司) since October 2014. Mr. Meng served as the special consultant of Rongtong Fund Management Co., Ltd. (融通基金管理有限公司) from March 2010 to January 2012. He served as the president and an executive director of New Time Securities Co., Ltd. (新時代證券有限責任公司) from May 2006 to January 2009. He acted as the chairman of the board of directors of Rongtong Fund Management Co., Ltd. from May 2001 to March 2010.

Mr. Meng obtained a bachelor's degree in mechanical design and a master's degree in engineering from Taiyuan Mechanical Engineering College (太原機械學院) (now known as North University of China (中北大學)) in July 1982 and September 1986 respectively, and obtained a doctorate degree in engineering from Beijing Institute of Technology (北京理工大學) in March 1993.

Mr. Wong Sze Lok (黃思樂), aged 49, is primarily responsible for providing independent advice and guidance to the Board. Mr. Wong was appointed as an independent non-executive Director of our Company on 8 April 2021. Mr. Wong is the chairman of the Audit Committee and the member of the Nomination Committee of the Company.

Mr. Wong has extensive experience in auditing and corporate governance. Mr. Wong was the chief financial officer of Century Entertainment International Holdings Limited (formerly known as Amax International Holdings Limited), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 959).

Mr. Wong is an independent non-executive director of Grand Field Group Holdings Limited (Stock Code: 115) and TBK & Sons Holdings Limited (Stock Code: 1960), the shares of all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Wong also serves as the company secretary of Unitas Holdings Limited, the shares of which are listed on GEM of The Stock Exchange of Hong Kong Limited (Stock code: 8020).

Mr. Wong obtained a bachelor of arts degree in accountancy from The Hong Kong Polytechnic University in November 1996 and a master of management degree from Macquarie University in November 2004. Mr. Wong is currently a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of The Institute of Chartered Accountants in England and Wales and a Certified Information Systems Auditor.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Gao Changquan, the former senior management of the Group, resigned as the deputy general manager of Aowei Mining in September 2022 due to physical condition. In March 2022, Mr. Li Shaoshun, a former senior management of the Company, ceased to serve as the general manager of Jingyuancheng Mining due to work reallocation. Mr. Li Dongfeng was also transferred from the position of general manager of Jiheng Mining in March 2022.

Mr. Zuo Yuehui, aged 44, is the deputy general manager of Aowei Mining and is responsible for the financial and accounting affairs of Aowei Mining. Mr. Zuo has over 17 years of experience in accounting and financial management. From November 2004 to May 2012, he served as an accountant in the finance department of Aoyu Steel. He joined our Group in 2012 and successively served as the deputy chief of the finance section and the chief of the finance section of Jingyuancheng Mining from May 2012 to September 2022. He was appointed as the deputy general manager of Aowei Mining in March 2022. Mr. Zuo obtained a junior college diploma in computer accounting from Hebei Vocational College of Engineering and Technology in July 2002, and he also obtained the qualification of intermediate accountant from the Ministry of Finance of the People's Republic of China in May 2007.

Mr. Sun Tao, aged 40, is the deputy general manager of Aowei Mining. He is responsible for assisting the general manager to formulate the strategic development planning, project establishment and management of the procurement and supply department of Aowei Mining. Mr. Sun has over 17 years of experience in corporate management. From March 2005 to February 2013, he successively served as the head and head of the procurement and supply department of Aoyu Steel. He joined the Group in 2013 and served as the head of the operation and planning department of Aowei Mining from February 2013 to March 2016. From March 2016 to February 2020, he served as the deputy general manager of Beijing Jianke Cloud Technology Co., Ltd., where he was responsible for product promotion and market development and overall affairs of the Shenzhen branch. Mr. Sun re-joined the Group in February 2020 and was appointed as the deputy general manager of Aowei Mining. On March 28, 2021, Mr. Sun was selected as a "Featured Talent in Laiyuan County" by the Laiyuan County People's Government. Mr. Sun graduated from Hebei Agricultural University with a bachelor's degree in economics in July 2005, and he obtained the qualification of purchaser from the Vocational Appraisal Centre of the Ministry of Labour and Social Security in August 2007.

Mr. Du Liming, aged 59, is the general manager of Jingyuancheng Mining and is responsible for the general management and daily operation of Jingyuancheng Mining. Mr. Du has over 15 years of experience in mining processing. He joined our Group in 2007 and served as the deputy head of Jiheng Mining from April 2007 to February 2010, the head of Jingyuancheng Mining from February 2010 to March 2014, the head of the water processing plant of Jiheng Mining from March 2014 to February 2020, and the deputy general manager of Jingyuancheng Mining from February 2020 to March 2022, responsible for production operation and management. He was appointed as the general manager of Jingyuancheng Mining in March 2022.

Save as disclosed above, the directors and senior management have no other positions as directors in the listed companies.

COMPANY SECRETARY

Ms. Kwong Yin Ping, Yvonne (鄺燕萍), is the company secretary of our Company. Ms. Kwong obtained a bachelor's degree in accountancy from the Hong Kong Polytechnic University (香港理工大學). She works as vice president in a professional corporate services company which is engaged in providing secretarial and compliance services for listed companies. She is also a fellow of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute. She has extensive experience in providing company secretarial services for numerous private and listed companies. She serves as company secretary and joint company secretary of various companies listed on the Hong Kong Stock Exchange. Mr. Li Ziwei is the main contact person of Ms. Kwong in the Company.

REPORT OF THE DIRECTORS

The Directors wish to present the report of the Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company acts an investment holding company. The activities of principal subsidiaries are the exploration, mining and processing of iron ore, sales of iron ores, preliminary concentrates and iron ore concentrates, production and sales of construction sand and gravel, and the provision of hospital management services. Details of the principal subsidiaries of the Company are set out in note 42 to the consolidated financial statements.

BUSINESS REVIEW

After careful deliberation, the Directors have reviewed the Group's business and made an analysis of the Group's performance in accordance with the requirement of Schedule 5 to the Companies' Ordinance, Chapter 622 of the Laws of Hong Kong, including the discussions of the major risks and uncertainties facing the Group and the disclosure of the future business development the Group will probably achieve. Please refer to the "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report – Risk Management and Internal Control" of this annual report. These discussions form part of this Report of the Directors.

FINANCIAL ACCOUNTING DATA AND FINANCIAL KEY PERFORMANCE INDICATORS (NOTE)

	For the year ended 31 December		
	2020	2019	% of change
Distribution expenses	**(16,633)**	(2,645)	528.8%
Loss before tax	**(79,831)**	(114,788)	30.5%
Loss per share	**(0.04)**	(0.06)	33.3%
Gross profit margin	**16.6%**	33.1%	(49.8%)

	For the year ended 31 December		
	2020	2019	% of change
Bank balances and cash	**20,212**	461,639	(95.6%)
Intangible assets	**77,172**	84,304	(8.5%)

Note:

(1) Reasons for choosing the financial key performance indicators and relationship with the Group's objective

The Group was originally incorporated in the British Virgin Islands on 14 January 2011 under the laws of British Virgin Islands, and redomiciled to the Cayman Islands on 23 May 2013. The Group is principally engaged in the exploration, mining, processing and trading of iron ore and the major products includes iron ores, preliminary concentrates and iron ore concentrates in the People's Republic of China. Therefore, Sales and distribution expenses is a significant indicator to reflect the Group's ore trading business. In addition, the Group completed the acquisition of Xinan Investments Limited and its subsidiaries on 13 July 2016 to enter the hospital management business. In order to reflect the operation of the hospital management business acquired by the Group, intangible assets have also become the main financial performance indicators, but they were subject to changes in local laws, regulations and policies of the Entrusted Hospital. On 3 March 2020, the Group entered into termination agreements with the Rongcheng County Hygiene and Health Bureau and the Entrusted Hospital, respectively. The termination of the hospital management agreement caused the Group's impairment loss of intangible assets to be approximately RMB165.2 million. For details, please refer to the inside information announcement issued by the Company on 3 March 2020.

(2) For trend analysis represented by each financial key performance indicators, please refer to the "Management Discussion and Analysis" for the trend analysis.

(3) Differences between the financial key performance indicators and financial statements. No difference is noted between the financial key performance indicators and the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, some of which are inherent to the business of the Group and some are from external sources. Major risks are summarized below:

- ### Risks arising from macro-economy

  PRC's economy is in the stage of transformation and upgrading. The supply-side structural reform will potentially affect the operation status and future prospects of our iron ore business. In view of the uncertain factors in our industry, the Group actively seeks to diversify its business development to cope with the risks faced by our Company. Besides maintaining the existing mining business, the Group actively promotes the comprehensive utilization of solid waste by expanding the production and sales of construction sand and gravel through Jiheng Mining, so as to realize diversified business development and bring new drivers to the Group's sustainable economic growth.

- ### Risks arising from environmental protection policy

  PRC's environmental protection policy is becoming increasingly tight, especially in the Baoding area where our Company is located, which is close to the capital Beijing and Xiongan New Area. Open-pit mining has become one of the industries that environmental protection agencies pay close attention to. The Company strictly complies with the requirements of local environmental policies and regulations, adheres to ecological priority and practices the concept of green development, and targets at construction of green mines. During the daily operating process, through a variety of environmental protection measures such as sprinkling water and dust prevention, and afforestation, the Company reduced the local environmental impact of the Group's production and operation. While maintaining the existing iron ore business operations, the Group also actively promotes solid waste comprehensive utilization projects encouraged by the state, launches green building materials business, promotes upgrading and transformation of mines through the construction of circular economy production methods, and strives to build a green, environmentally friendly and civilized eco-economic system to avoid increasingly stringent environmental protection policies.

- **Risks arising from competition**

  With the increasing demand for iron ore quality in PRC's iron and steel industry, more imported iron ore with better quality will be preferred. This will inevitably affect the market sales of domestic iron ore, and even lead to the withdrawal of domestic high-cost iron ore suppliers. In view of this risk, the Group will improve the grade and quality of iron ore through technological renovation, reduce production costs through fine management and other measures, and strive to establish a long-term stable supply-demand relationship with downstream customers through active sales strategies.

- **Risks arising from product price fluctuations**

  The Group believes that the operating environment of PRC's steel and mining industry in 2020 is still complex and changeable, steel and mining industries will continue to frequent volatility situation. The Group will hedge the risk of price decline by virtue of its low-cost advantages and active sales strategy. At the same time, it will reduce production costs and administrative expenditure by means of process improvement, equipment upgrading and internal control, so as to minimize the impact of falling iron ore market prices on the Group's profits.

- **Risks arising from production**

  Although the Group is committed to maintaining a high level of safety in the production process, iron ore mining, one of the main business activities of the Group is relatively hazardous by its nature and affected by a number of external factors which are beyond the control of the Group, including the production environment and natural disaster. Production safety is significant to the sustainable and stable development of the Group. The Group has established production safety system and set up designated department to supervise the performance, and ensure the safe production of the Group's operating mines through safety education and improvement of infrastructures.

PERMITTED INDEMNITY

The Articles of Association (the "**Articles**") of the Company provides that the Directors shall be indemnified and held harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

A directors' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 106 of this annual report.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2020(2019: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 December 2020 in the Group's property, plant and equipment are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements during the year in the issued share capital of the Company are set out in note 34 to the financial statements of this annual report.

DISTRIBUTABLE RESERVES

Details of the movements during the year ended 31 December 2020 in the reserves of the Group are set out in the consolidated statement of changes in equity on page 109 of this annual report.

As at 31 December 2020, the Company's reserves available for distribution to the Shareholders in accordance with the Articles were RMB882 million. Under the Cayman Companies Law, subject to the provision of its Articles, the share premium account may be applied by the Company in paying distributions or dividends to its members or in paying up unissued shares to be issued to its members as fully paid bonus shares provided that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

The reserves of the Company available for distribution depend on the dividend distributable by the Company's subsidiaries. For dividend purpose, the amount which the Company's subsidiaries in the PRC can legally distribute by way of a dividend is determined by reference to their distributable profits as reflected in the PRC statutory financial statements which are prepared in accordance with accounting principles generally accepted in the PRC. These distributable profits differ from those that are reflected in the Group's financial statements prepared in accordance with the IFRSs.

FINANCIAL SUMMARY

A summary of the results, assets, liabilities and shareholders' interests of the Group for the last five financial years is set out on pages 5 to 6 of this annual report.

LOANS AND BORROWINGS

Details of the loans and borrowings of the Group are set out in note 30 to financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The sale and purchase from the Group's major suppliers and customers as percentages of the Group's total sales and purchase for the year ended 31 December 2019 and 2020 are set out as follows:

	2020 % of the Group's total		2019 % of the Group's total	
	Sale	**Purchase**	Sale	Purchase
Largest customer	**37.7%**	**–**	40.1%	–
Total of five largest customers	**88.2%**	**–**	98.4%	–
Largest supplier	**–**	**14.8%**	–	9.8%
Total of five largest suppliers	**–**	**47.8%**	–	38.2%

During the year, the Group's customers were highly concentrated primarily because (i) iron ores are bulk raw materials and the customers required stable supply; and (ii) the production volumes of self-produced products were insufficient to adequately satisfy the requirements of multiple target customers. The Group was aware of the risk of concentrated customer base and has entered into non-exclusive sales agreements with several potential customers. Pursuant to the agreements, the Group is able to sell any of our products to the potential customers without any restrictions.

For the year ended 31 December 2020, to the knowledge of Directors, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest suppliers or customers.

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information in respect of the Directors for the year and as at the date of this annual report:

Name	Position/Title in the Group	Date of Appointment/ Re-election
Li Yanjun	Chairman and Executive Director	29 May 2020
Li Ziwei	Executive Director and Chief Executive Officer	31 May 2019 23 August 2018 (appointed as the Chief Executive Officer)
	General manager of Aowei Mining	25 June 2019
Sun Jianhua	Executive Director and Chief Financial Officer	29 May 2020
Jin Jiangsheng	Executive Director and executive deputy general manager of Aowei Mining	Resigned on 7 April 2020
Tu Quanping	Executive Director	29 May 2018
Wong Sze Lok	Independent Non-executive Director	8 April 2021
Ge Xinjian	Independent Non-executive Director	31 May 2019
Meng Likun	Independent Non-executive Director	29 May 2019
Kong Chi Mo	Independent Non-executive Director	（resigned on 24 March 2021）

REPORT OF THE DIRECTORS

Biographical details of the current Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 27 to 31 of this annual report.

In accordance with the Articles, all Directors will retire at the 2022 AGM, and being eligible, will offer themselves for re-election at the 2022 AGM.

CHANGE IN DIRECTORS' INFORMATION

As of the date of this annual report, save as those disclosed in the section headed "Directors" above, there was no information of the Company in relation to Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

SERVICE CONTRACTS OF THE DIRECTORS

The Company has entered into a director service contract with each Director. The main details are as follows:

On 7 April 2020, Mr. Jin Jiangsheng resigned as Executive Director of the Company, and terminated the director service contract.

None of the Directors has signed with the Company any service contract that shall not be terminated without compensation (exclusive of statutory compensation) within one year.

REMUNERATION FOR THE DIRECTORS AND TOP FIVE HIGHEST PAID INDIVIDUALS

Detailed information on remuneration for the Directors and top five highest paid individuals of the Company is set out in notes 14 and 15 to the consolidated financial statements.

None of the Directors has agreed to waive any remuneration for the year ended 31 December 2020. The remuneration for the Directors was proposed by the remuneration committee of the Company (the "**Remuneration Committee**"), which would take into account remuneration paid by similar companies, conditions of employment, responsibilities and individual performance when proposing the remuneration.

EMOLUMENT POLICIES

The emolument policies of the Group are based on performance, experience, competence and market comparables. Remuneration packages generally comprise salary, housing allowance, contribution to pension schemes and discretionary bonus relating to the performance of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2020, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

Interests in the Shares:

Name of Directors	Capacity/nature of interest	Number of Shares (long position)	Approximate percentage
Mr. Li Ziwei	Founder of a discretionary trust[2]	1,221,877,000[L]	74.72%
Mr. Li Yanjun	Interests held jointly with another person[2]	1,221,877,000[L]	74.72%

Notes:

(1) The letter "L" denotes long position in the Shares.

(2) Mr. Li Ziwei is the settlor, protector and a beneficiary of the Chak Trust with Credit Suisse Trust Limited as the trustee which holds the entire issued share capital of Hengshi Holdings Limited (holding 100% issued share capital of Hengshi International Investments Limited) through Chak Limited, and is the settler, protector and a beneficiary of the Seven Trust with Credit Suisse Trust Limited as the trustee which holds the entire issued share capital of Aowei International Developments Limited through Seven Limited. Pursuant to the Confirmation Letters, Mr. Li Ziwei and Mr. Li Yanjun have acted and will continue to act in concert to make decisions and exercise discretions in respect of the matters of the Chak Trust and the Seven Trust and exercise all voting rights attached to the shares of Hengshi International Investments Limited and Aowei International Developments Limited, respectively. Therefore, Mr. Li Ziwei and Mr. Li Yanjun are deemed to be interested in the 1,188,127,000 Shares held by Hengshi International Investments Limited (which is 100% owned by Hengshi Holdings Limited) as disclosed above and the 33,750,000 Shares held by Aowei International Developments Limited.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As of 31 December 2020 and so far as is known to the Directors, the interests or short positions of the substantial shareholders, other than the Directors or the chief executives of the Company whose interests and short positions in the shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, who had 5% or more interests or short positions in the Shares and underlying Shares as recorded in the register required to be maintained by the Company under Section 336 of the SFO, were as follows:

Name of Shareholders	Capacity/nature of interest	Number of Shares (long position)	Approximate percentage of issued Shares
Aowei International Developments Limited	Beneficial owner[(2)(3)]	1,221,877,000[(L)]	74.72%
Chak Limited	Interest in controlled corporation[(2)(3)]	1,221,877,000[(L)]	74.72%
Credit Suisse Trust Limited	Trustee	1,221,877,000[(L)]	74.72%
Hengshi Holdings Limited	Interest in controlled corporation[(2)(3)]	1,221,877,000[(L)]	74.72%
Hengshi International Investments Limited	Beneficial owner[(2)(3)]	1,221,877,000[(L)]	74.72%
Seven Limited	Interest in controlled corporation[(2)(3)]	1,221,877,000[(L)]	74.72%
Fresh Idea Ventures Limited	Person having a security interest in shares[(4)]	1,089,630,000[(L)]	66.63%
Huarong International Financial Holdings Limited	Interest in controlled corporation[(4)]	1,089,630,000[(L)]	66.63%
China Huarong Asset Management Co., Ltd.	Interest in controlled corporation[(4)]	1,089,630,000[(L)]	66.63%

Notes:

(1) The letter "L" denotes long position in the Shares.

(2) Hengshi Holdings Limited holds 100% issued share capital of Hengshi International Investments Limited, thus Hengshi Holdings Limited is deemed to be interested in the 1,188,127,000 Shares held by Hengshi International Investments Limited. Chak Limited holds 100% issued share capital of Hengshi Holdings Limited, thus Chak Limited is deemed to be interested in the 1,188,127,000 Shares held by Hengshi International Investments Limited. Seven Limited holds 100% issued share capital of Aowei International Developments Limited, thus Seven Limited is deemed to be interested in the 33,750,000 Shares held by Aowei International Developments Limited.

(3) Aowei International Developments Limited and Hengshi International Investments Limited provided an interest in 1,089,630,000 Shares as security to a person other than a qualified lender. Each of Chak Limited, Credit Suisse Trust Limited, Hengshi Holdings Limited and Seven Limited, by virtue of their relationship with Aowei International Developments Limited and Hengshi International Investments Limited as disclosed in note (2) above, is deemed to have provided an interest in 1,089,630,000 Shares as security to a person other than a qualified lender.

(4) Fresh Idea Ventures Limited acquired security interest in an aggregate of 1,089,630,000 Shares. Fresh Idea Ventures Limited is 100% controlled by Linewear Assets Limited, which in turn is 100% controlled by Huarong International Financial Holdings Limited. Huarong International Financial Holdings Limited is thus deemed to be interested in the aforesaid 1,089,630,000 Shares. Huarong International Financial Holdings Limited is controlled by Camellia Pacific Investment Holding Limited as to 51%, which in turn is 100% controlled by China Huarong International Holdings Limited. China Huarong International Holdings Limited is controlled by China Huarong Asset Management Co., Ltd., 華融實業投資管理有限公司, and Huarong Zhiyuan Investment & Management Co., Ltd. as to 84.84%, 13.36%, and 1.80%, respectively. Each of 華融實業投資管理有限公司, and Huarong Zhiyuan Investment & Management Co., Ltd. is 100% controlled by China Huarong Asset Management Co., Ltd. 中國華融資產管理股份有限公司. China Huarong Asset Management Co., Ltd. 中國華融資產管理股份有限公司 is thus deemed to be interested in the aforesaid 1,089,630,000 Shares.

Mr. Li Ziwei and Mr. Li Yanjun are the ultimate controlling shareholders of Chak Limited, Hengshi Holdings Limited, Hengshi International Investments Limited, Seven Limited and Aowei International Developments Limited. Therefore, Chak Limited, Hengshi Holdings Limited, Hengshi International Investments Limited, Seven Limited and Aowei International Developments Limited are deemed to be interested in all the 1,221,877,000 shares. Pursuant to the Confirmation Letters, Mr. Li Ziwei and Mr. Li Yanjun have acted and will continue to act in concert to make decisions and exercise discretions in respect of the matters of the Chak Trust and the Seven Trust and exercise all voting rights attached to the shares of Hengshi International Investments Limited and Aowei International Developments Limited, respectively.

Save as disclosed above, so far as is known by or otherwise notified to the Directors, no other person or entity (other than the Director(s) or chief executive(s) of the Company) had interests or short positions in the Shares or underlying Shares representing 5% or more of the issued share capital of the Company as of 31 December 2020.

PRE-EMPTIVE RIGHTS

Pursuant to the Articles, in which the Company was incorporated in the British Virgin Islands and continued in the Cayman Islands, and the laws of the Cayman Islands, there is no provision in relation to pre-emptive rights applicable to the Company.

SHARE OPTION SCHEME

As at the date of this annual report, the Company did not adopt any share option scheme.

MANAGEMENT CONTRACTS

The Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

CONNECTED TRANSACTIONS

On 8 December 2016, Hebei Aowei Industrial Group Co., Ltd. ("**Aowei Group**") entered into the property leasing framework agreement (the "**2016 Property Leasing Framework Agreement**") with the Company, pursuant to which the Company rented properties from Aowei Group as office premises. The 2016 Property Leasing Framework Agreement has expired on 31 December 2019, and the Group continued to rent the properties in Beijing and Baoding, China owned by Aowei Group. On 30 December 2019, the Group has entered into the following tenancy agreements with Aowei Group:

1. Laiyuan County Aowei Mining Investments Co., Ltd. (an indirect wholly-owned subsidiary of the Company) rented a property in Beijing as office from Aowei Group from 1 January 2020 to 31 December 2022 (both days inclusive) at the annual rent of RMB3,900,000, and entered into the tenancy agreement ("**Beijing Tenancy Agreement**") with a term of three years. Please refer to the announcement dated on 30 December 2019 for details.

2. Baoding Aoxiang Property Services Co., Ltd., Baoding Xinan Medical Management Consulting Co., Ltd. and Baoding Xiang'an Pharmaceutical Sales Co., Ltd. (an indirect wholly-owned subsidiary of the Company) rented a property in Baoding as office free of charge from Aowei Group from 1 January 2020 to 31 December 2022 (both days inclusive) respectively, and entered into the tenancy agreement with a term of three years.

Since Mr. Li Yanjun is a director and one of the controlling shareholders of the Company, Mr. Li Yanjun is a connected person of the Company. Considering that Mr. Li Yanjun holds 99% of equity interests of Aowei Group, Aowei Group is an associate of Mr. Li Yanjun, which is thereby a connected person of the Company. Therefore, the transactions under the tenancy agreements constitute connected transactions.

In accordance with IFRS 16, Leases, the lease transaction under the Beijing Tenancy Agreement was regarded as the acquisition of assets. Therefore, the Company will recognise the value of right-of-use asset in respect for the relevant leasing property under the Beijing Tenancy Agreement in the Consolidated Statement of Financial Position of 2020.

The connected transactions as defined in Chapter 14A of the Listing Rules which also constitute related party transactions were disclosed in note 31 to the consolidated financial statements. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules for the year ended 31 December 2020.

SIGNIFICANT CONTRACTS

Save as disclosed in the section headed "Connected Transactions" of this annual report, none of the Company or any of its subsidiaries entered into material contracts with the controlling Shareholder or any of its subsidiaries other than the Group, nor was there any material contract between the Group and the controlling Shareholder or any of its subsidiaries other than the Group in relation to provision of services.

COMPLIANCE OF DEED OF NON-COMPETITION

The Company entered into a deed of non-competition (the "**Deed of Non-Competition**") with Mr. Li Ziwei, Mr. Li Yanjun, Hengshi International Investments Limited and Hengshi Holdings Limited (collectively, 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 business of the Group, being the exploration, mining, processing and trading of iron ore products and the major products including 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 are responsible for reviewing and considering whether exercising the option for new business opportunities, pre-emptive right and the option for acquisition as well as conducting annual review of implementation of the Deed of Non-Competition on behalf of the Company. Each Controlling Shareholder has made annual confirmation of compliance with the Deed of Non-Competition, and the independent non-executive Directors 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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, there were no transactions, arrangements, or contracts of significance in relation to the business of the Group, to which the Company, its parent, its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDER' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries subsisted at the end of year or at any time during the year.

No contracts of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2020, having made specific enquiries to all Directors, all of them have confirmed that neither themselves nor their respective close associates (as defined in the Listing Rules) held any competing interests in any business which competes or is likely to compete either directly or indirectly with the business of the Group.

ADVANCE/FINANCIAL ASSISTANCE TO AN ENTITY

Provision of Deposit Pledge

As disclosed in the announcement dated 9 September 2022, a pledge agreement has been entered into by Jianyuancheng Mining on 22 December 2020, the details of which are set out below.

On 22 December 2020, Jingyuancheng Mining, a wholly-owned subsidiary of the Company, entered into a pledge agreement (the "**Pledge Agreement**") with Bank of Nanjing pursuant to which Jingyuancheng Mining agreed to pledge a time deposit certificate in the sum of RMB300,000,000 in favour of Bank of Nanjing to guarantee the obligations of the indebtedness owing by Jiangsu Dakang Electromechanical Equipment Company Limited* (江蘇大康機電設備有限公司) ("**Jiangsu Dakang**") to the Bank of Nanjing for an amount of RMB300,000,000 under a bank acceptance agreement entered into between Jiangsu Dakang and Bank of Nanjing (the "**Deposit Pledge**").

Set out below is a summary of the principal terms of the Pledge Agreement:

Date	:	22 December 2020
Parties	:	(1) Jingyuancheng Mining as the pledgor; and
		(2) Bank of Nanjing as the pledgee
Scope of guarantee	:	the obligations of the indebtedness owing by Jiangsu Dakang to the Bank of Nanjing for an amount of RMB300,000,000, interest, penalty interest, default penalty, damages, and all costs for recovering the loan (including but not limited to litigation cost, arbitration cost, property retention cost, and legal cost).
Duration	:	from 22 December 2020 to 22 June 2021

The Deposit Pledge under the Pledge Agreement was released on 4 March 2021. Further details of the Deposit Pledge were disclosed in the announcements of the Company dated 8 December 2021 in relation to the key findings of the supplemental independent investigation and 9 September 2022 in relation to the provision of deposit pledge.

Provision of Loan

As disclosed in the announcement dated 9 September 2022, a loan agreement has been entered in by Jingyuancheng Mining on 4 March 2021, the details of which are set out below.

On 4 March 2021, the management of the Group agreed and provided a loan in cash in the amount of RMB300,000,000 (the "**Loan**") to Laiyuan County Ruitong Transportation Co., Ltd.* (淶源縣瑞通貨物運輸有限公司) ("**Ruitong Transportation**") via Jingyuancheng Mining's internal resources and subsequently on 10 March 2021, 23 June 2021 and 27 October 2021, Laiyuan County Aowei Mining Investments Co., Ltd.* (淶源縣奧威礦業投資有限公司) ("**Aowei Mining**"), a wholly-owned subsidiary of the Company and/or Jingyuancheng Mining has entered into the initial agreement, the loan repayment agreement and the supplemental loan repayment agreement (collectively known as the "**Loan Agreements**") respectively with Ruitong Transportation pursuant to which the parties to the Loan Agreements have mutually confirmed the repayment terms of the Loan.

Set out below is a summary of the principal terms of the Loan Agreements:

Lender	:	Jingyuancheng Mining
Borrower	:	Ruitong Transportation
Principal amount	:	RMB300,000,000
Capital occupancy fee	:	4.35% per annum and calculated base on the actual number of days of the Loan occupied by Ruitong Transportation. The capital occupancy fee charged on Ruitong Transportation was determined after arm's length negotiation between Jingyuancheng Mining and Ruitong Transportation with reference to the prevailing benchmark interest rate for one-year loans in RMB as announced by the People's Bank of China. The Company is of the view that the capital occupancy fee is fair and reasonable in this regard.
Default penalty	:	In the event that Ruitong Transportation fails to repay the Loan in whole or in part when due without justification, Ruitong Transportation shall be liable to pay Jingyuancheng Mining a default penalty at the rate of 0.05% per day on the outstanding amount of the Loan and the cost incurred from claiming the outstanding amount of the Loan.
Repayment	:	Ruitong Transportation shall repay RMB50,000,000 on or before 30 June 2021. The remaining balance of the Loan plus the capital occupancy fee shall be repaid on or before 31 December 2021.

Ruitong Transportation has (i) settled an aggregate sum of RMB50,000,000 to Jingyuancheng Mining on or before 30 June 2021; (ii) settled the remaining principal of the Loan of RMB250,000,000 on or before 27 October 2021; and (iii) settled the capital occupancy fee of RMB7,740,000 on 22 November 2021 in accordance with the terms and conditions of the Loan Agreements. The principal amount of the Loan together with all capital occupancy fee accrued thereon has been fully repaid by Ruitong Transportation in this regard.

Further details of the Loan were disclosed in the announcements of the Company dated 8 December 2021 in relation to the key findings of the supplemental independent investigation and 9 September 2022 in relation to the provision of loan.

SIGNIFICANT SUBSEQUENT EVENTS

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 key findings of the Supplementary Independent Investigation (collectively, the "Announcements").

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

Save as disclosed specifically in the Announcements and this annual report, there were no significant subsequent events affecting the Group which occurred since 1 January 2020 and up to the date of this annual report.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 and Appendix 14 to the Listing Rules. The full version of the terms of reference of the audit committee of the Board is available on the Stock Exchange's website and the Company's website at www.aoweiholding.com.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures.

* For identification purpose only.

The audit committee currently comprises three independent non-executive Directors, namely Mr. Wong Sze Lok (Chairman), Mr. Ge Xinjian and Mr. Meng Likun. Mr. Kong Chi Mo resigned on 24 March 2021. During the year ended 31 December 2020, the audit committee has reviewed: (i) the audited financial statements and annual results announcement of the Group for the year ended 31 December 2019; and (ii) the financial statements and interim results announcement of the Group for the six months ended 30 June 2020. During the year ended 31 December 2020, the audit committee has reviewed the risk management and internal control systems of the Group.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference in compliance with the Listing Rules. The remuneration committee currently comprises two independent non-executive Directors, namely Mr. Meng Likun (Chairman) and Mr. Ge Xinjian and one executive Director, namely Mr. Li Ziwei.

NOMINATION COMMITTEE

The Company has established a nomination committee with written terms of reference in compliance with the Listing Rules. The nomination committee currently comprises one executive Director, namely Mr. Li Yanjun (Chairman) and two independent non-executive Directors, namely Mr. Meng Likun and Mr. Wong Sze Lok. Mr. Kong Chi Mo resigned on 24 March 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries to all the Directors of the Company, all the Directors has confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2020.

COMPLIANCE OF THE CORPORATE GOVERNANCE CODE

As a listed company on the main board of the Stock Exchange, the Company is committed to maintaining high level of corporate governance. Throughout the year ended 31 December 2020, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. For details, please refer to the section headed "Corporate Governance Report" in this annual report for details.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the public float as required under the Listing Rules as at the date of this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes the significance of good relationship with employees, customers and suppliers to the long-term development of the Group's business.

- **Employees**

  As to the employees' relationship, the Group has taken various measures to improve employees' benefit, provided training opportunities for each job position and adopted a performance management system that enhances employees' career development. At the same time, management and employees also maintain good communication, and employees are encouraged to provide feedback.

- **Customers and Suppliers**

  As to the relationship with customers and suppliers, the Group selected the customers and suppliers based on various criteria, including but not limited to qualifications and reputations. The Group has always adhered to business principles with integrity and bona fide and maintained good business relationships with major customers and suppliers, and contracts with them were all entered into and performed on mutually beneficial basis.

  The Group's customers mainly consist of iron and steel plants, processing plants and trading companies that purchase iron ore as raw materials. During the Reporting Period, certain customers were in financial difficulties and the recoverability of their trade receivables was still low, the Group stopped supplying goods to them, initiated discussions on repayment terms with them and monitored their repayment schedules. In the emergency period, the Group will also take legal means to protect its own rights and interests.

  The Group's suppliers mainly consist of mining contractors, transportation contractors, suppliers of production-related materials and trading companies. During the Reporting Period, no incidents that will adversely affect the Group's product supply have occurred. If the goods purchased from suppliers have an adverse impact on the Group, the Group will safeguard its legitimate rights and interests through various means.

RETIREMENT AND EMPLOYEES' BENEFIT PLAN

Detailed information on the retirement and employees' benefit plan of the Company is provided in note 13 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes that proper adoption of environmental policies is essential to the sustainability of corporate growth, and has established specific department to supervise the compliance of the Group with environmental laws and regulations. During the daily operations, the Group has paid close attention to the latest development of environmental protection laws and regulations to ensure that the Group's environmental policies are in line with the legal standard in order to contribute to an environment-friendly society.

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, including but not limited to those which have significant impact on the Group, such as the Listing Rules and the International Financial Reporting Standards. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. For details, please refer to the section headed "Environmental, Social and Governance Report" of this annual report.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2020, the Group has not been involved in any significant legal proceedings or arbitration. To the knowledge of the Directors, there are no significant legal proceedings or claims pending or threatened against the Group.

EVENTS AFTER THE REPORTING PERIOD

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 formation 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 key findings of the Supplementary Independent Investigation (collectively, the "**Announcements**").

Other than as disclosed above and elsewhere in this report, from 1 January 2021 to the date of this report, there are no other major subsequent events for the Group.

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.

AUDITOR

KPMG resigned as the auditor of the Company on 13 May 2021. The Company engaged Asian Alliance (HK) CPA Limited as the auditor of the Company for the year ended 31 December 2020 on 21 May 2021. A resolution for the re-appointment of Asian Alliance (HK) CPA Limited as auditor of the Company will be proposed for approval by the Shareholders at the 2022 AGM.

By order of the Board

Mr. Li Yanjun
Chairman of the Board

20 September 2022

CORPORATE GOVERNANCE REPORT

The board of Directors (the "**Board**") of Aowei Holding Limited (the "**Company**") is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance the Group's performance. The Group believes that operating its businesses in an open and responsible manner and following good corporate governance practices serve its long-term interests and those of its shareholders.

During the year, the Company has complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Board as a whole is responsible for performing the corporate governance duties and ensuring compliance with the Listing Rules. The Board reviews at least annually the corporate governance practices of the Company to ensure its continuous compliance with the CG Code, and make appropriate changes if considered necessary.

Set out below is the detailed discussion of the corporate governance practices adopted and observed by the Company during the year ended 31 December 2020 (the "**Reporting Period**").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all the Directors has confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2020.

BOARD OF DIRECTORS

The Board is collectively responsible for leading and overseeing the Group's business with the objective of enhancing Shareholders' value. The Board currently comprises a combination of executive Directors and independent non-executive Directors. At least one of the independent non-executive Directors possesses appropriate professional qualifications (or accounting or related financial management expertise) as required by the Listing Rules. This provides a healthy professional relationship between the Board and the management to shape the strategic process. The management shall provide members of the Board and specialized committees under the Board with appropriate and sufficient information in a timely manner so as to update them with the latest developments of the Group and to better facilitate the discharge of their duties. The management team is accountable to the Board, executing the strategies and plans formulated by the Board, and making decisions in relation to the day-to-day operation of the Group. The management reports monthly to the Board on the operation and financial performance of the Group. The Board is also supported by other key committees to independently supervise management. These key committees are the audit committee, remuneration committee and nomination committee and are comprised mainly of independent non-executive Directors.

As at the date of this annual report, the composition and committees of the Board were as follows:

Name of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors			
Li Yanjun *(Chairman)*	–	–	C
Li Ziwei *(Chief Executive Officer)*	–	M	–
Sun Jianhua *(Chief Financial Officer)*	–	–	–
Jin Jiangsheng (resigned on 7 April 2020)	–	–	–
Tu Quanping	–	–	–
Independent Non-executive Directors			
Wong Sze Lok (appointed on 8 April 2021)	C	–	M
Ge Xinjian	M	M	–
Meng Likun	M	C	M
Kong Chi Mo (resigned on 24 March 2021)	M	–	M

Note:

C: Chairman

M: Member

During the year, the resignation of Directors are set out as follows:

On 7 April 2020, Mr. Jin has resigned as an executive Director due to his health condition.

As of 31 December 2020, the Board consisted of seven Directors including four executive Directors and three independent non-executive Directors. The number of independent non-executive Directors complied with the requirement of Rule 3.10(A) of the Listing Rules. Each independent non-executive Director has given an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Non-executive Directors (including independent non-executive Directors) are appointed for a specific term (no more than three years) and subject to retirement by rotation. None of the independent non-executive Directors has served the Company for more than nine years.

The biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" of this annual report. Mr. Li Yanjun and Mr. Li Ziwei are parent-child relationship. Save as disclosed above, none of the members of the Board has any financial, business or family relationships or any relationships in other material aspects with other members.

The key roles of the Board are:

- to guide the overall development, corporate strategies and directions of the Group, approve the Board's policies, strategies and financial objectives of the Group and monitor the performance of management;
- to ensure effective management leadership of the highest quality and integrity;
- to approve major funding proposal and investments; and
- to provide overall insight in the proper conduct of the Group's business.

During the year, the Company held four regular and one special Board meetings for reviewing and approving the financial and operating performance and considering the overall strategies and policies of the Group and appointment of executive director, etc. Sufficient notice (at least 14 days notice of regular Board Meetings) convening the Board meeting was dispatched to the Directors setting out the matters to be discussed. All Directors were given an opportunity to include matters in the agenda for the Board meeting and had access to the company secretary of the Company (the "**Company Secretary**") to ensure that all board procedures and all applicable rules and regulations were followed. The Board also enabled the Directors to seek independent professional advice at the Company's expense in appropriate circumstances. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The Company Secretary was responsible for keeping minutes for the Board meetings.

During the Reporting Period, the Company held the annual general meeting on 29 May 2020. The following is the attendance record of the meetings held by the Board, audit committee, remuneration committee, nomination committee and the Shareholders for the year ended 31 December 2020:

	Number of meeting attended/Number of meeting held				
Name of Directors	**Board meeting**	**Audit committee meeting**	**Remuneration Committee meeting**	**Nomination Committee meeting**	**Annual general meeting**
Executive Directors					
Li Yanjun *(Chairman)*	5/5	–	–	1/1	1/1
Li Ziwei *(Chief Executive Officer)*	5/5	–	1/1	–	1/1
Sun Jianhua *(Chief Financial Officer)*	5/5	–	–	–	1/1
Jin Jiangsheng (resigned on 7 April 2020)	1/1	–	–	–	–
Tu Quanping	5/5	–	–	–	1/1
Independent Non-executive Directors					
Wong Sze Lok (appointed on 8 April 2021)	–	–	–	–	–
Ge Xinjian	5/5	3/3	1/1	–	1/1
Meng Likun	5/5	3/3	1/1	1/1	1/1
Kong Chi Mo (resigned on 24 March 2021)	5/5	3/3	–	1/1	1/1

DIRECTORS' TRAINING

According to code provision A.6.5 of the CG Code (which has been renumbered as code provision of C.1.4 since 1 January 2022), all directors should participate in a continuous professional development course to develop and refresh their knowledge and skills to ensure that they continue to contribute to the Board with comprehensive information and where necessary.

All Directors have been provided with training on their duties and responsibilities as a director of a listed company and the compliance issues under the Listing Rules. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure their compliance and enhance their awareness of good corporate governance practices.

Directors has provided the Company with their respective training records pursuant to the CG Code. During the Reporting Period, all Directors have participated in appropriate continuous professional development by ways of attending training or reading materials relevant to the Company's business or to Directors' duties and responsibilities.

The records of the training attended by the Directors are set out as follows:

Name	Position	Types of Training
Li Yanjun	Chairman and Executive Director	A,B
Li Ziwei	Executive Director and Chief Executive Officer	B
Sun Jianhua	Executive Director and Chief Financial Officer	B
Jin Jiangsheng	Executive Director (resigned on 7 April 2020)	–
Tu Quanping	Executive Director	A,B
Wong Sze Lok (appointed on 8 April 2021）	Independent non-executive Director	–
Ge Xinjian	Independent non-executive Director	A,B
Meng Likun	Independent non-executive Director	B
Kong Chi Mo (resigned on 24 March 2021)	Independent non-executive Director	A,B

Notes:

A: attending seminars and/or conferences and/or forums relating to directors' duties or other relevant topics

B: reading newspaper, journals and updates relating to the economy, general business or directors' duties, etc.

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

The positions of the chairman of the Board and the chief executive officer of the Company are held by different individuals in order to ensure the independence and accountability of their respective duties and a balanced distribution of power and authority between them. Mr. Li Yanjun is the chairman of the Board and is responsible for the management and effective operation of the Board, ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. Mr. Li Ziwei is the chief executive officer and is responsible for the daily operational activities of the Group and accountable to the Board for the overall operations of the Group. During the Reporting Period, the chairman of the Board held one meeting with the independent non-executive Directors in the absence of the other Directors.

The chairman chairs the Board meetings and briefs the Board members on the issues discussed at the Board meetings. The chairman also ensures that the Board members work together with the management with the capability and authority to enable management to express constructive views on various matters, including strategic issues and business planning processes.

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

According to the Articles, at each annual general meeting, one-third of the Directors are subject to retirement by rotation or, if the number is not a multiple of three, then the number nearest to but not less than one-third shall retire from the office and shall be eligible for re-election. The Directors to be retired by rotation shall be those who have been longest in office since their last appointment or re-election. Every Director shall be subject to retirement at an annual general meeting at least once every three years. Any other appointment, resignation, removal or re-designation of Director will be timely disclosed to the Shareholders by announcement, and such announcement shall include the reasons given by the Director for his resignation.

The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Company's business.

COMPANY SECRETARY

For the year ended 31 December 2020, Ms. Kwong Yin Ping, Yvonne is the company secretary of the Company. Ms. Kwong Yin Ping, Yvonne has taken no less than 15 hours of relevant professional training. The main contact of Ms. Kwong in the Company is Mr. Li Ziwei.

The company secretary of the Company shall be responsible for ensuring good information flow among members of the Board and that the policies and procedures of the Board are followed. The company secretary make recommendations on governance matters to the Board through the chairman of the Board and the chief executive officer, and shall also arrange for induction training and professional development of the Directors.

SPECIALIZED COMMITTEES UNDER THE BOARD

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee to provide the Board with specialized decision-making support. The Company has established and updated systematically the terms of reference of each of the committees as required by the Listing Rules as well as its amendment, which clearly set out duties of each of the committees.

AUDIT COMMITTEE

The audit committee of the Board was established with effect from the listing date in compliance with Rule 3.21 of the Listing Rules. It is responsible for ensuring that the Company has an effective financial reporting and internal control systems in compliance with the Listing Rules, overseeing the integrity of the financial statements of the Company (including the review of the quarterly, half-yearly and annual results and internal control system), selecting and assessing the independence and qualifications of the Company's external auditor and ensuring effective communication between the Directors and external auditor. The audit committee consists of three members (including all independent non-executive Directors), namely, Mr. Wong Sze Lok (Chairman of the committee), Mr. Ge Xinjian and Mr. Meng Likun, who possesses the appropriate professional qualification or accounting or related financial management expertise. Mr. Kong Chi Mo has resigned on 24 March 2021. The written terms of reference of this committee has been made available on the Company's website at www.aoweiholding.com and the website of the Stock Exchange.

The audit committee held three physical meetings during the year ended 31 December 2020. At these three meetings, the audit committee discussed and reviewed, among other things, (i) the accuracy and fairness of Group's annual results for the year ended 31 December 2019 and interim results for the six months ended 30 June 2020; and (ii) the effectiveness of the Group's internal control systems.

The Group has established an independent internal audit function directly reporting to the audit committee. The internal audit personnel will attend the audit committee meetings and report on internal audit matters annually. If there is any material internal control defects, the internal audit personnel directly reports to the audit committee without limitation. The audit committee assists the Board in monitoring the risk exposures, the design and operating effectiveness of the relevant risk management and internal control systems. The audit committee will report to the Board after properly reviewing the effectiveness of the Group's risk management and internal control systems.

During the year ended 31 December 2020, the audit committee has reviewed the risk management and internal control systems and the effectiveness of the Company's internal audit function. Details of the risk management and internal control of the Group are set out on pages 65 to 67 of this report.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board was established with effect from the listing date in accordance with the Listing Rules. It is responsible for assisting the Board in determining the policy and structure for the remuneration of Directors and senior management, assessing the performance of executive Directors, reviewing incentive schemes and the terms of the Directors' service contracts and fixing the remuneration packages for executive Directors and senior management. The Remuneration Committee consists of three members (including one executive Director and two independent non-executive Directors), namely, Mr. Meng Likun (Chairman of the committee), Mr. Ge Xinjian and Mr. Li Ziwei. The written terms of reference of this committee has been made available on the Company's website at www.aoweiholding.com and on the website of the Stock Exchange.

Under the remuneration policy of our Company, the Remuneration Committee will make recommendations to the Board on the amount of remuneration payable to Directors and the senior management, by reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities, tenure, commitment, responsibilities and performance of Directors and the senior management. The Remuneration Committee held one physical meeting during the year ended 31 December 2020. At the meeting, the Remuneration Committee discussed and reviewed the remuneration policy and structure for Directors and senior management of the Company for the year ended 31 December 2019.

The remuneration payable to the Directors during the year ended 31 December 2020 by band is set out below:

Name of Director	Remuneration Band	Director's Fee	Salaries, allowances and benefits in kind	Pension Scheme contributions	Total
	RMB	%	%	%	%
Executive Directors					
Mr. Li Yanjun	1,000,000 – 1,500,000	–	100	–	100
Mr. Li Ziwei	500,000 – 1,000,000	–	98.1	1.9	100
Mr. Sun Jianhua	0 – 500,000	–	95.1	4.9	100
Mr. Jin Jiangsheng (resigned on 7 April 2020)	0 – 500,000	–	99.0	1.0	100
Mr. Tu Quanping	500,000 – 1,000,000	–	98.8	1.2	100
Independent non-executive Directors					
Mr. Ge Xinjian	0 – 500,000	100	–	–	100
Mr. Meng Likun	0 – 500,000	100	–	–	100
Mr. Kong Chi Mo (Resigned on 24 March 2021)	0 – 500,000	100	–	–	100

NOMINATION COMMITTEE

The Board has established a nomination committee of the Company (the "**Committee**" or the "**Nomination Committee**") in compliance with the code provisions of the CG code with effect from the listing date. The principal duties of the Nomination Committee are to formulate and review the nomination and Board members diversity policies, review the size, structure and composition of the Board, assess the independence of INEDs, and to make recommendations to the Board on nominations, appointment of Directors and Board succession with adequate consideration to the Board members diversity policy. The nomination committee consists of three members (including one executive Director and two independent non-executive Directors), namely, Mr. Li Yanjun (Chairman of the committee), Mr. Meng Likun, Mr. Wong Sze Lok and Mr. Kong Chi Mo (resigned on 24 March 2021). The written terms of reference of this committee has been made available on the Company's website at www.aoweiholding.com and on the website of the Stock Exchange.

The nomination committee held one physical meeting during the year ended 31 December 2020. At the meeting, the nomination committee discussed and reviewed, among other things, (i) the existing structure, number, composition and diversity of the Board and the sufficiency of time and efforts contributed by the Directors in relation to the performance of their duties of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the Group's business and that it is in compliance with the requirements under the Listing Rules; (ii) the recommendation on reelection of retiring Directors at the forthcoming annual general meeting, and (iii) the independence of the independent non-executive Directors.

Duties and Functions

The duties of the Committee are as follows:

(a) review from time to time the structure, number and composition (including the skills, knowledge and experience) of the Board at least annually and recommend to the Board for its consideration in Policy on selection criteria of potential candidates for directorship of the Company for the Board to achieve a balance of skills, experience and diversity of perspective appropriate to the requirements of the Group's strategic focus and specific business needs. Changes to the Board's composition shall not cause interference to the Company; and shall continue to achieve a balanced composition of Directors so that there is a strong independent element in the Board, which can effectively exercise independent judgment;

(b) review from time to time and recommend to the Board the succession plan to ensure the stability of the Board to complement the Company's corporate strategy;

(c) review and report annually on any measurable objectives set for the implementation of the Board Diversity Policy and the Nomination Policy, and the progress on achieving these objectives (if relevant);

(d) receive from a Director referral of suitable qualified candidate for it to assess if the potential candidate meets the above selection criteria, which shall be based on meritocracy and the Board Diversity Policy appropriate for the Company's business and specific business needs; assess and recommend the Board for approval the nomination of the selected candidate as a Director either to fill a casual vacancy or as an addition to the existing Board and/or a member of any Board Committee of the Company and senior management;

(e) identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships. The Board and shareholders shall be provided with detailed curriculum vitae of nominated candidates so that they can make well-informed decisions;

(f) identify and nominate candidates to fill temporary vacancies of Directors for the approval of the Board;

(g) assess the independence of independent non-executive Directors, review the annual confirmation submitted by independent non-executive Directors in respect of their independence and make disclosure of the findings in the "Corporate Governance Report";

(h) review the time required by Directors in performing their responsibilities on a regular basis;

(i) make other relevant disclosures in the Corporate Governance Report for approval by the Board in accordance with the Listing Rules;

(j) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer;

(k) under suitable circumstances, review the Board Diversity Policy and Director Nomination Policy, and measurable objectives and the progress made when the members of the Board implement the Policies, as well as the annual disclosure of the findings in the "Corporate Governance Report"; and

(l) conform to any requirement, direction, and regulation that may from time to time be contained in the articles of association of the Company or imposed by the Listing Rules or applicable law.

The Committee is accountable to the Board. Resolutions proposed by the Committee shall be submitted to the Board for consideration and decision, among which, resolutions on the nomination of candidates for directors shall be submitted to the general shareholders' meeting for consideration and approval upon approval by the Board. The Committee shall make sure that where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he/she should be elected and the reasons why they consider him/her to be independent.

Decision-making Procedures

The Committee shall examine the election criteria and procedures and the term of office of directors and senior management of the Company in accordance with relevant laws and regulations and the provisions of the articles of association while taking into consideration of the Company's actual circumstances. The Committee shall, upon formation of a resolution, submit it to the Board for approval and, if approved, implement it accordingly.

The Nomination Policy of Directors and senior management are as follows:

(a) the Committee shall actively carry out communications with relevant departments of the Company in examining the Company's demand for new directors and senior management and prepare written materials;

(b) the Committee may search for candidates for directors and senior management on an extensive scale in the Company, holding enterprises (with a controlling or minority interest) and the job market;

(c) the selection of relevant candidates will consider whether the candidates can complement the other Directors, whether they will enhance the overall talents, experience and expertise of the Board, taking into account the distribution of gender, age, professional experience and qualifications, cultural and educational background and any other factors that the Board considers relevant and applicable to contribute to the diversity of the members of the Board from time to time;

(d) the Committee shall seek the consent of the nominees on the nomination, otherwise such persons shall not be nominated for directors and senior management;

(e) the Committee shall convene a meeting to conduct a qualification check of the preliminary candidates based upon the appointment criteria for directors and senior management;

(f) the Committee shall submit to the Board its recommendations on the candidates for directors and senior management and relevant materials one to two weeks prior to the election of new directors or the appointment of new senior management; and

(g) the Committee shall implement other follow-up work in accordance with the decisions and feedback of the Board.

Director Nomination Policy and Board Diversity Policy Measures

The Company's director nomination policy will be based on meritocracy, combining the Company's business model with the specific needs of keeping pace with the times, the selection of relevant candidates will full consider whether the candidates can complement the other Directors, whether they will enhance the overall talents, experience and expertise of the Board, taking into account the distribution of gender, age, professional experience and qualifications, cultural and educational background and the sufficiency of time contributed in relation to the performance of their duties was also full consider etc, as the objective criteria for the selection of directors. At the same time, the Company takes full account of the benefits of diversity on the Board, diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Company will also introduce different types of talents with professional knowledge and familiar with business types from the perspective of business types of the Company to equip the Board with the appropriate skills, experience and diverse perspectives for the Group's business. The Company holds the belief that the board diversity will be immensely beneficial for the enhancement of the Company's performance. The board diversity helps the Board make reasonable decisions, improve efficiency of the Board, make sure high level of corporate governance and develop sustainably.

Measurable Objectives of Board Diversity Policy

Selection of candidates for Board membership is based on a range of diversity perspectives, and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. As of 31 December 2020, the Board comprised seven Directors, and all of them are male. There were two Directors at the age range of 31-40, one Directors at the range of 41-50, and three Directors at the range of 51-60 and one Director at the range of 61-70, of which five Directors are from Mainland China and two from Hong Kong. Of all Directors, one has obtained doctorate degree, and three have obtained bachelor degree. The Directors have rich experiences in enterprise operation and management and risk management and control, mine development, processing and operation, financial, investment and financing and constantly enhance their professional skills through continuous learning and training. The Nomination Committee has reviewed the members, structure and composition of the Board, and was of the opinion that the extensive experiences and skills of the Directors in various fields and the rational structure and accord with Board diversity policy may enable the Company to maintain high standard operation.

Educational and professional background	Number of Directors	Percentage of the total number of Directors
Enterprise management and risk management and control	Totalling three persons, including Mr. Li Yanjun, Mr. Li Ziwei and Mr. Meng Likun	3/7
Mine development, processing and operation	Totalling two persons, including Mr. Tu Quanping, Mr. Ge Xinjian	2/7
Financial, investment and finance	Totalling three persons, including Mr. Sun Jianhua, Mr. Meng Likun and Mr. Wong Sze Lok	3/7

In the future, the Company will also further consider the arrangements for diversification of the board of directors from multiple aspects according to the needs of business development. For example, the Company will extensively search for candidates in line with the Company's sustainable development of business to enter the board of directors through the inner-enterprise or the talent market, so as to meet the needs of future diversified business development of the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board is the highest authority of the Group on corporate governance, whose main responsibilities include:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- reviewing and monitoring the Group's policies and practices in compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and the Directors; and
- reviewing the Group's compliance with the CG Code and disclosure in the Corporate Governance Report. The Board had discussed and reviewed the aforesaid works at the Board meetings held during the Reporting Period.

REMUNERATION OF AUDITOR

KPMG resigned as the external auditor of the Company with effect from 13 May 2021 and Asian Alliance (HK) CPA Limited ("**Asian Alliance**") has been appointed as the external auditor of the Company with effect from 21 May 2021 to fill the casual vacancy following the resignation of KPMG as auditor of the Company. For details of the change of auditor, please refer to the announcement of the Company dated 13 May 2021 and 21 May 2021.

During the year ended 31 December 2020, the total fees paid/payable in respect of audit services and non-audit services provided by Asian Alliance, KPMG and subsidiaries' auditors are set out below:

	Fee paid/payable RMB'000
Audit Services:	
2020 annual audit	
– KPMG	2,550
– Asian Alliance	2,920
2020 statutory audit for subsidiaries of the Company	51
Non-audit services:	
Perform agreed-upon procedures on interim financial information	
– KPMG	1,700

The audit committee is responsible for making recommendation to the Board as to the appointment, re-appointment and removal of the external auditor, which is subject to the approval by the Board and at the general meetings of the Company by the Shareholders.

DIRECTORS AND AUDITOR'S RESPONSIBILITY FOR PREPARATION OF THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the financial statements for the year ended 31 December 2020, which gave a true and fair view of the state of affairs, the results and cash flows of the Group for that year. The Company allocated sufficient resources to prepare the audited accounts. Senior management was required to present and explain the financial reporting and matters that materially affected or may have material impact on the financial performance and operations of the Company to the Audit Committee and the Board and to respond to the queries and concerns raised by the Audit Committee and the Board to their trust. The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the financial statements included appropriate disclosure made in accordance with the Listing Rules and the Companies Ordinance. The responsibility of the external auditor of the Company for preparing the financial statements of the Group was set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the systems of risk management and internal controls of the Group. The risk management and internal control systems were designed to provide reasonable (but not absolute) assurance against material misstatement or loss, and to manage (but not fully eliminate) the mistakes of the Group's operational systems and the risks of failure to achieve the Group's business objectives. The Audit Committee reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group through active communication and discussion with management, internal audit and external auditor. The results were reported to the Board. The Board had conducted an annual review on the risk management and internal control systems of the Group including financial, operational and compliance controls and risk management and is of the view that the existing risk management and internal control systems of the Group are effective and adequate. The Board has also reviewed the adequacy of resources, qualifications and experience of staff of the internal audit, accounting and financial reporting functions, training and budget.

Under the supervision of the Board, the management of the Group is responsible for designing and implementing the Group's risk management and internal control systems. The Group's business units (e.g., sales department and production department) are responsible for identifying and assessing business risks and develop risk mitigation measures; the functional departments (e.g., compliance department and finance department) are responsible for assisting the business units to improve the risk management and monitoring the effectiveness of risk management; and meanwhile the internal control department, assists the Board and the audit committee to review the effectiveness of the Group's risk management and internal control systems.

As and when required, the management convened meetings which were chaired by the senior management with attendants including managers from subsidiaries and department heads from headquarters. The Group's decisions on operations, implementation of investment projects, financial issues, and the updates on risk management and internal control were considered and determined at these meetings. The management convened annual and interim work meetings in order to assign and review works on a yearly and half yearly basis. The meetings have facilitated the organisation, co-ordination, communication and supervision on the commencement and implementation of the Group's various operations, as well as the risk management and internal control systems. The Group has set out following departments and internal controls procedures, including:

- The Company has established an independent accounting department to set out the duties and rights in relation to finance management, accounting and auditing, and assigned the relevant staff to ensure the smoothness of finance and accounting work and the separation of approval, implementation and recording functions, and formulated different systems for finance and accounting as a guarantee for fair execution;

- The Group has established a specialized internal audit department, formulated relevant mechanism, and set up proper internal supervising procedures to ensure the effectiveness of internal supervision and extend its application to all of the Group's subsidiaries. The annual audit report and plan are approved by the Audit Committee;

- The management of the Company provides members of the Board with the latest information of the Group monthly, which sets out the performance, the financial position and prospects and clear assessment of the Group;

- The Company established sensitive information disclosure policy, which specified the information disclosure process, the confidentiality requirements of the undisclosed sensitive information, the confidentiality obligations of the employees of the Group, etc;

- The service contracts of the Directors, the senior management and the employees of the Group specify the confidentiality clauses; and

- The legal advisors of the Company regularly provide relevant trainings to the Board and the senior management.

The Group has established the Information Disclosure Management System, the Administrative Rules Governing Connected Party Transactions, and the Inside Information Disclosure System which stipulate the relevant procedures for processing the inside information. Before inside information is disclosed to the public, the Board ensures that such inside information is kept confidential. The Board regularly evaluates the effectiveness of internal control.

On 27 January 2022, the Company engaged the Internal Control Consultant to review the internal control system and procedures of the Group, carry out rectification procedures based on the identified internal control deficiencies and rectification recommendations, improve the internal control management and training mechanism, and also engage professional institutions to conduct relevant compliance training for Directors and management staff. Based on the results of the Internal Control Review, the Internal Control Consultant is of the view that the Company has put in place adequate corporate governance, internal control and financial reporting systems to meet the Company's obligations under the Listing Rules. For details, please refer to the announcement on the results of internal control review published by the Company on 21 September 2022.

SIGNIFICANT CHANGE TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

For the year ended 31 December 2020, the Company did not make any significant changes to the Memorandum and Articles of Association of the Company.

THE RIGHTS OF SHAREHOLDERS

Procedures for Convening of an Extraordinary General Meeting and Putting Forward Proposals at General Meeting

In accordance with Article 12.3 of the Articles of Association of the Company, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one or more member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

Procedures for Shareholders to Put Enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. In respect of other enquiries, Shareholders may put forward enquiries to the Board through the Company's principal place of business in Hong Kong which will direct the enquiries to the Board for handling.

Dividend Policy

Subject to the relevant laws and the articles of association of the Company (the "**Articles of Association**"), the board (the "**Board**") of the directors (the "**Directors**") of the Company may from time to time pay to the shareholders such interim dividends as appear to the Board to be justified by the profits of the Company and we, through a general meeting, may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by our Board.

The Board of the Company may declare dividend after taking into account of the following factors:

- our operations;
- earnings and, distributable reserve of the Company and each of the members of the Group;
- the Company's actual and expected financial performance;
- the Group's cash or working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business, financial performance and position of the Company; and
- other factors as the Board may deem relevant at such time.

The amount of dividend eventually declared and distributed to our Shareholders will also depend upon our earnings and financial performance, operating requirements, the then capital commitments and requirements and other conditions that our Directors may deem relevant or appropriate.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

In 2020, the Company continued to communicate with Shareholders, investors and analysts in an honest manner through various channels. Comprehensive corporation information has been disclosed in due course and necessary data for valuation purpose has been fully provided by the Company so as to help capital market to understand its investment value. The main communication channels with the Shareholders include:

Annual General Meetings

The annual general meeting is an important discussion platform for Shareholders to participate in, facilitating the communications between the management of the Company and the Shareholders. The annual general meeting is held once a year, being accessible to all Shareholders. The Directors answer any questions put by the Shareholders at the annual general meeting, being attended by the external auditor and the Company Secretary. All matters proposed to Shareholders for approval shall be submitted in separate resolutions and resolved by way of poll at the annual general meeting. The procedures of conducting a poll will be explained in detail to Shareholders and the voting results will be set out on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.aoweiholding.com).

Annual Reports, Interim Reports, Announcements and Circulars

The Company issues its annual reports and interim reports after publishing the annual results and the interim results in March and August every year, respectively, so as to periodically review the development of the Group as well as to update its Shareholders with its latest business information and market trends. In addition, the Company will inform the Shareholders through announcements regarding any major event or price-sensitive information in a timely manner.

For any matter requires the approval of the Shareholders, the Company will hold an extraordinary general meeting according to the requirements of the Stock Exchange and issue a circular prior to the specific date of the meeting, allowing the Shareholders to have sufficient time to learn more about the matters for making voting decisions. All annual reports, interim reports, announcements and circulars will be uploaded to the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.aoweiholding.com).

THE COMPANY'S WEBSITE

The Company's website offers timely access to the Group's press releases and other business information. Through its website, the Company provides Shareholders with the electronic version of the financial reports, the latest slide presentations, as well as up-to-date news about the Group's business, announcements and general information, etc. To make contributions to environmental protection and maintain effective communication with Shareholders, the Group encourages all Shareholders to browse the Company's corporate communication files on the Company's website.

INVESTOR CONTACTS AND ENQUIRIES

The Group has a dedicated team to maintain contact with investors and handles Shareholders' enquiries. Should investors have any enquiries, please contact the Company's external investor relations consultants via email at ir@aow.com.cn.

The Company will ensure that the information of the work on investor relations is disclosed in a timely and accurate manner, and to react to the capital market effectively and smoothly. This can keep helping the capital market to have a better understanding of the Company's development strategies and operating conditions.

About this Report

This Environmental, Social and Governance Report (this "**Report**") presents Aowei Holding Limited's (the "**Company**") and its subsidiaries' (collectively referred to as the "**Group**") concepts, management methods, measures, and relevant performance of sustainability work in 2020, to construct a comprehensive understanding of the Company's Environmental, Social and Governance ("**ESG**") available for public access.

Reporting Period and Scope

The time range of the Report, is the financial year 2020, from 1 January 2020 to 31 December 2020 (the "**Reporting Period**"), and is consistent with that of the annual report of the Group. The main scope of the report is set out in the equity structure chart set out in the company information section.

Report Preparation Basis

The Report was prepared based on the "comply or explain" approach of the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and was prepared in adherence to the four reporting principles of "materiality", "quantitative", "balance", and "consistency". The application of three reporting principles, "materiality" "quantitative" and "consistency" is presented below:

Materiality: This Report focuses on the material issues identified and assessed by the Board and the management of the Group during the Reporting Period. Please refer to the section "Materiality Issues Assessment" for specific procedures in determining material issues.

Quantitative: Key performance indicators are presented quantitatively whenever feasible, which lays a solid foundation for the Company to set targets in the future. Meanwhile, this Report presents comparable and measurable performance data by disclosing past and present data of the Reporting Period, so as to effectively evaluate and validate the effectiveness of relevant ESG policies and management systems.

Consistency: Unless otherwise stated, the methodologies used in this Report for disclosure are consistent with previous years to ensure meaningful comparability.

The information contained in the Report is derived from the integration of the measures and policies adopted by the key management personnel of the Group and the relevant information provided. Financial data in the Report are extracted from the 2020 Annual Report. Other data are extracted from the Group's internal management system and statistics collected. The key indicators in relation to safety and environment issues of the Company are counted and calculated based on the regulations or industry standards of the PRC.

Board Statement

The board (the "**Board**") and all the directors (the "**Directors**") of the Company had confirmed that the Report does not contain any false information, misleading statements or material omissions, and individually and collectively accepted responsibility for the truthfulness, accuracy and completeness of its contents. The Board confirms that the Group has complied with the "comply or explain" and the proposed disclosure provisions set out in the Environmental, Social and Governance Reporting Guide.

The Company has committed to pursuing a high-level of corporate governance, strictly abiding by the guidelines of the Corporate Governance Code and the Corporate Governance Report in Appendix 14 of the Listing Rules, and has well-defined and highly transparent corporate governance structures and systems for corporate governance and operation management to guarantee long-term development of the Group and safeguard the interests of our shareholders. The Board of Directors of the Group is responsible for supervising the environmental, social and governance performance of the Group, the Company's environmental, social and governance work is coordinated by the board of directors, which reviews and decides on major issues such as corporate social responsibility strategic planning, substantive issues, and reviews and comments the annual environmental, social and governance reports.

The Head Office is generally responsible for coordinating each of the operating subsidiary to promote and implement various ESG work, regularly evaluate risks and opportunities arising from the Group's operations. The Head Office provides guidance, advice and support to each operating subsidiary and collects relevant data to prepare the ESG Report. The General Manager of the Mining Company is responsible for reporting ESG-related policies and issues to the Board on a regular basis. Each operating subsidiary has established a general manager responsibility system, under which the general manager is responsible for organizing and coordinating each mine or department of each plant to implement each specific work of environmental, social and governance.

The Company is well aware of the importance of ESG work to sustainable development, sound operation management system and good governance are the cornerstone to effectively ensure the legal operations and long-term development of the Company. In the future, the Company will actively and continuously improve the operation management mechanism and measures, improve ESG performance, deepen the understanding of quantitative performance indicators, and effectively evaluate and review ESG-related policies and management systems, so as to help the Company move forward on the road of sustainable development.

Stakeholder Communication and Materiality Assessment

The engagement, expectations and demands of the stakeholders are an important part of the Group's social responsibility and sustainable development. The Group's achievement of sustainable operations requires the joint efforts and support of all stakeholders. The Group understands and responds to stakeholders' views and requests through a variety of channels to review and improve our performance at the social and environmental levels, and to constantly enhance the effectiveness of communication through continuous improvement of the communication mechanism with stakeholders.

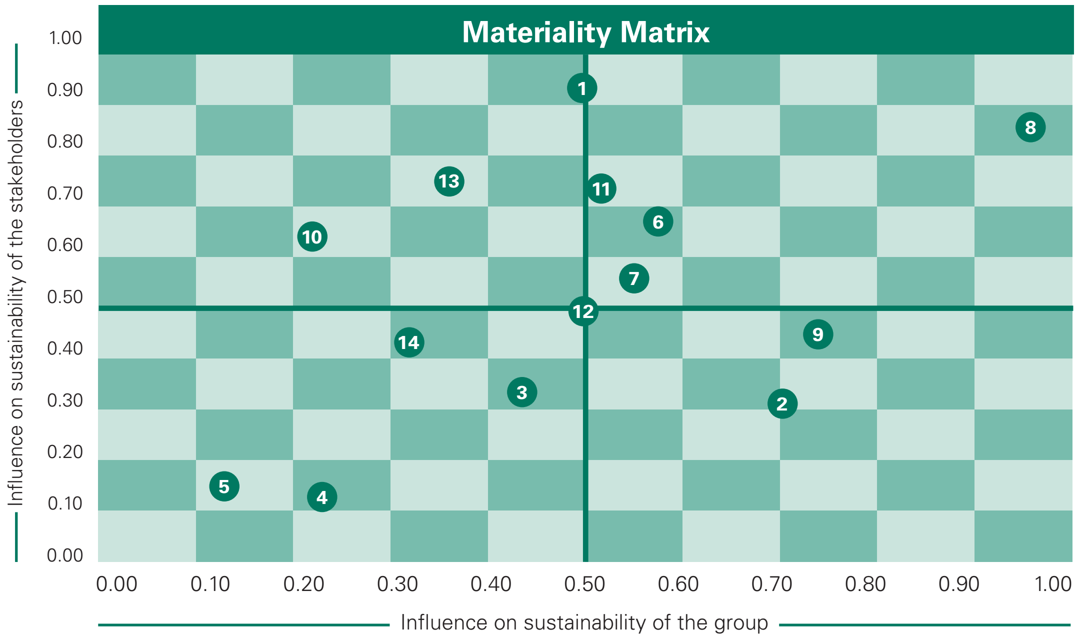
The Company's Stakeholders' Involvement for the year ended 31 December 2020

Stakeholders	Expectations and Demands	Communication Modes
Key Shareholders and potential investors	To operate according to laws and regulations To protect the rights and interests of shareholders To ensure robust business development To maintain sustainable operation capacity To promptly and accurately disclose the relevant information	General meetings Listing information disclosure Onsite visits Investor presentations Roadshows Analysts briefings
Governmental and regulatory authorities	To operate according to laws and regulations To promote development of local and peripheral industries To boost local economy To promote employment To promptly and accurately disclose the relevant information	Regular information submission Meeting with regulatory authorities participation in meetings/workshops Annual environmental performance audits Information disclosure
Employees	To protect the occupational health and safety of employees To ensure fair promotion mechanism To improve remuneration and benefits To promote development of vocational skills To show humanistic care	Communication channels between employees and the management Suggestion box Employees' activities Training and learning activities

Stakeholders	Expectations and Demands	Communication Modes
Customers	To operate according to laws and regulations To continuously provide high-quality services and products To improve quality assurance system To ensure win-win cooperation	Business communication Customer feedback Onsite visits
Banking and financial institutions	To maintain business integrity To ensure robust business development To minimize business operation risks	Business communication Onsite visits Information disclosure
Communities and the public	To improve community environment To support community welfare	Participation in community meetings Regular communication Community welfare activities
Peers	To promote industry development	Participation in the industry meetings held by governmental authorities or industry associations Study and mutual visits

Materiality Assessment

According to the materiality principle of "Guidelines for Environmental, Social and Governance Reports", the Group combs out the important issues related to sustainable development of the Group through interviews and surveys with stakeholders. The following Matrix of Materiality Assessment lists the extent to which stakeholders pay attention to different issues. The closer to the upper right corner of the matrix, the more concerned the stakeholders are, and the closer to the lower left corner, the less concerned the stakeholders are.



Environmental Protection and Green Operation	Work Environment	Operating Practice	Community Contribution
1 Environmental impact and management	6 Employee benefits	10 Supply chain management	13 Community development
2 Mine resource management	7 Development of employees	11 Quality assurance	14 Public welfare charity
3 Water conservation	8 Workplace safety	12 Anti-corruption	
4 Energy saving and emission reduction	9 Occupational health management		
5 Air Emission			

Environmental Protection

Adhering to the principle of "ecology first", practicing the concept of "Green Development", and taking the construction of "green mines" as our mission, the Group strictly abides by the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Air Pollution, the Law of the People's Republic of China on Prevention of Environmental Pollution Caused by Solid Waste, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Emergency Response Law of the People's Republic of China, the Mineral Resources Law of the People's Republic of China, the Implementation Rules for the Mineral Resources Law of the People's Republic of China, Regulations on the Protection of Geological Environment in Mines, Regulations on Land Reclamation, the Water Law of the People's Republic of China and other relevant laws and regulations with extensive coverage, including the issues related to the environmental impact of our operation, such as solid waste treatment, dust emission, noise control, waste water discharge, exhaust and greenhouse gas emissions, mining control, land reclamation and other environmental issues. To avoid and minimize the impact of business operation on the environment and the potential risks associated with environmental protection issues, the Company has established and implemented such effective environmental protection mechanisms as Environmental Protection Management System, Energy Management System, Emergency Plan for Sudden Environmental Accident, Soil & Water Conservation Plan, Land Reclamation Plan and Green Mine Design Plan, and included the responsibility of environmental protection into daily operation, so as to strengthen the environmental protection awareness of all employees, establish a sustainable development concept, and strive to achieve a balance between business development and environmental protection.

Emission Management

The Company is an industrial and mining enterprise, and adopts physical magnetic separation technology for production. In the whole production process, no harmful substances are produced, but some harmless solid waste, noise and exhaust emissions will be generated, such as the waste rocks stripped from mining process; the waste rocks, dust, tailings, waste water and noise discharged from the dressing process; the exhaust emissions generated during the operation of motor vehicles; and greenhouse gas emissions resulting from the carbon dioxide produced by the machinery, equipment and motor vehicles when operating with electricity, diesel and gasoline. The Group attaches great importance to the management of waste generated in the operation and adopts scientific environmental impact protection and treatment measures to reduce the generation and emission of waste.

Solid waste discharge management

The Group will produce a certain amount of solid waste in production and operation, such as the waste rock stripped from mining and dry processing, and tailings discharged from wet processing. Aware of the importance of non-renewable resources, the Group has developed the following management measures to make full use of resources and effectively control the impact of waste rock and tailings on the environment:

Waste rock management: The Company enhances the sustainable development and comprehensive utilization of resources. The Company engaged in the production of sands and stones used in green building materials through the construction of the solid waste comprehensive utilization project of Jiheng Mining. In this way, we not only realized energy conservation and emission reduction, optimized the ecological environment, by also reduced production and operation costs, and achieved economic benefits. To make full use of waste rocks, the Company will also use some waste rocks for paving roads, piling up dam walls, or backfilling the goaf of the open-pit mining site according to the design requirements, so as to reduce the impact on the natural environment.

The Company pays attention to the management of tailings and improves the recovery efficiency of resources by improving the production technology in the mineral processing process to reduce the discharge of tailings. The tailings produced in the dressing operation will be transported by the tailings pump through the tailings pipeline to the tailings storage facilities for stockpiling, or the tailings will be dehydrated in the dehydration workshop through the dry discharge process, and then transported by the conveyor to the tailings storage facilities for compaction and stockpiling. Tailings storage facility is an important facility for mine production and operation. Each subsidiary shall discharge and store tailings in strict accordance with the requirements of design and safety supervision department, and arrange relevant staff to carry out 24-hour on-duty inspection and monitoring of tailings storage facilities. A 2-meter-high retaining wall has been built in the waste rock dump area, and relevant employees are deployed to carry out regular inspection and regular measurement. In the future, the Group will actively explore the deep processing and utilisation of tailings and make full use of resources, with an aim to promote the development of green ecological civilization and reduce or avoid the risks of solid waste emissions.

Breakdown of emissions from solid waste of the Group for the year ended 31 December 2020 are as follows:

Solid waste discharge (kt)	**2020**	2019	Change rate
Mining stripping waste rock	**8,896.1**	11,690.8	-23.9%
Dry-processing sorting waste rock	**4,798.6**	8,680.2	-44.7%
Water concentration tailings	**1,464.4**	1,813.8	-19.3%
Total	**19,185.2**	2,218.5	-13.5

Dust management

Dust is the main air pollutant produced by each of the subsidiaries of the Group during the operation process. Dust is classified into unorganised dust and organised dust. The Company strictly complies with relevant environmental protection policies and the employees' occupational health protection requirements. It has adopted a series of dust suppression measures, and has distributed dust cap, dust mask and other dust prevention equipment to field workers, so as to strengthen occupational disease prevention and ensure the physical and mental health of employees.

Organised dust includes dust generated during crushing in the dry processing plant and is managed by the dust removal device and spray system in the dry processing plant. Besides, the plant and transport belt corridor are closed to prevent dust leakage.

Unorganised dust includes (1) dust from rock drilling, which is managed by the adoption of wet rock drilling, which means most of the dust produced when drilling the rocks by the drill rigs will deposit along the water flow, and dust generation is effectively restrained; (2) dust from blasting, which is managed by the adoption of water bladder for hole plugging to reduce the amount of dust from the source of blasting; (3) dust from excavating, loading and transportation, which is managed by the use of sprinklers by construction units for 24-hour sprinkling and dust suppression in order to reduce dust generated by ore and waste rocks during loading, vehicle transportation and dumping process; and (4) dust from dumping site, which is managed by the adoption of regular sprinkling, dust suppression and gradual reinstatement of green vegetation to effectively reduce dust from dumping site. In addition, dry processing preliminary concentrates sites and wet processing preliminary concentrates and ore concentrate sites are equipped with windbreak walls, and dry processing raw ores, tailings and preliminary concentrates sites as well as wet processing preliminary concentrates and ore concentrate sites are covered and sheltered to prevent dust in the wind.

The Company strictly complies with the requirements of local environmental protection policies, and employs qualified testing institutions to regularly test the dust generated by the Company's production and operation, so as to avoid the impact on the environment. During the Reporting Period, the dust emission concentration of the Company conformed to the Emission Standard for Pollutants for Mining and Mineral Processing Industry (GB28661-2012). The details are as follows:

Test Items	Analysis Method	Applicable Standards and Standard Value	Test Concentration (mg/m^3)
Organised dust	Ambient Air – Determination of Total Suspended Particulates – Gravimetric Method (GB/T15432-1995)	Emission Standard for Pollutants for Mining and Mineral Processing Industry (GB28661-2012) Special emission standard limits for air pollutants: PM≤10 (mg/m^3)	2.4 – 4.6
Unorganised dust	Stationary Source Emission – Determination of Mass Concentration of Particulate Matter at Low Concentration – Manual Gravimetric Method (HJ836-2017)	Emission Standard for Pollutants for Mining and Mineral Processing Industry (GB28661-2012) Unorganized emission limit: PM≤1.0 (mg/m^3)	0.2 -0.4

In the future, the Group will continue to strengthen environmental protection and dust suppression measures, pay close attention to environmental policy trends, strictly implement environmental policy requirements, and control the dust emission concentration within the emission standard range permitted by environmental protection policies through effective measures of environmental protection and dust suppression, so as to reduce or avoid the pollution caused to the atmosphere.

Noise management

The Company's noise source mainly includes mobile equipment used in the mining process, such as drilling, blasting, and transportation equipment, and the production equipment of the dressing plant, such as crusher, compressor, circular vibrating screen, ball mill, dust collector fan, pump, etc. The Company has provided field workers with effective protective equipment (such as noise-proof earplugs) to avoid occupational injuries caused by noise. In addition, the Company has developed a series of noise reduction measures to reduce or avoid impact on the surrounding environment, as detailed below:

Noise reduction measures for mining: The Company adopts low-noise equipment, mining pit noise isolation and other measures to reduce the impact on the surrounding sound environment. The instantaneous value of noise generated by blasting is relatively large. However, thanks to the use of porous differential blasting and the mountain barrier between the blasting and the sensitive objects in the surrounding environment, most of the noise is absorbed and blocked. In addition, the surrounding villages are far away from the mining area, and there are mountains and woods between them. When the noise is cut off by obstacles and attenuated after long-distance transmission, it will not have significant impact on the surrounding environment.

Noise reduction measures for dressing plant: The Company adopts various effective noise reduction measures to reduce the noise and the impact on the surrounding environment, such as adopting low-noise and high-efficiency mineral processing equipment, installing of soundproof board, soundproof window and noise elimination equipment during the workshop construction, sealing the noise producing equipment, using natural silencers and planting trees surrounding the plant.

During the Reporting Period, the Company engaged qualified testing institutions to regularly test the noise generated in the production and operation activities. The noise detected at the factory boundary conformed to the requirements of the Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008). The details are as follows:

Test Items	Analysis Method	Applicable Standards and Standard Value (db(A))	Test value (db(A))
Industrial enterprises noise at boundary – day	Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008)	Category III standard: ≤65 Category II standard: ≤60	58-62 52-54
Industrial enterprises noise at boundary – night	Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008)	Category III standard: ≤55 Category II standard: ≤50	48-52 46-48

In the future, the Group will continue to strengthen the noise reduction measures, and control the noise within the emission standards allowed by environmental policies through effective noise reduction measures, in order to reduce or avoid noise pollution.

Recycling waste water

The Company will produce a certain amount of waste water during the dressing process. Thanks to the effective water filtration and circulation system of the Company, the waste water will be discharged into the tailings storage facilities with the tailings slurry. After the precipitation at tailings storage facilities and filtration, clean water will flow to the recycling pump station, where it will be pumped back to the dressing plant for recycling. As such, the waste water generated by dressing plant achieves closed-loop recycling and reuse through the tailings storage facilities without being discharged to the surroundings. At the same time, the domestic sewage in the factory, after being treated in the septic tank, together with rainwater, is also discharged into the tailings storage facilities and recycled by processing plants after being cleaned up, achieving zero discharge of domestic sewage and rainwater.

Waste gas emission management

The Company's waste gas emissions mainly come from the exhaust generated during the driving of motor vehicles. Vehicle exhaust emission is an important source of air pollution. The atmospheric pollutants in the exhaust emission mainly include nitrogen oxide (NO_x), sulfur oxide (SO_x) and suspended particulate matter (PM). The Group strictly implements the Opinions on Strengthening the Key Work of Environmental Protection and the Action Plan for the Prevention and Control of Air Pollution issued by the State Council. It has formulated the vehicle management system, adopted motor vehicles that meet the national emission standards, advocated environmental protection and energy conservation policies, and encouraged employees to travel green.

For the year ended 31 December 2020, the air pollutants generated by the Group's motor vehicles are quantified as follows:

Air pollutants emission (kg)	2020	2019	Change rate
Nitrogen oxide (NO_x)	28.9	30.5	-5.2%
Sulfur oxide (SO_x)	1.1	1.2	-8.3%
Suspended particulate matter (PM)	1.7	1.7	–

Note: The air pollution emissions are calculated in accordance with the emission factors specified in the Technical Guide for Compiling the List of Air Pollutants Emitted by On-road Vehicles (Trial) issued by the environmental regulatory authority.

GHG emissions

With the development of the world's industrial economy, the rapid growth of population and the uncontrolled production and lifestyle, carbon dioxide emissions are increasing, leading to the worsening of the global climate environment. The Group attaches great importance to the impact of greenhouse gases on the atmospheric environment. It advocates green office, encourages the use of telephone conference, reasonably arranges the use of travel vehicles; promotes paperless office, encourages employees to save paper and reduce the use of photocopiers; and adopts energy-efficient facilities to replace the backward energy-intensive facilities, and implement greening planting in order to realize the continuous reduction of greenhouse gas emissions.

Details of GHG emissions resulting from the Group's operations for the year ended 31 December 2020 are as follows:

GHG emissions (tons)		2020	2019	Change rate
Direct GHG emissions (scope 1)	Gasoline and diesel	4,058.3	4,972.7	-18.4%
Indirect Emissions (scope 2)	Electricity purchased	73,195.3	101,305.4	-27.7%
Other Indirect GHG emissions (scope 3)	Waste paper	0.7	0.8	-12.5%
	Business air travel	13.6	15.3	-11.1%
Total		77,267.9	106,291.4	-27.3%

Note: Greenhouse gas emissions are calculated according to the China Energy Statistical Yearbook, the Guidelines for the Preparation of Provincial Greenhouse Gas Inventories (Trial) and the average carbon dioxide emission factor of China's regional power grid published by the National Development and Reform Commission.

Recycling of waste and used materials

The Group encourages the recycling of waste and used materials, with an aim to reduce waste of resources and turn waste into wealth. Dedicated mechanical maintenance department at each mine can revamp abandoned and wornout equipment for reuse.

Domestic waste control

The perishable domestic waste in the living area is discharged into the septic tank for disposal and burial. Non-corruptible domestic waste is transported to the garbage disposal station for disposal. The Company encourages waste sorting and prohibits the random disposal or incineration of domestic waste.

Management of Resources

For mining companies, mineral resources and water resources are their foundation to survive and thrive. The Group is committed to improving the efficiency of resource use through technical modification, equipment upgrade and refined management of production operation.

Mineral resources

Exploring and processing mineral resources are the core business of the Group, and the mineral resources are the lifeblood of the group's core business development. The Group strictly abides by the Mineral Resources Law of the People's Republic of China and other relevant laws and regulations, strengthens resource management in mines, adopts scientific and overall planning scheme, optimizes mining methods and proper ore-dressing technique, enhances the on-site management, and strictly controls the mining and dressing technical indicators, in order to minimize the mining loss rate and dilution rate, and reduce the consumption of mineral resources by improving the ore dressing recovery percentage. At the same time, the Group also established the solid waste comprehensive utilization project through Jiheng Mining to build the green construction materials industry base, recycle the solid waste and take full advantages of the efficiency of resource use.

Water resources

Water resources are the blood of industrial and mining enterprises. The Company is well aware of the importance of water resources for the survival of enterprises, and has been adhering to the concept of "cherish water resources and improve water resources utilization efficiency". During the operation period, the Company has taken a number of measures to strengthen water resources protection and water conservation. The Company mainly uses the water for production, especially the ore dressing process. Thanks to the well-designed water cycle system of the Company, the waste water from production will be transmitted to the, tailings storage facilities through the tailings pipes. After precipitation, filtration and clarification, clean water will be transmitted through the transmission line to the reservoir for recycling, without discharging waste water to outer world. In order to prevent the leakage and waste of water resources, the Company also strengthens daily inspection and maintenance of water network pipelines and storage facilities. In addition, the Company also advocates the awareness of water conservation in the daily life of employees. By posting a variety of water conservation propaganda slogans on water use points, and holding meetings to strengthen the importance and urgency of water conservation, the Company has cultivated the good habit of water conservation among employees.

Water consumption for production by the Group during the year ended 31 December 2020:

Water consumption (tons)	2020	2019	Change rate
Underground water	426,501	834,976	-48.9%
Municipal water supply	26,600	31,200	-14.7%
Total	453,101	866,176	-47.7%

Management of Energy

During the Reporting Period, the Group's energy consumption was mainly related to electricity, diesel and gasoline. The Group understands the importance of efficient use of energy and is committed to enhancing the fine management of production and operation through technological renovation and equipment upgrading, and to practicing the concept of green low-carbon in order to improve energy efficiency.

Electricity

Electricity is the key energy for industrial and mining enterprises. During the operation period, the Company has taken various measures to reduce the power consumption, including upgrading the power system, optimizing the production process, adopting advanced low energy production technology and equipment, and eliminating backward technology and equipment of high energy consumption, in order to reduce the production cost and save electricity. In addition, the Group actively implements the publicity and implementation of energy conservation laws and regulations, rules and regulations, and industrial policies, actively carries out employees' awareness of energy conservation and skills training, and improves employees' sense of responsibility and enthusiasm for energy conservation management.

Diesel

Diesel is an important power source for production equipment. The Group reduces diesel consumption by giving priority to the selection of fuel-saving equipment and rational use of fuel equipment, eliminating the related equipment with high consumption and low production capacity, timely closing the idle fuel equipment, and avoiding overflow during refueling. At the same time, the Group has also strengthened the management of the purchase, transportation, storage and use of diesel to prevent waste, abuse and loss.

Gasoline

The consumption of gasoline in each mining company is mainly due to the use of internal vehicles. The Group has developed a sound vehicle management system. Instead of storing gasoline, each mining company chooses to refuel at a standard designated gas station and establishes a refueling ledger. The Group has also formulated the vehicle fuel consumption assessment standards and assesses the drivers strictly according to the mileage and 100km fuel consumption standards, in order to ensure that the drivers in the journey will reduce fuel consumption and achieve the purpose of saving oil. At the same time, the Group also advocates green travel and promotes low-carbon, energy-saving and environmental protection concepts, in order to achieve emission reduction.

The use of energy by the Group for the year ended 31 December 2020 is as follows:

Energy consumption	Unit	2020	2019	Change rate
Electricity	0000' KWh	**8,277.2**	11,455.8	-27.7%
Diesel	Tons	**1,227.0**	1,517.8	-19.2%
Gasoline	0000' Litres	**8.3**	8.8	-5.9%

Environmental and Ecological Protection

Having been aware of the various impacts of its businesses on the local environment, the Company, in strict accordance with the national policy for environmental protection and adhering to "ecological priority" and practicing the concept of "green development" and for the purpose of building a green mining, earnestly fulfills the mine environmental recovery responsibility, implements the mine environmental protection and restoration management schemes, and adopts necessary environmental protection measures such as gradual reclamation, topsoil stripping, vegetation restoration, and reclamation monitoring to control the environmental risk of land disturbance, reclamation, closure and vegetation destruction caused by operation activities. Meanwhile, the Company has also formulated the Environmental Accident Emergency Plan. In case of any environmental accident, the Company will immediately implement remedial measures to reduce the impact of the environmental accident.

During the Reporting Period, the Group actively fulfilled the responsibility of reclamation. In addition, measures such as factory greening and tree planting were implemented, and the greening area was about 92,960 square meters.

Employment and Labour Practices

The Group strictly complies with relevant laws and regulations such as the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China, earnestly considers the legitimate rights and interests of employees, and establishes perfect policies and mechanisms (such as the Labour Employment Management System, the Measures on Payroll Accounting Management, Attendance and Vacation Management System, and the Measures on Performance Appraisal Management) to create a positive, fair and equitable, safe and healthy working environment for employees. The Group continues to expand the career development space of employees and promote their growth. It also regularly reviews the salary policy of employees to protect their vital interests, so as to attract and retain talents.

Policy and Welfare

The Group respects employee's rights and dignity, and strictly complies with the provisions regarding working hours and holidays under the law. The administrative departments of the Company adopt the 8-hour working day. The production departments at each mine work in shifts with consideration of the actual production conditions. The Company provides personal leave, sick leave, marriage leave, compassionate leave, maternity leave, work-related injury leave and home leave, which are helpful for employees to balance between work and leisure and enrich their spare time.

The Company's compensation policy is based on the principle of fairness, which ensures that the compensation level is no lower than the minimum wage requirements of the local community. We also refer to the peer compensation level to provide attractive compensation, and legally provide staff members with retirement protection plans as stipulated by laws and regulations. The Group is committed to perfecting the staff performance appraisal mechanism for employees, and considers the personal work performance of employees as the basis for the adjustment of salary and rank to stimulate the enthusiasm of employees and encourage them to realize their self-worth. Meanwhile, the Group establishes different channels to understand and collect employees' comments and suggestions on our policies, working environment, and development strategies so as to safeguard the sustainable development of the Group.

The Group welcomes the diversity of its employees. Regardless of the race, religion, gender or age, all the staff receive equal employment opportunity, including employment decisions such as recruitment, development, promotion, training, etc. During the Reporting Period, the Group did not receive any complaints about unequal employment.

The Group openly recruits legitimate employees for the public through the open and transparent employment and recruitment processes. In order to prevent child labour, candidates must submit the photocopies of identity cards and present the originals for verification. We adhere to the principles of "freedom in job choosing" and "two-way choice", and use our labour with no traces of treats, suppression, oppression, abduction, or fraud. During the Reporting Period, there had been no circumstances of any violation of the legislation and regulation such as child labour or forced labour.

As of 31 December 2020, the Group had a total of 907 employees, which included the total number of employees of the subsidiaries covered in the Report the relevant data of the Group's employees is as follows:

By region

Region	Number of employees	Percentage of total workforce	Employee turnover rate	Turnover rate[2]
Aborigines[1]	548	60.4%	65	7.2%
Non-aborigines	359	39.6%	32	3.5%

By gender and age

Gender and age	Number of employees at the end of the year	Percentage of total workforce at the end of the year	Number of staff turnover	Turnover rate(2)
Male				
35 and under	278	30.7%	17	1.9%
35-50	511	56.3%	67	7.6%
50 and above	92	10.1%	12	1.4%
Sub-total	811	97.1%	96	10.9%
Female				
35 and under	9	1.0%	–	–
35-50	16	1.8%	1	0.1%
50 and above	1	0.1%	–	–
Sub-total	26	2.9%	1	0.1%
Total	907	–	97	11.0%

By employment category

Employment category	Number of employees at the end of the year	Percentage of total workforce at the end of the year	Number of staff turnover	Turnover rate(2)
Functional management	169	18.6%	5	0.6%
Mining production	176	19.4%	16	1.8%
Dry-processing production	382	42.1%	64	7.1%
Water concentration production	120	13.2%	8	0.9%
Other	60	6.6%	4	0.4%
Total	907	–	97	10.7%

Notes:

(1) Aborigines: local residents of Laiyuan county where mines locate

(2) Turnover rate = employee turnover rate (i.e. the number of regular employees voluntarily resigned) ÷ annual average workforce of the Company 878

Development and Training

Every employee plays an important role in the Group's implementation of various strategies and business plans. The Company attaches great importance to the development and training of employees. Through a clear promotion mechanism, it provides employees with development opportunities, explores career opportunities, and improves the comprehensive quality and professional skills of employees through the training. Only further strengthening and implementing the new established business philosophy and values can enterprises adapt to market competition and keep up with the development of the times.

The employee development is a long-term process. Through establishing the Measures on Promotion and Management of the Employees and the Measures on Assessment of Skill Level which specify the selection criteria and guideline, the Group has provided the fair, equitable and open career development opportunity and transparent promotion channel for the employees at all levels, which in turn meet the development needs of the Company and employees.

As economic development continues to accelerate, the metabolic rate of knowledge also will accelerate, which represents that the training is the important strategy for adopting the environment, keeping growing and getting stronger. Through establishing the Measures on Training and Management of the Employees, the Group updates the employees of the management knowledge, improves the professional skills of the employees, and makes them deeply understand the new business philosophy and values, so as to help employees achieve their career aspirations.

In accordance with the Group's business strategy development needs, the enterprise management department, in collaboration with various departments, has developed training plans in the areas of safety, skills, craftsmanship and corporate culture, and has ensured the effectiveness of training through examinations or communication questionnaires.

Trainings for employees during the year ended 31 December 2020 (by training content)

Name/Type of courses	Brief of course content	Average training hours	Cumulative number of participants	Percentage of cumulative number of participants to annual average number of employees
Safety officer training	laws and regulations/safety knowledge	24	3	0.3%
Safety management personnel training	laws and regulations/safety knowledge	24	20	2.3%
Occupational disease management training	laws and regulations/Occupational disease prevention knowledge	24	20	2.3%
Special operation personnel training	laws and regulations/professional knowledge	36	50	5.7%
Other training	Regulations system/Emergency rescue/Safe operation rules	32	800	91.1%
Total		140	893	101.7%

Trainings for employees during the year ended 31 December 2020 (by employee category)

Employee category	Number of employees trained	Average training hours	Percentage of participants to the annual average number of employees
Senior management	20	20	2.4%
Middle management	36	40	4.3%
General staff	550	35	65.5%
Total	606	95	72.1%

Note: The average number of employees of the Group was 878 during the year ended 31 December 2020.

Health and Safety

The Group always attaches great importance to the health and safety of the employee and all field staff (including the contractor's employees), strictly complies with the relevant requirements of laws and regulations such as the Law of the People's Republic of China on Work Safety and the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, resolutely implements the policy of "Safety First, Prevention-oriented, and Comprehensive Governance", and takes the safety production as the lifeline of the company to earnestly perform the primary responsibility and lay a solid foundation for safety management. The Group also establishes sound policies to regulate employee personal protection in daily management, enhances the safety of the work environment, and ensures the safety and health of the employee and all field staff.

Management Measures

The Group has established the health and safety management systems and organizational structures at all levels from the Board to the production workshops at each mine, which together with the relevant staff are responsible for the implementation and monitoring of relevant management work. The Group has developed and strictly implemented several occupational health and safety management systems, including, Occupational Health Management System, Occupational Health Hazard Emergency Plan, Post Operation Regulations, Work Safety Committee System, Safety Inspection System, Regular Safety Production Meeting System, Work Injury Accident Management System, Labor Protective Equipment Management System, Outsourcer Safety Management Systems and Emergency Accident Emergency Rescue Plan, etc, so as to institutionalize occupational health and safety management work system, standardize operating procedures, clarify responsibilities and ensure that the occupational health and safety management works can be implemented smoothly.

The Group strictly implements occupational health and production safety responsibilities and adheres to the principle of "Anyone Who is in Charge shall Take the Responsibility". Each mining company has signed the Letter of Commitment on Safety Production Objective to strengthen the safety management work of the Group and consolidate the safety foundation, and prevent and eradicate all kinds of accidents.

The Group requires staff members to conduct an occupational health check in the local quarantine stations before and during employment, in order to set up occupational health archives. The occupational health check and occupational hazards are monitored regularly at the operation workplace, diagnosis and troubleshooting for hidden perils are in place, whereas occupational health protection facilities are improved and equipped with necessary labour protection products. We also provide heat-proof and cooling materials, cold-proof cotton boots, cotton clothes and other materials for employees in hot or cold winter season to ensure their physical and mental health. At the same time, the Group also pays special attention to the management of contractors' health, safety and environmental protection. It requires contractors to establish health, safety and environmental protection management systems and strictly implement industry norms and standards. The Group strictly enforces the occupational health, safety inspection and reward and punishment system, regularly carries out occupational hazards, safety production inspection and hidden danger investigation on the work site, and carries out reward and punishment policies linked to the effectiveness of health and safety production work with the promotion of employees and the economic interests of contractors. The focus is to cultivate the safety awareness of all employees and contractors in their daily work and keep safety standards in mind, to form a self-conscious and long-term mechanism. For the year ended 31 December 2020, the Group has conducted 171 health and safety inspections, achieving a rate of safety risk ratification and safety instruction implementation of 100%. In addition to self-examinations and checks, the Company actively cooperates with government authorities in health and safety inspections, and regularly reports to the government. For the year ended 31 December 2020, the Group has paid RMB0.5 million as safety assessment reward, with no fine imposed against behaviors violating the safety regulations throughout the year.

In order to enhance the employees' occupational health and safety protection works, the Group regularly organises the employees to participate in the trainings on occupational health and safety education, such as holding safety work meetings, reminding employees of safety before work every day, promoting safety activities month and safety lectures, and setting up safe and healthy work bulletin, safety warning signs, banners and slogans, and the external training, so as to enhance the employee's safety protection skill and improve the employees' awareness of safety protection. As of 31 December 2020, our rates of "three-levels" safety education training for newly-recruited employees and all employees, attendance with special operation certificate, all have reached 100%. During the Reporting Period, the Group had completed occupational health and safety education training for 1,160 person-times. Such trainings had intensified the professional safety education and imbedded safety thought and awareness into the mind of employees.

In order to improve the level of emergency rescue, the ability of emergency response of employees and the operability of emergency plans, the Group organizes emergency plan drills and warning education activities every year. For the year ended 31 December 2020, the Group organised 4 emergency response drills in accordance with the relevant regulations. Through emergency response drills, each of the mining subsidiaries attained rewarding outcome and all staff gained the real-life experience about emergency response and rescue as to accidents, which upgraded emergency handling and joint coordination mechanism and forged contingency plans in a more targeted and maneuverable direction.

Emergency response drill of the Group during the year ended 31 December 2020

Mines	Names of drills	Number of participants
Jiheng Mining	Mine flood emergency plan drill	45
	Tailing pond overtopping emergency plan drill	30
Jingyuancheng Mining	Mine landslide and mudslide emergency plan drill	50
	Tailing pond flood overtopping emergency plan drill	40

Safety Fund Insurance

The Group continues to ensure the fund investment in health and safety and sets aside safety measure fees each year exclusively for health and safety protection purpose. During the Reporting Period, the actual investment in safety measures fees amounted to approximately RMB15.0 million.

Safety Accidents and Targets

For the year ended 31 December 2020, the Group continued to enhance the risk management and control over the occupational health and safety in production, and there were no injuries or fatalities. The relevant accident rate was kept at a reasonable level, and did not cause any loss of working days. The targets on the occupational health and safety of the

Group for 2020 are: the rate for minor injuries ≦3%, and the rate for serious injuries, fatal accidents, fire accidents, collective food poisoning accidents, major accidents in equipment and facilities, and incidence of occupational diseases is zero.

Supply Chain Management

Supply chain management is a key factor to ensure the healthy and sustainable development of the Group. The supply chain of the Group mainly involves suppliers and contractors. The Group strictly complies the Contract Law of the People's Republic of China and the Anti-Corruption Law of the People's Republic of China, attaches importance to the cooperation and communication with suppliers and contractors, commits to establishing a mutually beneficial cooperation relationship and improves sustainability performance together.

The Group has established a series of measures on various aspects, such as the basic principle of selecting the suppliers and contractors, procurement method, the environmental and social risks over selecting, assessing and managing the supply chain, the measures includes policy mechanisms such as the Tender Management Measures and the Procurement Management Measures. The above measures are required to accept comprehensive selection, and the process norms cover the business and professional qualifications, quality system, productivity, product quality, pricing and service capacity. The Group also conducts the on-site inspection based on the actual situations and determines on a merit basis. To assure the fairness and equity of the selecting process, the legal department and audit supervision department will also participate in the supervision.

The Group's selected suppliers only provide the services, materials and equipment. To further optimize the Company's operation process and management, the production and technology department and procurement department are responsible for reviewing and approving the priority procurement plans and long-term procurement plans for goods, engineering and services of the Company, so as to avoid the production suspension as a result of belated procurement. In terms of the contractors, due to their business particularity, the staff of the contractors shall participate in the field works together with the Company's staff. In addition to complying with their management policy and work ethics for the staff of the contractors, they are required to fully comply with the management, restrictions and protection of management policy and system on health, safety and environment established by the Group, which assured the safety of the staff of the contractors and protected themselves and the staff of the Group from injuring as a result by the improper operation of the staff of the contractors.

In addition, the Group also regularly assesses the environmental and social risks of the supply chain, which assured the safety of the supply chain, and keeps in communication with the supplier and contractors to specify the requests that the suppliers and contractors shall comply with and implement the applicable local laws and regulations, and ensures that all the management measures of supply chain shall be in accordance with relevant environmental and social requests.

Suppliers and contractors of the Group by geographical locations during the Reporting Period are as follows:

	Hebei Province	Other Provinces
Suppliers	62	64
Contractors	6	1
Total	68	65

Product Responsibility

Quality is an eternal theme and the life of an enterprise. Product quality is the cornerstone to represent a brand and the core of enhancing operation value of a brand. Therefore, the Group puts high emphasis on the quality and reputation of products. The Group strictly follows the laws and regulations related to Product Quality Law and formulates comprehensive management systems in respect of quality and sales, strengthening the quality examination and sales management of products to ensure that high-quality products are offered to the customers.

Products sold to the customers by the Group must be assessed and the Group will conduct quality examination before they are exported from the mines and delivered to the customers. The quantity and quality of the Company and the customers can be compared. When the differences appear to be substantial, the Group will address the problem under the Customer Complaints Guidelines for Quantity and Quality. Problem that cannot be resolved will be subject to review and arbitration by third-party authoritative organization. During the Reporting Period, no quality complaints occurred.

The Group has an established management system with advanced production techniques and equipment, as well as dedicated and responsible staff members. During the Reporting Period, there is no material quality defect of products and recall of products sold.

Given that the Group is in the upper stream of the whole value chain and does not provide products directly to the end users, the products cause no direct harm to people's safety and health, it will not cause environmental pollution.

Anti-corruption

Ethics and integrity are the cornerstone of the Group's success. The Group adopts a zero-tolerance approach to bribery, extortion, fraud and money-laundering in strict compliance with the Criminal Law of the People's Republic of China and the Anti-Corruption Law of the People's Republic of China. All Directors, management personnel and staff members must comply with all related national and local government laws and regulations on preventing bribery, extortion, fraud and money-laundering in their operation regions in their daily work. All employees not only have responsibility to understand and comply with above policies on preventing bribery, extortion, fraud and money-laundering, but also have obligation to report violation to the person responsible for the audit department. Any person, who contravenes the regulations, will be subject to disciplinary sanction.

In order to strengthen the anti-corruption approach, the Company sets up an audit department dedicated to executing anti-corruption function, commencing special issues auditing and supervision processes in due course, investigating loopholes and defects rectification, and auditing legality, reasonability and stringency of respective businesses. The Group establishes and improves the Regulations on the Administration of Anti – corruption to specify the anti-corruption management disciplines and conduct requirements of the Company, so that corruption can be eliminated with the help of an established system and better management approach.

Meanwhile, the Group commences anti-corruption training, laws education among the public and case analysis, so as to promote the importance of anti-corruption. The Company formulates the Measures on Management of Employee's Whistle-blowing and sets up various channels such as telephone hotlines, email and mailbox for whistleblowing. Dedicated staff members collect and sort the reported information on a regular basis and refer the same to the audit department for supervision and investigation. The Company also adopts various measures to encourage staff members to proactively report acts in violation of disciplines, and strengthens the privacy protection of the whistleblower.

The Group puts more efforts on punishing acts in violation of disciplines by increasing the fines on violation. Upon verification of any acts in violation, the entire illegal proceeds will be confiscated and the violator will be fined twice the amount of its illegal proceeds (cash equivalent for gifts), and subject to administrative sanction such as demotion and removal. Serious case will be referred to judicial authorities for criminal charges.

For the year ended 31 December 2020, the Group did not have any corruption litigation cases against the Company or its staff members.

Community Participation

The Company attaches great importance to building harmonious and inclusive enterprise and community relationship with the community. The Company is well aware that maintaining a good relationship with the community is one of the important conditions for the sustainable development of the Group. The Group strictly complies with local laws and regulations in its operations to minimize potential adverse impacts on the community and to help promote community development. The Company comes to understand their demands by actively participating in community activities, and performs the social responsibility through the practical actions to provide the beneficial help for the community.

In early 2020, COVID-19 broke out，the whole Country made concerted efforts to fight the epidemic and tide over the difficulties. The Company pays close attention to the development of the epidemic, practices corporate social responsibility, and makes every effort to support the epidemic prevention and control work in the community.In the critical period of epidemic prevention and control, we donated 2 tons of disinfectant to the local community, and donated RMB0.5 million to the local community through the Red Cross Society of Laiyuan County, which was used to buy ambulances, medical equipment and other prevention and control materials for the local hospitals in the community, so as to contribute to the prevention and control of the epidemic.

In addition, the Group is concerned about the development of the ecological environment of the communities in which it operates, and actively promotes the construction of ecological civilization in the local communities. During the Reporting Period, the Group has successively funded the construction of roads for the communities in which the Company operates, as well as implemented green planting, and made due contributions to the communities in which it operates.

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INDEPENDENT AUDITOR'S REPORT

華融(香港)會計師事務所有限公司
Asian Alliance (HK) CPA Limited

TO THE MEMBERS OF AOWEI HOLDING LIMITED

(Incorporated in the British Virgin Islands and continued in the Cayman Islands with limited liability)

Disclaimer of opinion

We were engaged to audit the consolidated financial statements of Aowei Holding Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 106 to 208, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for disclaimer of opinion

Limitation of scope on prepayments

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

Basis for disclaimer of opinion *(Continued)*

Limitation of scope on prepayments *(Continued)*

As at 31 December 2019, the Prepayments of approximately RMB219,334,000 and RMB332,031,000 were classified as non-current assets and current assets respectively. As at 31 December 2020, the Prepayments of approximately RMB294,626,000 was classified as current assets.

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

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

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

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

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

Basis for disclaimer of opinion *(Continued)*

Limitation of scope on prepayments *(Continued)*

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

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

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

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

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

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

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

Basis for disclaimer of opinion *(Continued)*

Limitation of scope on prepayments *(Continued)*

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

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

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

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

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

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

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

Basis for disclaimer of opinion *(Continued)*

Limitation of scope on prepayments *(Continued)*

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

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

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

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

Emphasis of matter

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

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 25 March 2020.

Responsibilities of directors and those charged with governance for the consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and to issue an auditor's report that includes our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Lam Chik Tong
Practising Certificate Number: P05612

8/F., Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong

20 September 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	7	**567,977**	815,549
Cost of sales		**(473,888)**	(545,314)
Gross profit		**94,089**	270,235
Other income, gains and losses, net	9	**(254)**	26
Distribution expenses		**(16,633)**	(2,645)
Administrative expenses		**(117,947)**	(84,943)
Reversal of impairment losses (impairment losses) under expected credit loss model, net	11	**2,470**	(2,816)
Impairment losses recognised in respect of property, plant and equipment	23	**–**	(73,518)
Impairment losses recognised in respect of intangible assets	23	**–**	(183,452)
Gain on disposal of a subsidiary	36	**–**	5,424
Finance costs	10	**(41,556)**	(43,099)
Loss before tax	13	**(79,831)**	(114,788)
Income tax credit	12	**9,260**	15,817
Loss for the year		**(70,571)**	(98,971)
Other comprehensive (expense) income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(140)**	268
Total comprehensive expense for the year		**(70,711)**	(98,703)
Loss per share in RMB	17		
Basic		**(0.04)**	(0.06)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	18	1,011,763	795,145
Construction in progress	19	113,796	1,429
Intangible assets	20	77,172	84,304
Long-term receivables	21	30,340	41,340
Deferred tax assets	31	192,280	166,944
Prepayments	22	–	221,931
		1,425,351	1,311,093
Current assets			
Inventories	24	131,754	113,411
Trade and other receivables	25	452,856	448,192
Pledged bank deposit	26	300,000	–
Bank balances and cash	26	20,212	461,639
		904,822	1,023,242
Current liabilities			
Trade and other payables	27	238,131	162,369
Contract liabilities	28	1,954	10,283
Lease liabilities	29	3,669	3,990
Bank borrowings	30	430,000	555,000
Tax payable		50,559	68,016
Other financial liabilities	32	23,009	38,971
Provision for reclamation obligations	33	3,392	3,048
		750,714	841,677
Net current assets		154,108	181,565
Total assets less current liabilities		1,579,459	1,492,658

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Bank borrowings	*30*	**178,000**	–
Lease liabilities	*29*	**–**	3,452
Other financial liabilities	*32*	**115,695**	131,664
Provision for reclamation obligations	*33*	**35,205**	36,272
		328,900	171,388
Net assets		**1,250,559**	1,321,270
Capital and reserves			
Share capital	*34*	**131**	131
Reserves		**1,250,428**	1,321,139
Total equity		**1,250,559**	1,321,270

The consolidated financial statements on pages 106 to 208 were approved and authorised for issue by the board of directors on 20 September 2022 and are signed on its behalf by:

Li Yanjun
Director

Li Ziwei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Attributable to equity shareholders of the Company							
	Share capital	Share premium	Statutory surplus reserve	Specific reserve	Exchange reserve	Other reserve	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note (a)	*Note (b)*	*Note (c)*	*Note (d)*	*Note (e)*		
At 1 January 2019	131	1,142,640	84,556	56,498	(419)	(126,229)	262,796	1,419,973
Loss for the year	–	–	–	–	–	–	(98,971)	(98,971)
Other comprehensive income for the year								
Item that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	–	–	–	–	268	–	–	268
Total comprehensive income (expense) for the year	–	–	–	–	268	–	(98,971)	(98,703)
Transfer back to retained profits, net of utilisation	–	–	–	(7,772)	–	–	7,772	–
At 31 December 2019	131	1,142,640	84,556	48,726	(151)	(126,229)	171,597	1,321,270

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Attributable to equity shareholders of the Company							
	Share capital	Share premium	Statutory surplus reserve	Specific reserve	Exchange reserve	Other reserve	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note (a)	*Note (b)*	*Note (c)*	*Note (d)*	*Note (e)*		
At 1 January 2020	131	1,142,640	84,556	48,726	(151)	(126,229)	171,597	1,321,270
Loss for the year	–	–	–	–	–	–	(70,571)	(70,571)
Other comprehensive expense for the year								
Item that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	–	–	–	–	(140)	–	–	(140)
Total comprehensive expense for the year	–	–	–	–	(140)	–	(70,571)	(70,711)
Transfer to specific reserve, net of utilisation	–	–	–	2,354	–	–	(2,354)	–
At 31 December 2020	131	1,142,640	84,556	51,080	(291)	(126,229)	98,672	1,250,559

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

Notes:

(a) *Share premium*

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary courses of business.

(b) *Statutory surplus reserve*

In accordance with the relevant PRC laws and regulations and the respective articles of association of the PRC subsidiaries, the PRC subsidiaries are required to appropriate 10% of their profit after taxation reported in their financial statements prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC to the statutory surplus reserve. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the registered capital of the relevant PRC subsidiaries.

The statutory surplus reserves can be utilised to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue. However, when converting the statutory surplus reserve of the PRC subsidiaries into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital of the relevant PRC subsidiaries.

(c) *Specific reserve*

Pursuant to the relevant PRC regulations, appropriation for safety production and other related expenditures are accrued by the Group at fixed rates based on production volume (the "**safety production fund**"). The Group is required to make a transfer for the appropriation of safety production fund from retained earnings to a specific reserve. The appropriation for safety production fund may cease if the balance of the specific reserve at the beginning of the year has reached 5% of the revenue of the relevant PRC subsidiaries in the previous year. The safety production fund could be utilised when expenses or capital expenditures on safety production measures are incurred. The amount of safety production fund utilised would be transferred from specific reserve back to retained earnings.

(d) *Exchange reserve*

The exchange reserve comprises all foreign exchange adjustments arising from the translation of the Hong Kong dollars ("**HK$**") denominated financial statements to the Group's presentation currency. The reserve is dealt with in accordance with the accounting policy.

(e) *Other reserve*

The other reserve comprises the followings:

- the difference between the net assets of subsidiaries acquired and the consideration paid by the Group in exchange;
- the changes in equity arisen from the acquisition of non-controlling interests; and
- the shareholder's loans waived by the ultimate controlling party.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(79,831)**	(114,788)
Adjustments for:		
Depreciation	**120,432**	96,435
Amortisation	**7,132**	13,058
Interest income	**(107)**	(130)
Interest expenses	**41,556**	43,099
Loss on disposal of property, plant and equipment	**33**	104
Loss on written-off of property, plant and equipment	**328**	–
Impairment losses recognised in respect of property, plant and equipment	**–**	73,518
Impairment losses recognised in respect of intangible assets	**–**	183,452
(Reversal of impairment losses) impairment losses under expected credit loss model, net	**(2,470)**	2,816
Gain on disposal of a subsidiary	**–**	(5,424)
Operating cash flows before movements in working capital	**87,073**	292,140
(Increase) decrease in inventories	**(18,343)**	2,281
Decrease in trade and other receivables	**228,337**	82,479
(Decrease) increase in trade and other payables	**(6,206)**	62,510
(Decrease) increase in contract liabilities	**(4,801)**	6,755
Decrease in other financial liabilities	**(36,914)**	–
Decrease in provision for reclamation obligation	**(1,558)**	(1,453)
Cash generated from operations	**247,588**	444,712
Income tax paid	**(33,479)**	(50,495)
NET CASH FROM OPERATING ACTIVITIES	**214,109**	394,217

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and construction in progress	**(369,416)**	(273,230)
Proceeds on disposals property, plant and equipment	**16**	137
Net cash inflows from disposal of a subsidiary	**–**	35,776
Interest received	**107**	130
Placement of pledged bank deposits	**(300,000)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(669,293)**	(237,187)
FINANCING ACTIVITIES		
New bank borrowings raised	**390,000**	555,000
Repayment of bank borrowings	**(337,000)**	(280,000)
Repayment of lease liabilities	**(4,230)**	(4,230)
Interest paid	**(34,622)**	(32,516)
NET CASH FROM FINANCING ACTIVITIES	**14,148**	238,254
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(441,036)**	395,284
BANK BALANCES AND CASH AT BEGINNING OF THE YEAR	**461,639**	65,984
Effect of foreign exchange rate changes	**(391)**	371
BANK BALANCES AND CASH AT THE END OF THE YEAR, represented by bank balances and cash	**20,212**	461,639

1. General information

Aowei Holding Limited (the "**Company**") was incorporated in the British Virgin Islands on 14 January 2011 and redomiciled to the Cayman Islands on 23 May 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (2012 Revision, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (together the "**Group**") are principally engaged in the mining, processing and sale of iron ore products and gravel materials and the provision of hospital management service in the People's Republic of China (the "**PRC**"). The registered address of the Company is located at P.O. Box 309, Ugland House Grand Cayman KY1-1104, Cayman Islands. The principal place of business of the Company is located at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

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

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

As at 31 December 2020, the directors of the Company (the "**Directors**") considered the immediate parent and ultimate controlling party of the Group to be Hengshi International Investments Limited, 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 *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

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

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

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

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

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

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

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

2. Application of amendments to international financial reporting standards ("IFRSs") *(Continued)*

Amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

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

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

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

New and amendments to IFRSs in issue but not yet effective

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

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

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

Except for the new and amendments to IFRSs mentioned below, 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.

2. Application of amendments to international financial reporting standards ("IFRSs") *(Continued)*

Amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "**Conceptual Framework**") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);

- add a requirement that, for transactions and other events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets or* IFRIC 21 *Levies,* an acquirer applies IAS 37 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 is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

2. Application of amendments to international financial reporting standards ("IFRSs") *(Continued)*

Amendments to IFRSs Annual Improvements to IFRSs 2018-2020

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.

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.

IAS 41 Agriculture

The amendment ensures consistency with the requirements in IFRS 13 *Fair Value Measurement* by removing the requirement in IAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. Basis of preparation of consolidated financial statements and significant accounting policies

3.1 Basis of preparation of consolidated financial statements

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

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.1 Basis of preparation of consolidated financial statements *(Continued)*

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if fact and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtain control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers *(Continued)*

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of workshop and stock yard, that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in “property, plant and equipment” the same line item within which the corresponding underlying assets would be presented if they were owned.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "**MPF Scheme**"), state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Taxation *(Continued)*

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings and plants, machinery and equipment, office equipment and mine properties in the course of construction for production, supply or administrative purposes (i.e. construction in progress) are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation is recognised so as to write off the cost of assets other than mine properties less their residual values over their estimated useful lives, using the straight-line method. Mine properties are depreciated using the units-of-production method based on the proven and probable mineral reserves of the relevant ore body or component of ore body. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress

Construction in progress represents property and plant under construction, equipment pending installation and mines under construction, and is initially recognised at cost less impairment losses. Cost comprises cost of materials, direct labour, transportation service fees and an appropriate proportion of production overheads and borrowing costs.

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

Capitalised stripping cost

The process of removing overburden and other mine waste materials to access mineral deposits is referred to as stripping. Stripping costs (waste removal costs) are incurred during the development and production phases at open-pit mining and they are accounted for separately for each component of an ore body unless the stripping activity provides improved access to the whole of the ore body. A component is a specific section within an ore body that is made more accessible by the stripping activity. The identification of components is dependent on the mine plan. Judgement is required to identify and define these components and also to determine the expected volumes of waste to be stripped and ore to be mined in each of these components. Judgement is also required to identify a suitable production measure that can be applied in the calculation and allocation of production stripping costs between inventory and production stripping activity. These are used to calculate and allocate the production stripping costs to inventory and/or the stripping activity assets.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Capitalised stripping cost *(Continued)*

Development stripping costs are capitalised as a stripping activity asset, in construction in progress and forming part of the cost of constructing the mine, when:

- It is probable that future economic benefits associated with the asset will flow to the entity; and
- The costs can be measured reliably.

Capitalisation of development stripping costs ceases and these costs are transferred to mine properties in property, plant and equipment when the ore body or component of ore body is ready for its intended use.

Production stripping can give rise to two benefits being the extraction of ore in the current period and improved access to the ore body or component of ore body in future periods. To the extent that the benefit is the extraction of ore, the stripping costs are recognised as an inventory cost. To the extent the benefit is improved access to the ore body or component of ore body in future periods, the stripping costs are capitalised as mine properties in property, plant and equipment, if the following criteria are met:

- It is probable that the future economic benefit (improved access to ore) will flow to the Group;
- The ore body or component of the ore body for which access has been improved can be identified; and
- The costs relating to the stripping activity can be measured reliably.

Production stripping costs are allocated between the inventory produced and the mine properties capitalised using a life-of-component waste to ore strip ratio. When the current strip ratio is greater than the life-of-component ratio, a portion of the stripping costs is capitalised to the existing mine properties.

The development and production stripping assets are depreciated using the units of production method based on the proven and probable mineral reserves of the relevant ore body or component of ore body.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses. The mining rights are amortised using the units-of-production method based on the proved and probable mineral reserves. The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Intangible assets *(Continued)*

Hospital management right

The acquired hospital management right is stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses. Amortisation of the hospital management right is charged to profit or loss on a straight-line basis over its estimated useful lives of 30 years.

Both the period and method of amortisation are reviewed annually.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method and comprises all costs of purchase, cost of conversion, an appropriate portion of fixed and variable overhead costs, including the stripping costs incurred during the production phase, and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Inventories of ancillary materials, spare parts and small tools used in production are stated at cost less impairment losses for obsolescence.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Provisions *(Continued)*

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Obligation for reclamation

The Group's obligations for reclamation consist of spending estimates at its mines in accordance with the relevant rules and regulations in the PRC. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash spending to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for final reclamation and mine closure as mine properties in property, plant and equipment. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and the corresponding asset are recognised at the appropriate discount rate.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with *IFRS 15 Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets *(Continued)*

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including long-term receivables, trade receivables, deposits, other receivables, pledged bank deposit and bank balances and cash) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 2 years past due, whichever occurs sooner. Financial assets written-off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(v) Measurement and recognition of ECL *(Continued)*

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

3. Basis of preparation of consolidated financial statements and significant accounting policies *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities *(Continued)*

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, lease liabilities, bank borrowings and other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. Critical accounting judgement and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. Critical accounting judgement and key sources of estimation uncertainty *(Continued)*

Critical judgements in applying accounting policies *(Continued)*

Capitalised stripped cost

Production stripping costs can be incurred both in relation to the production of inventories in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former are included as part of the costs of inventories, while the latter are capitalised as mine properties, where certain criteria are met. Significant judgement is required to distinguish between the production stripping that related to the extraction of inventories and what relates to the creation of mine properties. Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

Judgement is also required to identify a suitable production measure to be used to allocation production stripping costs between inventories and any stripping activity asset for each component. The Group considers that the ratio of the expected volume of waste to be stripped for an expected volume of ores to be mined for a specific component of the ore body, the most suitable production measure.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Iron ore reserves

Engineering estimates of the Group's iron ore reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. Reserve estimates are updated at regular basis and have taken into account recent production and technical information about the relevant iron ore deposits. In addition, as prices and cost levels change from year to year, the estimate of iron ore reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation and amortisation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation and amortisation expenses and impairment loss. Depreciation and amortisation rates are determined based on estimated iron ore reserve quantity and costs of mining structures and mining rights. The cost of mining structures and mining rights are depreciated and amortised based on the units of iron ore reserves consumed.

4. Critical accounting judgement and key sources of estimation uncertainty *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Useful live of property, plant and equipment

Management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Estimated impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible asset are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2020, the carrying amounts of property, plant and equipment and intangible assets subject to impairment assessment were approximately RMB518,363,000 and RMB55,000 (2019: approximately RMB413,981,000 and RMB102,517,000) respectively. As at 31 December 2020, no impairment loss (2019: approximately RMB73,518,000 and RMB18,268,000, respectively) in respect of property, plant and equipment and intangible assets that have been recognised. Details of the impairment of right-of-use assets, property, plant and equipment, and intangible assets are disclosed in Note 23.

Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 6(b) and 25 respectively.

4. Critical accounting judgement and key sources of estimation uncertainty *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Obligations for reclamation

The estimation of the liabilities for final reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including future production volume and development plan, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation will be recognised at the appropriate discount rate.

Deferred tax asset

As at 31 December 2020, no deferred tax asset has been recognised on the tax losses of approximately RMB155,935,000 (2019: approximately RMB305,047,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially in the current year given the significant uncertainty on the potential disruption of Group's operations due to the COVID-19 pandemic. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

5. Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group defines the capital as total shareholders' equity plus bank borrowings.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The gearing ratio (calculated as total bank borrowings divided by total assets) of the Group as at 31 December 2020 was 26.09% (31 December 2019: 23.78%).

6. Financial instruments

(a) Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
At amortised cost:		
– Long-term receivables	**30,340**	41,340
– Trade and other receivables	**110,937**	80,642
– Pledged bank deposit	**300,000**	–
– Bank balances and cash	**20,212**	461,639
	461,489	583,621
Financial liabilities		
At amortised cost:		
– Trade and other payables	**224,696**	146,637
– Lease liabilities	**3,669**	7,442
– Bank borrowings	**608,000**	555,000
– Other financial liabilities	**138,704**	170,635
	975,069	879,714

(b) Financial risk management objectives and policies

The Group's major financial instruments include long-term receivables, trade and other receivables, pledged bank deposit, bank balances and cash, trade and other payables, lease liabilities, bank borrowings and other financial liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, operational risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. Financial instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits, lease liabilities, fixed-rate bank borrowings and other financial liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Total interest income from financial assets that are measured at amortised cost:

	2020	2019
	RMB'000	RMB'000
Financial assets at amortised cost	**107**	130

Interest expense on financial liabilities not measured at FVTPL:

	2020	2019
	RMB'000	RMB'000
Financial liabilities at amortised cost	**41,556**	43,099

Sensitivity analysis

Bank balances are excluded from sensitivity analysis as the Directors consider that the exposure of cash flow interest rate risk arising from variable rate bank balances is insignificant.

6. Financial instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Operational risk assessment

During the year ended 31 December 2020, the Group's exposure to operational risk is primarily attributable to heavy reliance on several major customers located in the PRC for the segment of mining business. The three largest customers accounted for approximately RMB468,979,000 or 82.6% (2019: approximately RMB749,786,000 or 91.9%) of the Group's total revenue for the year ended 31 December 2020. The Directors will continue closely monitoring the performance and financial position of this major customer to avoid any adverse impact on the Group's financial position.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposure are primarily attributable to long term receivables, trade receivables, other receivables and deposits, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

The Group performed impairment assessment for financial assets. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment are summarised as below:

Trade receivables arising from contracts with customers

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Under certain circumstances, a credit period of up to one year is granted to customers that have a good track record with the Group and in good credit condition. The Group seeks to maintain tight control over those outstanding balances in order to manage credit risk. Management monitors the balances on a regular basis and takes appropriate actions against overdue balances, if any. Normally, the Group does not obtain collateral from customers.

At 31 December 2020, trade receivables from the five largest customers amounting to approximately RMB76,195,000 (2019: approximately RMB75,678,000), representing approximately 86.5% (2019: 85.2%) of the total gross trade receivables.

At 31 December 2020, the Group's concentration of credit risk by geographical location is in the PRC, which accounted for 100% (2019: 100%) of total gross trade receivables.

6. Financial instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables arising from contracts with customers *(Continued)*

In addition, the Group performs impairment assessment under ECL model on trade receivables with significant balances and credit-impaired individually. Except for trade receivables with significant balances and credit-impaired, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. Reversal of impairment loss, net of impairment loss, on trade receivable of approximately RMB2,680,000 (2019: impairment loss, net of reversal, approximately RMB2,716,000) is recognised based on the provision matrix during the year. Details of the quantitative disclosures are set out below in this note.

Long-term receivables

Credit risk on long-term receivables is limited because the counterparty is government of PRC with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for long-term receivables by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL long-term receivables is considered to be insignificant and therefore no loss allowance was recognised.

Pledged bank deposits/bank balances

Except for the pledged bank deposits and bank balances of RMB300,000,000 and approximately RMB11,857,000 (2019: Nil and approximately RMB461,145,000) was placed in banks with high credit ratings assigned by international credit agencies, the remaining bank balances of approximately RMB8,257,000 (2019: approximately RMB366,000) was placed in a local bank which does not have external credit rating as at 31 December 2020. The Group has applied 12m ECL approach to assess the impairment loss on bank balances and determines the credit rating of this local bank based on the scale, the operation risk and the supervision risk of the bank. The Group assessed 12m ECL for pledged bank deposits/bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposits/bank balances is considered to be insignificant and therefore no loss allowance was recognised.

Other receivables and deposits

For other receivables and deposits, the Directors make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. Except for amounts that the Directors believe there are significant increase in credit risk since initial recognition and the Group provided impairment based on lifetime ECL, the amounts that the Directors believe there are no significant increase in credit risk and the Group provided impairment based on 12m ECL.

Impairment loss, net of reversal on other receivables of approximately RMB210,000 (2019: approximately RMB100,000) is recognised during the year ended 31 December 2020.

6. Financial instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	Amount is written-off

6. Financial instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2020	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2020 Gross carrying amount		2019 Gross carrying amount	
					RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised costs								
Bank balances	*26*	AA+	N/A	12m ECL	11,857		461,145	
		N/A	Low risk	12m ECL	8,257	20,114	366	461,511
Pledged bank deposit	*26*	AA+	N/A	12m ECL		300,000		–
Other receivables and deposits	*25*	N/A	(Note 1)	12m ECL	22,957		6,856	
				Lifetime ECL (credit-impaired)	782	23,739	467	7,323
Trade receivables	*25*	N/A	(Note 2)	Lifetime ECL (Provision matrix)	88,109		76,700	
				Credit-impaired	–	88,109	12,117	88,817
Long-term receivables	*21*	N/A	N/A	12m ECL		30,340		41,340

Notes:

1) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due	Not past due/ No fixed repayment terms	Total
	RMB'000	RMB'000	RMB'000
2021			
Other receivables and deposits	**782**	**22,957**	**23,739**
2020			
Other receivables and deposits	467	6,856	7,323

6. Financial instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes: (Continued)

2) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant balances or credit-impaired, the Group determines the ECL on these items on a collective basis, grouped by past due status.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because those customers have common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on a collective basis by using provision matrix within lifetime ECL. As at 31 December 2019, credit-impaired debtors with gross carrying amounts of approximately RMB12,117,000 were assessed individually.

31 December 2020

	Trade receivables Current RMB'000
Gross carrying amount	**88,109**
Average loss rate	**0.31%**
Expected credit loss	**277**

31 December 2019

	Trade receivables Current RMB'000
Gross carrying amount	76,700
Average loss rate	3.86%
Expected credit loss	2,957

6. Financial instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2020, the Group provided approximately RMB277,000 (2019: approximately RMB3,412,000) impairment allowance for trade receivables, based on the provision matrix. No impairment allowance made on credit-impaired debtors (2019: impairment allowance of approximately RMB12,117,000 were made on credit-impaired debtors).

The following tables shows the movement in lifetime ECL that has been recognised for trade receivables under simplified approach:

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2019	696	11,662	12,358
Changes due to financial instruments recognised as at 1 January 2019:			
– Impairment losses recognised	–	455	455
– Impairment losses reversed	(696)	–	(696)
New financial assets originated or purchased	2,957	–	2,957
At 31 December 2019	2,957	12,117	15,074
Changes due to financial instruments recognised as at 1 January 2020:			
– Impairment losses reversed	(2,957)	–	(2,957)
– Written-off	–	(12,117)	(12,117)
New financial assets originated or purchased	277	–	277
At 31 December 2020	**277**	**–**	**277**

6. Financial instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Changes in the loss allowance for trade receivables are mainly due to:

	2020 Increase (decrease) Lifetime ECL (not credit-impaired) RMB'000	2020 Increase (decrease) Lifetime ECL (credit-impaired) RMB'000
Settlement in full of trade receivables with gross carrying amount of approximately RMB76,700,000	**(2,957)**	**–**
No realistic prospect of recovery	**–**	**(12,117)**
New trade receivables with gross carrying amount of approximately RMB88,109,000	**277**	**–**

	2019 Increase (decrease) Lifetime ECL (not credit-impaired) RMB'000	2019 Increase (decrease) Lifetime ECL (credit-impaired) RMB'000
Further impairment made for credit-impaired trade receivables	–	455
Settlement in full of trade receivables with gross carrying amount of approximately RMB61,040,000	(696)	–
New trade receivables with gross carrying amount of approximately RMB76,700,000	2,957	–

6. Financial instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following tables shows the reconciliation of loss allowance that has been recognised for other receivables and deposits:

	12m ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 1 January 2019	–	376	376
Changes due to financial instruments recognised as at 1 January 2019:			
– Impairment losses recognised	–	87	87
New financial assets originated	13	–	13
Disposal of a subsidiary	–	(52)	(52)
At 31 December 2019	13	411	424
Changes due to financial instruments recognised as at 1 January 2020:			
– Impairment losses recognised	–	68	68
– Impairment losses reversed	(13)	(179)	(192)
New financial assets originated	334	–	334
At 31 December 2020	**334**	**300**	**634**

6. Financial instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Changes in the loss allowance for other receivables are mainly due to:

	2020	
	Increase (decrease)	
	12m ECL (not credit-impaired)	Lifetime ECL (credit-impaired)
	RMB'000	RMB'000
Further impairment made for credit-impaired other receivables and deposits paid	–	68
New other receivables and deposits with gross carrying amount of approximately RMB23,244,000	334	–

	2019	
	Increase	
	12m ECL (not credit-impaired)	Lifetime ECL (credit-impaired)
	RMB'000	RMB'000
Further impairment made for credit-impaired other receivables and deposits paid	–	87
New other receivables and deposits with gross carrying amount of approximately RMB1,346,000	13	–

6. Financial instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

The Group has to maintain a suitable level of liquidity to finance the daily operation, capital expenditure and repayment of bank borrowings. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As at the date of these financial statements, the Group is in process of negotiation to refinance its short-term interest bearing bank borrowings of RMB430,000,000 and the Group is considering alternative sources of financing as well, the Directors are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

6. Financial instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

2020	Weighted average interest rate	On demand or less than 1 year	1-2 years	2-5 years	Total undiscounted cash flow	Carrying amount at 31 December 2020
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	–	224,696	–	–	224,696	224,696
Lease liabilities	6.42	3,900	–	–	3,900	3,669
Bank borrowings	3.80-9.23	468,852	16,567	182,630	668,049	608,000
Other financial liabilities	6.55	24,516	–	123,272	147,788	138,704
		721,964	16,567	305,902	1,044,433	975,069

2019	Weighted average interest rate	On demand or less than 1 year	1-2 years	2-5 years	Total undiscounted cash flow	Carrying amount at 31 December 2019
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	–	146,637	–	–	146,637	146,637
Lease liabilities	6.42	4,230	3,900	–	8,130	7,442
Bank borrowings	4.35-7.8	577,121	–	–	577,121	555,000
Other financial liabilities	6.55	40,050	17,582	118,495	176,127	170,635
		768,038	21,482	118,495	908,015	879,714

(c) Fair value measurements of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their respective fair values.

7. Revenue

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2020

	Mining segment RMB'000	Medical segment RMB'000	Total RMB'000
Type of goods			
Iron ore concentrates	485,862	–	485,862
Preliminary concentrates	28,319	–	28,319
Gravel materials	53,796	–	53,796
Total	567,977	–	567,977
Geographical markets			
The PRC	567,977	–	567,977
Timing of revenue recognition			
A point in time	567,977	–	567,977

7. Revenue *(Continued)*

(i) Disaggregation of revenue from contracts with customers *(Continued)*

For the year ended 31 December 2019

	Mining segment RMB'000	Medical segment RMB'000	Total RMB'000
Type of goods			
Iron ore concentrates	814,093	–	814,093
Gravel materials	500	–	500
Type of services			
Hospital management service	–	956	956
Total	814,593	956	815,549
Geographical markets			
The PRC	814,593	956	815,549
Timing of revenue recognition			
A point in time	814,593	–	814,593
Over time	–	956	956
Total	814,593	956	815,549

(ii) Performance obligations for contracts with customers

Sales of iron ore concentrates, preliminary concentrates and gravel materials

Revenue associated with the sale of iron ore concentrates, preliminary concentrates and gravel materials when control of the goods has transferred, being the time when the goods are delivered and accepted. Revenue excludes value added tax and is after deduction of any trade discounts.

Following acceptance, the customers have the ability to direct the use of, and obtain substantially all the benefits from goods. Therefore, the Directors have justified that the performance obligation in respect of the sales of goods is satisfied at a point in time and recognised revenue at a point in time.

7. Revenue *(Continued)*

(ii) Performance obligations for contracts with customers *(Continued)*

Sales of iron ore concentrates, preliminary concentrates and gravel materials *(Continued)*

In general, customers were obligated for a payment in advance before the acceptance and delivery of goods. A contract liability is recognised for payment in advance in which revenue has yet been recognised. However, certain customers, who have a good track record with the Group and in good credit condition, are granted credit periods up to 1 year. The contract terms does not include the arrangement of refunds, returns or exchanges.

Hospital management service

Revenue relating to hospital management service is recognised over time. Revenue is recognised when the related services are rendered and when it is probable that the economic benefits from the service rendered will flow to the Group and such benefit could be reliably measured. The hospital management service revenue was concluded annually with credit terms of approximately one year.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All revenue contracts are for period of one year or less. As permitted by IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

8. Operating segments

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

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

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

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

8. Operating segments *(Continued)*

(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 2020

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

For the year ended 31 December 2019

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit (loss) from each segment without allocation of certain administration costs, certain other income and certain director's emoluments. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

8. Operating segments *(Continued)*

(a) Segment revenues and results *(Continued)*

The CODM makes decisions according to operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

(b) Other segment information

Year ended 31 December 2020

Amounts included in the measure of segment result:

	Mining segment RMB'000	Medical segment RMB'000	Unallocated RMB'000	Total RMB'000
Additions of property, plant and equipment (excluded right-of-use assets)	267,133	–	–	267,133
Additions of right-of-use assets	31,956	–	–	31,956
Additions of construction in progress	150,705	–	–	150,705
Reversal of impairment loss recognised on trade receivables	2,613	344	–	2,957
Reversal of impairment loss recognised on other receivables	192	–	–	192
Impairment loss recognised on trade receivables	(277)	–	–	(277)
Impairment loss recognised on other receivables	(402)	–	–	(402)
Depreciation of property, plant and equipment (excluded right-of-use assets)	(102,126)	–	–	(102,126)
Depreciation of right-of-use assets	(18,306)	–	–	(18,306)
Amortisation of intangible assets	(7,132)	–	–	(7,132)
Written-off of property, plant and equipment	(328)	–	–	(328)
Loss on disposal of property, plant and equipment	(33)	–	–	(33)
Finance costs	(41,556)	–	–	(41,556)

Amounts regularly provided to the CODM but not included in the measure of segment result:

	Mining segment RMB'000	Medical segment RMB'000	Unallocated RMB'000	Total RMB'000
Interest income from financial institutions	101	6	–	107

8. Operating segments *(Continued)*

(b) Other segment information *(Continued)*

Year ended 31 December 2019

Amounts included in the measure of segment result:

	Mining segment RMB'000	Medical segment RMB'000	Unallocated RMB'000	Total RMB'000
Additions of property, plant and equipment (excluded right-of-use assets)	11,345	–	–	11,345
Additions of right-of-use assets	29,218	–	–	29,218
Additions of construction in progress	247,147	–	–	247,147
Reversal of impairment loss recognised on trade receivables	696	–	–	696
Impairment loss recognised on trade receivables	(3,068)	(344)	–	(3,412)
Impairment loss recognised on other receivables	(100)	–	–	(100)
Depreciation of property, plant and equipment (excluded right-of-use assets)	(83,800)	–	–	(83,800)
Depreciation of right-of-use assets	(12,635)	–	–	(12,635)
Amortisation of intangible assets	(6,825)	(6,233)	–	(13,058)
Impairment losses recognised in respect of property, plant and equipment	(73,518)	–	–	(73,518)
Impairment losses recognised in respect of intangible assets	(18,268)	(165,184)	–	(183,452)
Loss on disposal of property, plant and equipment	(104)	–	–	(104)
Gain on disposal of a subsidiary	5,424	–	–	5,424
Finance costs	(43,099)	–	–	(43,099)

Amounts regularly provided to the CODM but not included in the measure of segment result:

	Mining segment RMB'000	Medical segment RMB'000	Unallocated RMB'000	Total RMB'000
Interest income from financial institutions	116	7	7	130

8. Operating segments *(Continued)*

Geographical information

The Group's operations are located in the PRC.

Information about the Group's revenue from external customers is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**567,977**	815,549	**1,202,731**	1,102,809

Note: Non-current assets excluded deferred tax assets and financial instruments.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2020	2019
	RMB'000	RMB'000
Customer A[1]	**213,938**	154,540
Customer B[1]	**147,310**	326,988
Customer C[1]	**107,731**	268,258

[1] Revenue from mining segment

9. Other income, gains and losses, net

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

10. Finance costs

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

11. Reversal of impairment losses (impairment losses) under expected credit loss model, net

	2020 RMB'000	2019 RMB'000
Reversal of impairment losses on:		
– Trade receivables	**2,957**	696
– Other receivables	**192**	–
Impairment losses on:		
– Trade receivables	**(277)**	(3,412)
– Other receivables	**(402)**	(100)
	2,470	(2,816)

Details of impairment assessment are set out in Note 6(b).

12. Income tax (credit) expense

	2020 RMB'000	2019 RMB'000
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**11,804**	49,174
Underprovision in prior years:		
Hong Kong Profits Tax	**4,272**	–
Deferred tax (Note 31):		
Current year	**(25,336)**	(64,991)
Total	**(9,260)**	(15,817)

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

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

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

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

12. Income tax (credit) expense *(Continued)*

The income tax credit for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2020 RMB'000	2019 RMB'000
Loss before tax	**(79,831)**	(114,788)
Tax at domestic income tax rate of 25% (2019: 25%)	**(19,958)**	(28,697)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**660**	444
Tax effect of expenses not deductible for tax purpose	**26,725**	1,266
Utilisation of tax losses previously not recognised	**(22,302)**	(1,356)
Tax effect of tax losses not recognised	**1,343**	12,526
Underprovision in respect of prior year	**4,272**	–
Income tax credit for the year	**(9,260)**	(15,817)

13. Loss before tax

	2020 RMB'000	2019 RMB'000
Loss before tax has been arrived at after charging:		
Staff costs (include directors' and chief executive's emoluments (Note 14)):		
– salaries and other benefits in kind	**57,262**	64,590
– retirement benefits scheme contributions (Note 35)	**221**	4,552
Total staff costs	**57,483**	69,142
Capitalised in inventories	**(33,818)**	(32,248)
	23,665	36,894
Transportation service fees	**373,698**	196,976
Capitalised in inventories	**(180,820)**	(188,374)
Capitalised in construction in progress	**(107,508)**	–
Capitalised in property, plant and equipment	**(67,687)**	(1,379)
	17,683	7,223
Auditor's remuneration:		
– audit services	**5,521**	2,050
– non-audit services	**1,700**	1,200
Legal and professional fee	**6,244**	6,262
Donation	**10,501**	230
Depreciation of property, plant and equipment (excluded right-of-use assets)	**102,126**	83,800
Depreciation of right-of-use assets	**18,306**	12,635
Amortisation of intangible asset	**7,132**	13,058
Total depreciation and amortisation	**127,564**	109,493
Capitalised in inventories	**(100,798)**	(92,396)
	26,766	17,097
Cost of inventories recognised as an expense	**468,889**	529,953

14. Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the years, disclosed pursuant to the applicable Listing Rules and the CO, is as follows:

For the year ended 31 December 2020

	Fees	Salaries and other benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Li Yanjun (Chairman)	–	1,280	–	1,280
Mr. Li Ziwei (Vice Chairman and Chief Executive Officer)	–	854	16	870
Mr. Tu Quanping	–	420	1	421
Mr. Sun Jianhua	–	350	3	353
Mr. Jin Jiangsheng (resigned on 7 April 2020)	–	43	1	44
Independent non-executive directors				
Mr. Ge Xinjian	116	–	–	116
Mr. Meng Likun	116	–	–	116
Mr. Kong Chi Mo	178	–	–	178
	410	2,947	21	3,378

14. Directors' and chief executive's emoluments *(Continued)*

For the year ended 31 December 2019

	Fees	Salaries and other benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Li Yanjun (Chairman)	–	1,267	–	1,267
Mr. Li Ziwei (Vice Chairman and Chief Executive Officer)	–	829	16	845
Mr. Tu Quanping	–	575	7	582
Mr. Sun Jianhua	–	291	15	306
Mr. Jin Jiangsheng (appointed on 25 June 2019 and resigned on 7 April 2020)	–	660	7	667
Mr. Li Jinsheng (resigned on 25 June 2019)	–	320	–	320
Independent non-executive directors				
Mr. Ge Xinjian	106	–	–	106
Mr. Meng Likun	106	–	–	106
Mr. Kong Chi Mo	160	–	–	160
	372	3,942	45	4,359

Notes:

(a) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(b) The independent non-executive directors' emoluments shown above were for their services as Directors.

There were no arrangement under which a director or the chief executive waived or agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

15. Five highest paid employees

The five highest paid employees of the Group during the year included three (2019: three) directors, details of whose remuneration are set out in Note 14 to the consolidated financial statements above. Details of the remuneration for the year of the remaining two (2019: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other benefits in kind	817	1,285
Retirement benefits scheme contributions	1	7
	818	1,292

The number of the highest paid employees who are not the Directors whose remuneration fell within the following bands is as follows:

	2020	2019
Nil to RMB1,000,000	2	2

16. Dividends

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

17. Loss per share

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

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

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

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

18. Property, plant and equipment

	Lands, buildings and plants	Machinery and equipment	Motor vehicles	Office equipment	Mine properties	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2019	631,216	362,226	30,414	13,401	370,623	1,407,880
Additions	31,581	1,324	3,318	4,332	8	40,563
Transferred from construction in progress (Note 19)	110,487	47,754	–	83	87,394	245,718
Disposals	–	(514)	(2,877)	–	–	(3,391)
Disposal of a subsidiary (Note 36)	(61,028)	(53,101)	(6,334)	(2,839)	(136,092)	(259,394)
At 31 December 2019	712,256	357,689	24,521	14,977	321,933	1,431,376
Additions	56,462	10,680	1,358	92	230,497	299,089
Transferred from construction in progress (Note 19)	–	250	–	–	38,088	38,338
Written-off	(305)	–	(1,424)	–	–	(1,729)
Disposals	–	(77)	(186)	–	–	(263)
At 31 December 2020	**768,413**	**368,542**	**24,269**	**15,069**	**590,518**	**1,766,811**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2019	179,147	203,701	25,071	6,645	236,308	650,872
Charge for the year	48,211	24,995	1,764	3,181	18,284	96,435
Written back on disposals	–	(342)	(2,808)	–	–	(3,150)
Impairment losses recognised in profit or loss (Note 23)	41,690	15,918	715	1,056	14,139	73,518
Written back on disposal of a subsidiary (Note 36)	(40,811)	(47,870)	(6,132)	(2,793)	(83,838)	(181,444)
At 31 December 2019	228,237	196,402	18,610	8,089	184,893	636,231
Charge for the year	46,558	30,391	1,518	2,452	39,513	120,432
Written-off	(116)	–	(1,285)	–	–	(1,401)
Written back on disposals	–	(46)	(168)	–	–	(214)
At 31 December 2020	**274,679**	**226,747**	**18,675**	**10,541**	**224,406**	**755,048**
NET CARRYING VALUES						
At 31 December 2020	**493,734**	**141,795**	**5,594**	**4,528**	**366,112**	**1,011,763**
At 31 December 2019	484,019	161,287	5,911	6,888	137,040	795,145

18. Property, plant and equipment *(Continued)*

The estimated useful lives of property, plant and equipment, other than mine properties, are as follows:

Lands, buildings and plants	
– Owned properties	6 – 20 years
– Leased properties	Lease term
– Leasehold land	Lease term
Machinery and equipment	3 – 10 years
Motor vehicles	5 years
Office equipment	3 years

Mine properties are depreciated using the units-of-production method based on the proven and probable mineral reserves of the relevant ore body or component of ore body.

The Group's property, plant and equipment are substantially located in the PRC. As at 31 December 2020, the Group has not obtained title certificate of certain of its buildings and plants with an aggregate carrying amount of approximately RMB15,119,000 (2019: approximately RMB41,564,000). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned properties.

As at 31 December 2020, mine properties include capitalised stripping activity asset with a carrying amount of approximately RMB41,205,000 (2019: approximately RMB59,865,000).

As at 31 December 2020, certain of the Group's bank borrowings were secured by the Group's property, plant and equipment (excluded right-of-use assets) with a carrying amount of approximately RMB27,750,000 (31 December 2019: approximately RMB39,626,000) (Note 38).

18. Property, plant and equipment *(Continued)*

Right-of-use assets included in lands, buildings and plants

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at 31 December 2020			
Carrying amounts	**104,678**	**7,790**	**112,468**
As at 31 December 2019			
Carrying amounts	87,357	11,461	98,818
For the year ended 31 December 2020			
Depreciation charge	**14,635**	**3,671**	**18,306**
For the year ended 31 December 2019			
Depreciation charge	12,438	197	12,635

	2020 **RMB'000**	2019 RMB'000
Expense relating to short-term leases	**933**	100
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**37**	114
Total cash outflow for leases	**5,200**	4,444
Additions to right-of-use assets	**31,956**	29,218

For both years, the Group leases leasehold lands, office and premises for its operations. Lease contracts of office and premises are entered into for fixed term of 2 to 3 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. The leasehold lands were amortised over the benefit periods from 5 to 50 years.

18. Property, plant and equipment *(Continued)*

Right-of-use assets included in lands, buildings and plants *(Continued)*

Up to the issue of these consolidated financial statements, the Group is still in the process of applying for the title certificates of certain of its leasehold lands with a carrying amount of approximately RMB92,616,000 (2019: approximately RMB74,834,000). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned leasehold land.

As at 31 December 2020, certain leasehold lands with an aggregate carrying amount of approximately RMB10,102,000 (2019: approximately RMB10,382,000) were pledged to secure a bank borrowing granted to the Group (Note 38).

In addition to the portfolio of short-term leases for a workshop which are regularly entered into by the Group, the Group entered into a short-term lease for a stockyard during the year ended 31 December 2020.

19. Construction in progress

	Property and plant under construction/ installation RMB'000
At 1 January 2019	–
Additions	247,147
Transferred to property, plant and equipment (Note 18)	(245,718)
At 31 December 2019	1,429
Additions	150,705
Transferred to property, plant and equipment (Note 18)	(38,338)
At 31 December 2020	**113,796**

20. Intangible assets

	Mining rights	Hospital management right	Total
	RMB'000	RMB'000	RMB'000
COST			
At 1 January 2019	880,567	187,000	1,067,567
Disposal of a subsidiary (Note 36)	(86,713)	–	(86,713)
At 31 December 2019	793,854	187,000	980,854
Written-off (Note (a))	–	(187,000)	(187,000)
At 31 December 2020	**793,854**	**–**	**793,854**
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 January 2019	739,310	15,583	754,893
Charge for the year	6,825	6,233	13,058
Impairment losses (Note (b))	18,268	165,184	183,452
Written back on disposal of a subsidiary (Note 36)	(54,853)	–	(54,853)
At 31 December 2019	709,550	187,000	896,550
Charge for the year	7,132	–	7,132
Written-off (Note (a))	–	(187,000)	(187,000)
At 31 December 2020	**716,682**	**–**	**716,682**
CARRYING VALUES			
At 31 December 2020	**77,172**	**–**	**77,172**
At 31 December 2019	84,304	–	84,304

20. Intangible assets *(Continued)*

Notes:

(a) Intangible assets represent mining rights and the related premium paid in relation to obtaining the mining rights, and the hospital management right acquired in 2016.

As at 31 December 2020, the remaining useful life of the mining rights was approximately 1 to 2 years (2019: approximately 2 to 3 years) but is renewable every 10 years. The Directors are of the opinion that the Group would renew the mining rights and has the ability to do so.

As at 31 December 2019, the remaining useful life of the hospital management right was 26.5 years. On 3 March 2020, the Group and Rongcheng County Hospital of Traditional Chinese Medicine (the "**Rongcheng Hospital**") terminated the hospital management agreement and such hospital management right has been written-off. As full impairment losses on the carrying value of the hospital management right have been provided for in previous years, there is no impact on the profit or loss for the year ended 31 December 2020.

(b) During the year ended 31 December 2019, the impairment losses of approximately RMB18,268,000 and RMB165,184,000 have been recognised in respect of the mining rights of Laiyuan County Jingyuancheng Mining Co., Ltd.* ("**Jingyuancheng Mining**") and the hospital management right of Baoding Xinan Medical Management Consulting Co., Ltd* ("**Baoding Xinan**") respectively. Details of the impairment assessment are disclosed in Note 23.

(c) As at 31 December 2020, certain of the Group's bank borrowings were secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd.* ("**Jiheng Mining**") with a carrying amount of approximately RMB55,000 (2019: approximately RMB55,000) (Note 38).

21. Long-term receivables

	2020 RMB'000	2019 RMB'000
Environmental reclamation deposits (Note (a))	**30,340**	30,340
Receivables from Rongcheng Hospital (Note (b))	**–**	11,000
	30,340	41,340

Notes:

(a) Environmental reclamation deposits placed with government in respect of the Group's reclamation obligations for the closure of mines.

(b) The balance represents a five-year loan to Rongcheng Hospital maturing in year 2021, which is unsecured and interest-free. The balance has been refunded in full on 18 June 2020.

All of the balances are not expected to be repaid/refunded within the next 12 months.

* For identification purpose only

22. Prepayments

	2020 RMB'000	2019 RMB'000
Prepayments for construction work and equipment purchases (Note)	–	2,597
Prepayments for on-site loading service and transportation service (Note 25(b))	–	219,334
	–	221,931

Note:

The prepayments for construction work and equipment purchases were fully capitalised to construction in progress during the year ended 31 December 2020.

23. Impairment assessment of tangible and intangible assets

	Notes	2020 RMB'000	2019 RMB'000
Impairment losses recognised in respect of:			
Property, plant and equipment	*(a)*	–	73,518
Intangible assets with definite useful life			
– Hospital management rights	*(b)*	–	165,184
– Mining rights	*(a)*	–	18,268
		–	183,452
		–	256,970

23. Impairment assessment of tangible and intangible assets *(Continued)*

Notes:

(a) Property, plant and equipment and intangible assets with definite useful life – mining rights

For the purpose of impairment testing, property, plant and equipment and mining rights has been allocated to two individual cash generating units ("**CGU**") comprising two subsidiaries in the mining segment, i.e. Jingyuancheng Mining CGU and Jiheng Mining CGU.

Jingyuancheng Mining

During the year ended 31 December 2019, Jingyuancheng Mining suffered a significant operating loss, the management of the Group concluded there was impairment indicator and conducted impairment assessment on property, plant and equipment and mining rights in Jingyuancheng Mining CGU with carrying amount of RMB413,081,000 and RMB102,517,000 respectively as at 31 December 2019. The Directors estimated the recoverable amount of Jingyuancheng Mining CGU with reference to a valuation carried out by Beijing Dongshen Asset Appraisal Co.,Ltd.*, an independent qualified valuer. The recoverable amount of the Jingyuancheng Mining CGU has been determined based on a value-in-use calculation, which uses a cash flow projection based on financial forecast approved by management covering a 15-year period. The average selling price per ton of iron ore concentrates used for the cash flow projection is RMB636 per ton. The pre-tax discount rate applied to cash flow projection is 10.6%.

As at 31 December 2019, based on the result of the assessment, management of the Group determined that the carrying amount of the Jingyuancheng Mining CGU is higher than its recoverable amount. Accordingly, an impairment loss of approximately RMB91,786,000, which has been recognised in the profit or loss for the year ended 31 December 2019, of which approximately RMB73,518,000 was recognised in the property, plant and equipment (Note 18) and approximately RMB18,268,000 was recognised in intangible assets (Note 20), and the Jingyuancheng Mining CGU has been reduced to its recoverable amount of approximately RMB423,812,000.

Management determined the budgeted sales and gross margins based on past performance, expectation for the market development and planned business strategy. The discount rate used is pre-tax and reflects specific risks relating to mining business.

For the year ended 31 December 2020, the management of the Company considered no impairment indicator for the Jingyuancheng Mining CGU.

Jiheng Mining

During the year ended 31 December 2020, the operation of Jiheng Mining was suspended to construct the green mine, the management of the Group concluded there was impairment indicator and conducted impairment assessment on property, plant and equipment and mining right in Jiheng Mining CGU with carrying amount of RMB518,363,000 and RMB55,000 respectively. The Directors estimated the recoverable amount of Jiheng Mining CGU with reference to a valuation carried out by Masterpiece Valuation Advisory Limited, an independent qualified valuer. The recoverable amount of the Jiheng Mining CGU has been determined based on a value-in-use calculation, which uses a cash flow projection based on financial forecast approved by management covering a 10-year period. The average selling price per ton of iron ore concentrates and gravel materials used for the cash flow projection is RMB914 per ton and RMB37 per ton respectively. The pre-tax discount rate applied to cash flow projection is 19.6%.

As at 31 December 2020, based on the result of the assessment, management of the Group determined that the recoverable amount of the Jiheng Mining CGU exceed its carrying amount by approximately RMB20,887,000. Accordingly, no impairment loss would be recognised against the carrying amount of Jiheng Mining CGU.

* For identification purpose only

23. Impairment assessment of tangible and intangible assets *(Continued)*

Notes: (Continued)

(a) Property, plant and equipment and intangible assets with definite useful life – mining rights *(Continued)*

Jiheng Mining (Continued)

The sensitivity analysis below has been determined based on the exposure to the revenue growth rate (include: revenue from sale of iron ore concentrates, preliminary concentrates and gravel materials) and post-tax discount rate, representing the key inputs to the determination to the recoverable amount.

If the revenue growth rate for sales of gravel materials was reduced by 3%, while other parameters remain constant, the recoverable amount of Jiheng Mining CGU would be reduced to approximately RMB519,741,000 and no impairment loss would be recognised against the carrying amount of Jiheng Mining CGU.

If the post-tax discount rate was changed from 12.0% to 12.5%, while other parameters remain constant, the recoverable amount of Jiheng Mining CGU would be reduced to approximately RMB531,189,000 and no impairment loss would be recognised against the carrying amount of Jiheng Mining CGU.

Management determined the budgeted sales and gross margins based on past performance, expectation for the market development and planned business strategy. The discount rate used is pre-tax and reflects specific risks relating to mining business.

For the year ended 31 December 2019, the management of the Company considered no impairment indicator for the Jiheng Mining CGU.

(b) Intangible assets with definite useful life – hospital management right

On 4 July 2016, the Group entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") to acquire the 100% issued share capital of Xinan Investments Limited, which indirectly holds 100% equity interest of Baoding Xinan. As at the date of signing of the Sale and Purchase Agreement, Baoding Xinan has entered into an agreement on management of the Rongcheng Hospital with the Healthcare and Family Planning Bureau of Rongcheng County, Baoding, Hebei Province relating to the management of the Rongcheng Hospital and the management agreement with Rongcheng Hospital relating to the management. Both agreements are collectively referred to as the "Hospital Management Agreements" hereafter. The Group obtained hospital management right through the Hospital Management Agreements. The management right was recognised at its fair value amounting to approximately RMB187,000,000, and is amortised on a straight-line basis over 30 years as agreed in the Hospital Management Agreements.

On 17 December 2019, in order to comprehensively improve the county's medical service level and effectively improve people's livelihood to provide solid medical and health service guarantee for the planning and construction of Xiong'an New District in accordance with the implementation plan of Rongcheng County People's Government, the Rongcheng County Hygiene and Health Bureau (the "**Bureau**") communicated with the Hospital in writing in relation to the termination of the Hospital Management Agreements between the Hospital and Baoding Xinan in light of the spirit of the implementation plan of "Three-year Improvement Project of Medical Service Capacity" of Rongcheng County.

The Directors have performed an impairment assessment of the hospital management right allocated to the CGU, i.e. Xinan CGU, as at 31 December 2019 based on the prevailing circumstances, and determined the recoverable amount of the Xinan CGU by using discounted cash flow techniques. Based on the impairment assessment, the hospital management right was fully impaired and impairment loss of approximately RMB165,184,000 was identified.

On 3 March 2020, a termination agreement has been officially signed between the Rongcheng Hospital and Baoding Xinan that all the rights and obligations under the Hospital Management Agreements should cease immediately. Therefore, the hospital management right was written-off during the year ended 31 December 2020.

24. Inventories

	2020 RMB'000	2019 RMB'000
Iron ores	**54,301**	27,081
Preliminary concentrates	**27,866**	38,842
Iron ore concentrates	**5,501**	6,270
Gravel materials	**27,058**	23,654
	114,726	95,847
Consumables and supplies	**17,028**	17,564
	131,754	113,411

25. Trade and other receivables

	2020 RMB'000	2019 RMB'000
Trade receivables	**88,109**	88,817
Less: Allowance for credit losses	**(277)**	(15,074)
Total trade receivables, net (Note (a))	**87,832**	73,743
Prepayments and deposits (Notes (b) to (d))	**337,397**	591,325
Value-added tax recoverable	**7,107**	741
Amount due from a related party (Note (i))	**25**	–
Other receivables (Notes (e) to (h))	**21,129**	4,738
	365,658	596,804
Less: Allowance for credit losses	**(634)**	(424)
Total other receivables, net	**365,024**	596,380
Less: Prepayments classified as other non-current assets (Note 22)	**–**	(221,931)
Other receivables, net	**365,024**	374,449
Trade and other receivables, net	**452,856**	448,192

25. Trade and other receivables *(Continued)*

Notes:

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

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

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

As at 31 December 2020 and 2019, none of the Group's trade receivables was past due as at the reporting date.

(b) Prepayments and deposits mainly represent advance payments made to the following Group's transportation service providers.

	2020 RMB'000	2019 RMB'000
Laiyuan County Huiguang Logistics Co., Ltd* ("**Laiyuan Huiguang**")	159,686	181,303
Laiyuan County Aotong Transportation Co., Ltd.* ("**Laiyuan Aotong**")	96,113	283,538
Laiyuan County Ruitong Transportation Co., Ltd.* ("**Laiyuan Ruitong**")	–	86,524
Rongcheng Ronghui Logistics Co., Ltd.* ("**Rongcheng Ronghui**")	38,827	–
	294,626	551,365
Less: Prepayments classified as other non-current assets (Note 22)	–	(219,334)
	294,626	332,031

* For identification purpose only

25. Trade and other receivables *(Continued)*

Notes: (Continued)

(c) As at 31 December 2020, included in the Group's prepayments and deposits, an amount of approximately RMB2,585,000 (2019: approximately RMB2,585,000) represented a utility deposit.

(d) As at 31 December 2020, included in the Group's prepayments and deposits, an amount of RMB27,000,000 (2019: RMB27,000,000) represented a prepayment made to a preliminary concentrates supplier.

(e) As at 31 December 2020, included in the Group's other receivables, an amount of RMB2,100,000 (2019: RMB1,200,000) represented a performance security deposit paid to certain customers.

(f) As at 31 December 2020, included in the Group's other receivables, an amount of approximately RMB10,830,000 (2019: Nil) represented amount due from Laiyuan Xinxin Mining Co,. Ltd* ("**Xinxin Mining**") for the the reimbursement of expenses of electricity and fuel which had been consumed by Xinxin Mining.

(g) As at 31 December 2020, included in the Group's other receivables, an amount of approximately RMB4,167,000 (2019: Nil) represented the prepaid rent.

(h) As at 31 December 2020, included in the Group's other receivables, an amount of approximately RMB2,927,000 (2019: approximately RMB2,927,000) represented a payment of tax reserve certificate to the Hong Kong Inland Revenue Department (the "**HKIRD**"). The tax reserve certificate has been redeemed by the HKIRD on 15 March 2021.

(i) The amount due from a related party is unsecured, interest-free and have no fixed terms of repayment.

	Maximum amount outstanding during the year ended	
	31 December 2020	31 December 2019
	RMB'000	RMB'000
Amount due from Mr. Li Yanjun	**25**	–

Details of impairment assessment of trade and other receivables are set out in Note 6(b).

26. Pledged bank deposit/bank balances and cash

Bank balances carry interest at market rates which ranged from 0.01% to 0.35% (2019: from 0.01% to 0.35%) per annum.

Included in bank balances and cash are the following amounts denominated in currencies other than the group entities' functional currencies:

	2020	2019
	RMB'000	RMB'000
United State dollars ("**USD**")	**67**	838
HK$	**1,027**	11,105
Singapore dollar	**2**	2

* For identification purpose only.

26. Pledged bank deposit/bank balances and cash *(Continued)*

Included in the bank balances and cash and pledged bank deposit are the following amounts which are subject to foreign exchange control regulations and not freely transferable:

	2020 RMB'000	2019 RMB'000
Amounts denominated in RMB	**319,116**	449,694

On 22 December 2020, the Group entered into a pledge agreement with Bank of Nanjing, pursuant to which the time deposit of RMB300,000,000 (the "**Pledged Deposit**") was pledged in favour of Bank of Nanjing to guarantee the obligations of the indebtedness owing by an independent third party to Bank of Nanjing for an amount of RMB300,000,000. The Pledged Deposit has been released on 4 March 2021.

Details of the Pledged Deposit are disclosed in the Company's announcements dated 8 December 2021, 4 March 2022 and 9 September 2022, respectively.

Details of impairment assessment of bank balances and pledged bank deposits are set out in Note 6(b).

27. Trade and other payables

	2020 RMB'000	2019 RMB'000
Trade payables (Note (a))	**69,541**	73,925
Other taxes payables	**13,435**	15,732
Payables for construction work, equipment purchase and others	**83,401**	5,620
Amount due to a related party (Note (b))	**–**	7
Interest payables	**2,181**	1,522
Other payables (Notes (c), (d), (e) and (f))	**69,573**	65,563
	238,131	162,369

27. Trade and other payables *(Continued)*

Notes:

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

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

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

(b) The amount due to a related party is unsecured, interest-free and have no fixed terms of repayment.

(c) As at 31 December 2020, included in the Group's other payables, an amount of approximately RMB18,661,000 (2019: approximately RMB16,817,000) represented the compensation fees for water and soil conservation.

(d) As at 31 December 2020, included in the Group's other payables, an amount of approximately RMB11,349,000 (2019: approximately RMB11,910,000) represented the compensation fees for land reclamation.

(e) As at 31 December 2020, included in the Group's other payables, an amount of approximately RMB9,935,000 (2019: approximately RMB14,668,000) represented the accrued salaries.

(f) As at 31 December 2020, included in the Group's other payables, an amount of approximately RMB7,530,000 (2019: approximately RMB5,730,000) represented the compensation charged by Laiyuan Country Zhijiazhuang Village Committee for compensation of impact from mining operation to the nearby village.

28. Contract liabilities

	2020 RMB'000	2019 RMB'000
Sales of iron ore concentrates	293	9,214
Sales of gravel materials	1,661	1,069
	1,954	10,283

As at 1 January 2019, contract liabilities amounted to approximately RMB3,528,000.

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current liabilities based on the Group's earliest obligation to transfer goods or services to the customers.

28. Contract liabilities *(Continued)*

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	Sales of iron ore concentrates	Sales of gravel materials	Total
	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2020			
Revenue recognised that was included in the contract liability balance at the beginning of the year	**5,460**	**1,069**	**6,529**
For the year ended 31 December 2019			
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	–	–

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Deposits received from customers for sales of iron ore concentrates and preliminary concentrates

When the Group receives a deposit before the sales of iron ore concentrates and preliminary concentrates, this will give rise to contract liabilities at the start of a contract. The Group receives a deposit of 100% (2019: 100%) of the sales amount on acceptance of the contract from certain customers.

Deposits received from customers for sales of gravel materials

When the Group receives a deposit before the sales of gravel materials, this will give rise to contract liabilities at the start of a contract. The Group receives a deposit of 100% (2019: 100%) of the sales amount on acceptance of the contract from certain customers.

29. Lease liabilities

	2020 RMB'000	2019 RMB'000
Lease liabilities payable:		
Within one year	**3,669**	3,990
Within a period of more than one year but not exceeding two years	**–**	3,452
	3,669	7,442
Less: Amount due for settlement within 12 months shown under current liabilities	**(3,669)**	(3,990)
Amount due for settlement after 12 months shown under non-current liabilities	**–**	3,452

The weighted average incremental borrowing rates applied to lease liabilities is 6.42% (2019: 6.42%).

30. Bank borrowings

The carrying amounts of the bank borrowings are repayable:

	2020 RMB'000	2019 RMB'000
Within one year	**430,000**	555,000
Within a period of more than one year but not exceeding two years	**178,000**	–
	608,000	555,000
Less: Amounts due within one year shown under current liabilities	**(430,000)**	(555,000)
Amounts shown under non-current liabilities	**178,000**	–

Bank borrowings comprise:

	Maturity date	Effective interest rate	2020 RMB'000	2019 RMB'000
Fixed-rate bank borrowings:				
Secured bank borrowing (Note (a))	17 Apr 2021/ 18 Apr 2020	7.8%-9.23%	**290,000**	300,000
Secured bank borrowing (Note (b))	18 Jun 2020	4.35%	**–**	170,000
Secured bank borrowing (Note (c))	7 Jul 2020	6.53%	**–**	30,000
Secured bank borrowing (Note (c))	24 Nov 2020	6.53%	**–**	35,000
Secured bank borrowing (Note (c))	9 Nov 2020	6.53%	**–**	15,000
Secured bank borrowing (Note (c))	9 Nov 2020	6.53%	**–**	5,000
Secured bank borrowing (Note (d))	12 Apr 2022	9.18%	**178,000**	–
Secured bank borrowing (Note (e))	18 Jun 2021	3.8%	**140,000**	–
			608,000	555,000

30. Bank borrowings *(Continued)*

Bank borrowings comprise: *(Continued)*

Notes:

(a) On 17 April 2019, the Group entered into a bank loan agreement with the aggregate amount of RMB300,000,000. The bank loan agreement is secured by land use right and properties of a related party and independent third parties. On 16 April 2020, the Group entered into a bank loan extension agreement to extend the maturity date of the loan for one year to 17 April 2021.

(b) On 19 June 2019, the Group entered into a bank loan agreement with the aggregate amount of RMB170,000,000. The bank loan agreement is secured by the properties, plant and equipment and mining rights of certain subsidiaries of the Company.

(c) On 15 December 2015, the Group entered into a bank facility agreement with an aggregate amount of RMB160,000,000 for five years, including bank loan facilities of RMB110,000,000 and bank acceptance bill facilities of RMB50,000,000, respectively. The bank borrowing borrowed under this bank facility agreement has a term of 12 months from the date of drawdown and guaranteed by certain subsidiaries of the Company and Xinxin Mining, and secured by the lands and properties of a related party.

(d) On 21 May 2020, the Group entered into a bank loan agreement with the aggregate amount of RMB180,000,000. The bank loan agreement is guaranteed by the subsidiaries of the Company, a director of the Company and a director of a subsidiary, and secured by properties of a related party.

(e) On 18 June 2020, the Group entered into a bank loan agreement with the aggregate amount of RMB140,000,000. The bank loan agreement is secured by the properties, plant and equipment and mining rights of certain subsidiaries of the Company.

The Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial statement ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2020, the Group breached the covenant of a bank borrowing, which are primarily related to the current ratio and quick ratio of the Jiheng Mining. In any event, should the lender call for immediate repayment of the loan, the Directors believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

31. Deferred taxation

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020	2019
	RMB'000	RMB'000
Deferred tax assets	**192,280**	166,944

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Accrued expenses	Impairment losses on non-current assets	Unwinding of interest	Depreciation allowance	Accrued reclamation obligations	Provision for doubtful debt	Deferred tax liabilities arising from business combination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	28,230	83,428	7,424	15,350	8,760	3,183	(42,854)	103,521
Credit (charge) to profit or loss (Note 12)	5,886	22,947	1,106	(6,281)	(2,107)	586	42,854	64,991
Disposal of a subsidiary (Note 36)	(2,291)	–	(2,963)	3,686	–	–	–	(1,568)
At 31 December 2019	31,825	106,375	5,567	12,755	6,653	3,769	–	166,944
Credit (charge) to profit or loss (Note 12)	28,195	–	524	244	73	(3,700)	–	25,336
At 31 December 2020	**60,020**	**106,375**	**6,091**	**12,999**	**6,726**	**69**	**–**	**192,280**

31. Deferred taxation *(Continued)*

Deferred tax assets not recognised

As at 31 December 2020, the Group has unutilised tax losses of approximately RMB155,935,000 (2019: RMB305,047,000), available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams.

Included in unutilised tax losses as at 31 December 2020 were losses of approximately RMB18,647,000 (2019: RMB167,759,000) that would expire in five years and the remaining balance would not expire under the current tax legislation.

Deferred tax liabilities not recognised

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB522,365,000 (2019: RMB542,212,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

32. Other financial liabilities

	2020 **RMB'000**	2019 RMB'000
Consideration payables for the acquisition of mining rights	**138,704**	170,635
Less: current portion	**(23,009)**	(38,971)
	115,695	131,664

In March 2012 and January 2013, the Group acquired the Gufen Mine, Wang'ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine from Hebei Provincial Department of Land and Resources for considerations of RMB365,545,000 in aggregate and repayable by annual instalments with original payment periods over five to seven years.

In accordance with Ji Guo Tu Zi Han No. [2015]1011 issued on 11 November 2015, Hebei Provincial Department of Land and Resources approved a revised annual instalment schedule in relation to the remaining parts of the above mining rights consideration payables and the payment periods were extended to 2022.

32. Other financial liabilities *(Continued)*

In 2017, the Group filed an administrative reconsideration to Ministry of Land and Resources. The result of administrative reconsideration showed that the above annual instalment schedule for Wang'ergou Mine and Shuanmazhuang Mine had been reversed. The amounts borne by the Group would be assessed by Hebei Provincial Department of Land and Resources. The Directors are of the opinion that the remaining parts of mining rights consideration payable amounting to approximately RMB78,833,000 (2019: approximately RMB77,818,000) for Wang'ergou Mine and Shuanmazhuang Mine as at 31 December 2020 and 2019 would not be payable or paid within one year, in this connection, the Group reclassified the amounts originally accounted for in current portion into the non-current portion.

The Group's long-term payables were repayable as follows:

	2020 **RMB'000**	2019 RMB'000
Within 1 year	**23,009**	38,971
After 1 year but within 2 years	**–**	18,996
After 2 year but within 5 years	**115,695**	112,668
	138,704	170,635

33. Provision for reclamation obligations

	2020 **RMB'000**	2019 RMB'000
At 1 January	**39,320**	62,241
Accretion expenses (Note 10)	**835**	1,344
Utilised during the year	**(1,558)**	(1,453)
Disposal of a subsidiary (Note 36)	**–**	(22,812)
At 31 December	**38,597**	39,320
Less: current portion	**(3,392)**	(3,048)
	35,205	36,272

The provision for reclamation costs has been determined based on management's best estimates. The estimate of the associated costs may be subject to change in the near term when the reclamation on the land from current mining activities becomes apparent in future periods. The Group's management believes that the provision for reclamation obligations at the end of the respective reporting periods are adequate and appropriate. The provision is based on estimates and therefore, the ultimate liability may exceed or be less than such estimate.

34. Share capital

	Par value per share HK$	Number of shares '000	Amount RMB'000
Ordinary shares:			
Authorised:			
At 1 January 2019, 31 December 2019 and **31 December 2020**	**0.0001**	**10,000,000**	**800**
Issued and fully paid:			
At 1 January 2019, 31 December 2019 and **31 December 2020**	**0.0001**	**1,635,330**	**131**

All ordinary shares rank pari passu in all respects.

35. Retirement benefits scheme

The Group operates a MPF scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs capped at HK$1,500 per month to MPF scheme, in which the contribution is matched by employees.

Employees of the Group are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds at a rate of 12% of the bases determined by referencing to the prevailing average salary of Hebei Province and as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The total expense recognised in profit or loss of approximately RMB221,000 (2019: approximately RMB4,552,000) represents contributions paid and payable to these plans by the Group at rates specified in the rules of the plans.

As at 31 December 2020, contributions of approximately RMB2,000 (2019: approximately RMB2,864,000) due in respect of the year ended 31 December 2020 had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

At 31 December 2020 and 31 December 2019, the Group had no forfeited contribution available to reduce its contributions to the retirement benefit schemes in future years.

36. Disposal of a subsidiary

For the year ended 31 December 2019

Disposal of Xinxin Mining

On 3 June 2019, the Group disposed of its 100% equity interests of Xinxin Mining, at a consideration of RMB36,000,000 to an independent third party. The disposal was completed on 3 June 2019 and the Group had received all the consideration as at 30 June 2019. The net assets of Xinxin Mining at the date of disposal were as follows:

Consideration received:	RMB'000
Cash received	36,000

36. Disposal of a subsidiary *(Continued)*

For the year ended 31 December 2019 *(Continued)*

Disposal of Xinxin Mining *(Continued)*

Analysis of net assets over which control was lost:	RMB'000
Property, plant and equipment	77,950
Intangible assets	31,860
Deferred tax assets	1,568
Long term receivables	14,420
Other non-current assets	982
Inventories	5,335
Trade and other receivables	211
Bank balances and cash	224
Trade and other payables	(6,598)
Tax payable	(154)
Current portion of other financial liabilities	(12,619)
Current portion of provision for reclamation obligations	(3,460)
Other financial liabilities	(59,791)
Provision for reclamation obligations, less current portion	(19,352)
Net assets disposed of	30,576
Gain on disposal of Xinxin Mining:	
Consideration received	36,000
Net assets disposed of	(30,576)
	5,424
Net cash inflow arising on disposal of Xinxin Mining:	
Cash received	36,000
Less: Bank balances and cash disposed of	(224)
	35,776

37. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows from financing activities:

	Accrued interest (included in other payables)	Bank borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	444	280,000	11,659	292,103
Changes from cash flows:				
Repayment of lease liabilities	–	–	(4,230)	(4,230)
New bank borrowings raised	–	555,000	–	555,000
Repayment of bank borrowings	–	(280,000)	–	(280,000)
Interest paid	(32,516)	–	–	(32,516)
	(32,516)	275,000	(4,230)	238,254
Non-cash changes:				
Interest expenses	33,594	–	13	33,607
At 31 December 2019	1,522	555,000	7,442	563,964
Changes from cash flows:				
Repayment of lease liabilities	**–**	**–**	**(4,230)**	**(4,230)**
New bank borrowings raised	**–**	**390,000**	**–**	**390,000**
Repayment of bank borrowings	**–**	**(337,000)**	**–**	**(337,000)**
Interest paid	**(34,622)**	**–**	**–**	**(34,622)**
	(34,622)	**53,000**	**(4,230)**	**14,148**
Non-cash changes:				
Interest expenses	**35,281**	**–**	**457**	**35,738**
At 31 December 2020	**2,181**	**608,000**	**3,669**	**613,850**

38. Pledge of or restrictions on assets

Pledge of assets

The Group's bank borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	2020 RMB'000	2019 RMB'000
Property, plant and equipment (excluded right-of-use assets) (Note 18)	**27,750**	39,626
Right-of-use assets (Note 18)	**10,102**	10,382
Intangible assets (Note 20)	**55**	55
Pledged bank deposit (Note 26)	**300,000**	–
	337,907	50,063

Restrictions on assets

In addition, lease liabilities of approximately RMB3,669,000 are recognised with related right-of-use assets, included in property, plant and equipment, of approximately RMB7,790,000 as at 31 December 2020 (2019: lease liabilities of approximately RMB7,442,000 and related right-of-use assets of approximately RMB11,461,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

39. Commitments and contingencies

(a) Capital commitments

	2020 RMB'000	2019 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**41,487**	–

(b) Environmental contingencies

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. Laws and regulations protecting the environment have generally become more stringent in recent years and could become more stringent in the future. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. However, environmental laws and regulations continue to evolve. Management of the Group regularly reassesses environmental remediation for its operations. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include:

39. Commitments and contingencies *(Continued)*

(b) Environmental contingencies *(Continued)*

(i) the exact nature and extent of the contamination at the mines and processing plants;

(ii) the extent of required clean-up efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed for future environmental legislation cannot be reasonably estimated at present and could be material.

During the year ended 31 December 2020, the Group has implemented the requirements in accordance with the "Code for Green Mine Construction in the Nonferrous Metals Industry" (DZ/T 0320-2018). The implementation of the green mine construction including engaging designers, consultants and environmental management companies to work with internal experts to formulate the green mine plans. The group also strengthen the self-discipline in the mining operations, undertaking the corporate responsibility of saving resources, energy conservation and emission reduction, environmental reconstruction, land reclamation, assisting local economic and social development, increasing investment in mine environmental protection and governance. Jiheng Mining has obtained the title of provincial green mine in February 2021.

(c) Governmental and regulatory levies

The Group is subject to certain levies (mineral resources compensation, water and soil loss compensation, pollutant discharge fee and etc.) imposed by relevant government authorities in accordance with relevant PRC laws and regulations. Under such laws and regulations, the Group has fully fulfilled their responsibilities in paying the respective levies during the years presented. The Directors are of the opinion that the Group had no other material obligations or liabilities of such levies at the end of the reporting period.

40. Related party transactions

During the years presented, the Group entered into transactions with the following related parties.

Name of party	Relationship
Mr. Li Yanjun	The ultimate controller and the Director
Mr. Li Ziwei	The ultimate controller and the Director
Hebei Aowei Industrial Group. Co., Limited* ("**Hebei Aowei**")	A company ultimately owned by Mr. Li Yanjun
Aowei International Development Limited	A company ultimately owned by Mr. Li Yanjun and Mr. Li Ziwei
Hengshi Holdings Limited	A company ultimately owned by Mr. Li Yanjun and Mr. Li Ziwei
Hengshi International Investments Limited	A company ultimately owned by Mr. Li Yanjun and Mr. Li Ziwei
Beijing Tong Da Guang Yue Trading Co., Limited* ("**Tong Da**")	A joint venture owned by Mr. Li Yanjun
Xiong'an New Area Education Development Foundation ("**Xiong'an Foundation**")	Mr. Li Yanjun is one of the directors of Xiong'an Foundation

Other than as disclosed elsewhere in the consolidated financial statements, the Group had following transactions with related parties:

	Notes	**2020** **RMB'000**	2019 RMB'000
Property leasing charge	*(a)*	**3,900**	4,270
Donation	*(b)*	**10,000**	–

Notes:

(a) Property leasing charges represent office rental paid and payable to Hebei Aowei.

* For identification purpose only

40. Related party transactions *(Continued)*

Notes: (Continued)

(b) During the year ended 31 December 2020, the Group donated RMB10,000,000 to Xiong'an New Area Education Development Foundation ("**Xiong'an Foundation**"). Mr. Li Yanjun is one of the directors of Xiong'an Foundation.

(c) As at 31 December 2019, the bank borrowings of RMB85,000,000 are secured by the lands and properties of Tong Da and guaranteed by certain subsidiaries of the Company and Xinxin Mining. The bank borrowings has been fully repaid during the year ended 31 December 2020.

As at 31 December 2020, the bank borrowing of RMB290,000,000 (2019: RMB300,000,000) is secured by land use right and properties of Hebei Aowei and independent third parties.

As at 31 December 2020, the bank borrowing of RMB178,000,000 (2019: Nil) is secured by the properties of Tong Da and guaranteed by certain subsidiaries of the Company, Mr. Li Yanjun and Mr. Li Mengzhe, a director of a subsidiary of the Company.

(d) The Directors are of the view that the terms of the above related party transactions are fair and reasonable, based on normal commercial terms where no charge over assets of the Group is created in respect of the above transactions.

Compensation of key management personnel

The remuneration for key management personnel, including amounts paid to the Directors as disclosed in Note 14 and certain of the highest paid employees as disclosed in Note 15, is as follows:

	2020 RMB'000	2019 RMB'000
Basic salaries, allowances and benefits in kind	**4,174**	5,599
Retirement scheme contributions	**22**	52
	4,196	5,651

The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

41. Comparative figures

During the year ended 31 December 2020, for enhancing the relevance of the presentation of the consolidated financial statements, reclassifications have been made to certain comparative figures presented in the consolidated financial statements in respect of the prior year to achieve comparability with the current year's presentation. As a result, the following line items regarding comparative figures have been amended and adjusted, together with the related notes to conform to the current year's presentations:

	Notes	**Previous reported** RMB'000	**Reclassification** RMB'000	**As restated** RMB'000
Consolidated Statement of Profit or Loss				
Other income, gains and losses, net	*(a)*	–	26	26
Finance income	*(a)*	130	(130)	–
Administrative expenses	*(a)*	(85,047)	(104)	(84,943)
Impairment losses	*(b)*	(259,786)	259,786	–
Impairment losses under expected credit loss model, net	*(b)*	–	(2,816)	(2,816)
Impairment losses recognised in respect of property, plant and equipment	*(b)*	–	(73,518)	(73,518)
Impairment losses recognised in respect of intangible assets	*(b)*	–	(183,452)	(183,452)
Consolidated Statement of Financial Position				
Trade and other payables	*(c)*	172,652	(10,283)	162,369
Contract liabilities	*(c)*	–	10,283	10,283
Current portion of long term payables	*(d)*	38,971	(38,971)	–
Other financial liabilities – current	*(d)*	–	38,971	38,971
Long-term payables, less current portion	*(d)*	131,644	(131,644)	–
Other financial liabilities – non-current	*(d)*	–	131,644	131,644

41. Comparative figures *(Continued)*

Notes:

(a) Interest income and certain other income, gains and losses were reclassified from "Finance income" and "Administrative expenses" respectively to "Other income, gains and losses, net".

(b) "Impairment losses on property, plant and equipment and intangible assets" and "Impairment losses on trade and other receivables" included in "Impairment losses" were reclassified to "Impairment losses recognised in respect of property, plant and equipment", "Impairment losses recognised in respect of intangible assets" and "Impairment losses under expected credit loss model, net" respectively.

(c) Deposits received from customers was reclassified from "Trade and other payables" to "contract liabilities".

(d) Consideration payables for the acquisition of mining rights was reclassified from "Long-term payable – current" and "Long-term payable – non-current" to "Other financial liabilities – current" and "Other financial liabilities – non-current" respectively.

42. Particulars of principal subsidiaries of the Company

Details of the subsidiaries at the end of the reporting period are as follows:

Name of subsidiaries	Place of incorporation/ principal place of operation	Paid-up share capital/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
			2020		2019		2020		2019		
			Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
			%	%	%	%	%	%	%	%	
Hengshi Development International Limited 恒實發展國際有限公司	Hong Kong	100 shares of HK$1.00 each	100	–	100	–	100	–	100	–	Investment holding
Beijing Panshi Industrial Co., Ltd.*+ 北京盤實實業有限公司	PRC	RMB 150,000,000	–	100	–	100	–	100	–	100	Investment holding
Beijing Hengwen Industrial Co., Ltd.*+ 北京恒穩實業有限公司	PRC	RMB 120,000,000	–	100	–	100	–	100	–	100	Investment holding
Laiyuan County Aowei Mining Investments Co., Ltd.*+ 淶源縣奧威礦業投資有限公司	PRC	RMB 120,000,000	–	100	–	100	–	100	–	100	Investment holding
Jingyuancheng Mining*+ 淶源縣京源城礦業有限公司	PRC	RMB 160,000,000	–	100	–	100	–	100	–	100	Mining, processing and sale of iron ore products

42. Particulars of principal subsidiaries of the Company *(Continued)*

Name of subsidiaries	Place of incorporation/ principal place of operation	Paid-up share capital/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
			2020		2019		2020		2019		
			Directly %	Indirectly %	Directly %	Indirectly %	Directly %	Indirectly %	Directly %	Indirectly %	
Jiheng Mining*+	PRC	RMB 100,000,000	–	100	–	100	–	100	–	100	Mining, processing and sale of iron ore products
Xinan Investments Limited	British Virgin Islands	1 share of USD1.00 each	100	–	100	–	100	–	100	–	Investment holding
Xinan Limited	Hong Kong	1 share of HK$1.00 each	–	100	–	100	–	100	–	100	Investment holding
Baoding Xinan*+	PRC	RMB 5,000,000	–	100	–	100	–	100	–	100	Hospital management
Baoding Aoxiang Property Services Co.,Ltd.*+	PRC	RMB 1,000,000	–	100	–	100	–	100	–	100	Property management
Baoding Xiang'an Pharmaceutical Sales Co., Ltd.*+	PRC	RMB 4,000,000	–	100	–	100	–	100	–	100	Supply chain business

* For identification purpose only
\+ A wholly foreign owned enterprise established in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

43. Statement of financial position and reserves of the Company

	2020 RMB'000	2019 RMB'000
Non-current asset		
Investments in subsidiaries	152,834	369,419
Current assets		
Other receivables	36	–
Amounts due from subsidiaries	881,586	878,057
Bank balances and cash	825	9,804
	882,447	887,861
Current liabilities		
Other payables	3,133	238
Amounts due to subsidiaries	700	700
	3,833	938
Net current assets	878,614	886,923
Net assets	1,031,448	1,256,342
Capital and reserves		
Share capital	131	131
Reserves	1,031,317	1,256,211
Total equity	1,031,448	1,256,342

The Company's statement of financial position was approved and authorised for issue by the board of directors on 20 September 2022 and are signed on its behalf by:

LI YANJUN
Director

LI ZIWEI
Director

43. Statement of financial position and reserves of the Company *(Continued)*

Movement of the Company's reserves

	Share premium	Exchange reserve	Other reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	1,142,640	311	150,576	(34,662)	1,258,865
Loss for the year	–	–	–	(3,279)	(3,279)
Other comprehensive income	–	625	–	–	625
At 31 December 2019	1,142,640	936	150,576	(37,941)	1,256,211
Loss for the year	–	–	–	(223,083)	(223,083)
Other comprehensive expense	–	(1,811)	–	–	(1,811)
At 31 December 2020	**1,142,640**	**(875)**	**150,576**	**(261,024)**	**1,031,317**

44. Events after the reporting period

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

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

* For identification purpose only