奥威控股有限公司
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

2022
INTERIM REPORT

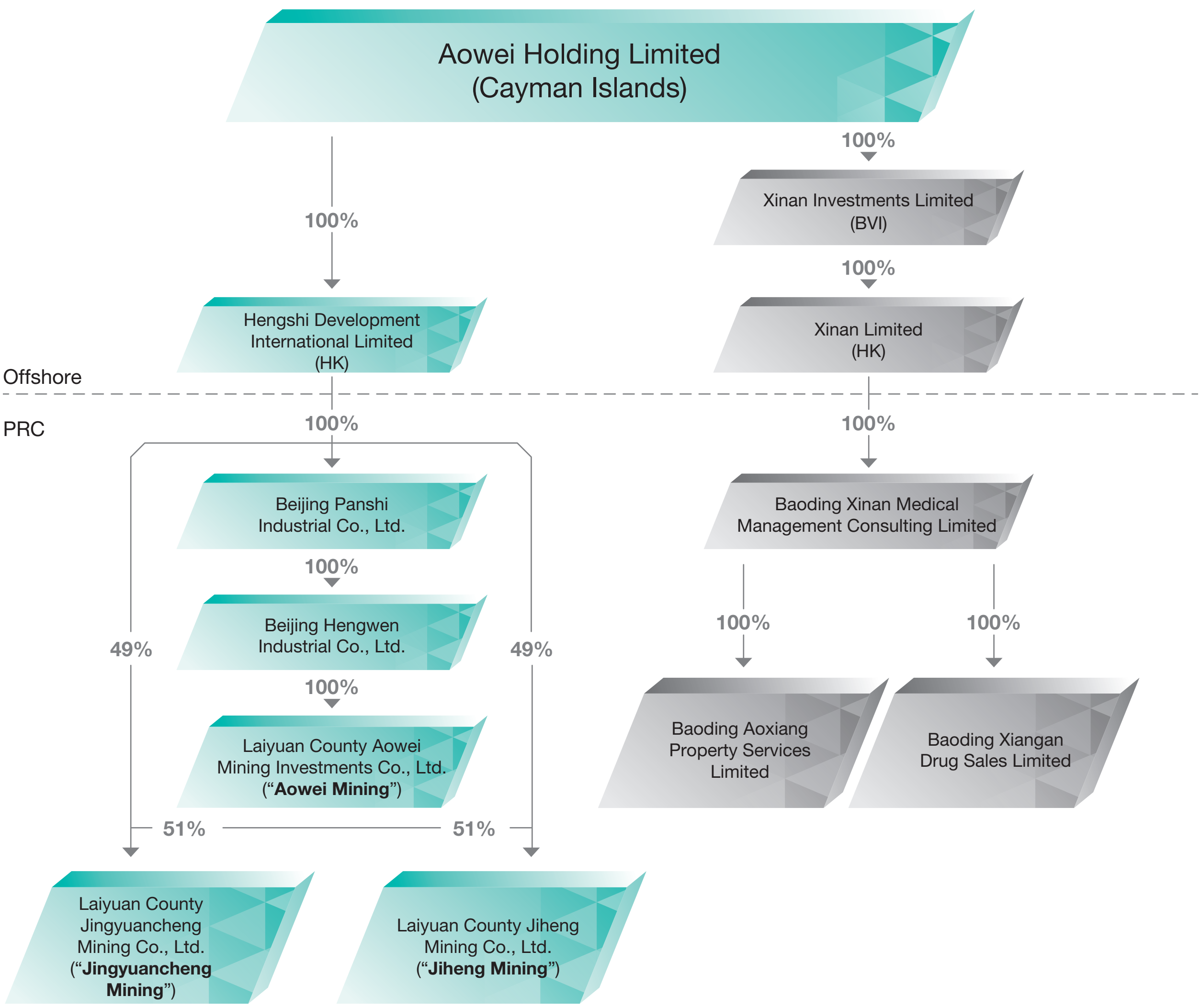

CORE VALUE
Value for
OUR Shareholders
Wealth for
the Society
CREATE
Prospects for
OUR Employees

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 sales products including iron ores, preliminary concentrates and iron ore concentrates; (ii) the green construction materials, machine crushed 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 Accounting and 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 INQUIRES

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. Tu Quanping

Independent Non-executive Directors

Mr. Ge Xinjian
Mr. Meng Likun
Mr. Wong Sze Lok

AUDIT COMMITTEE

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

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

FINANCIAL HIGHLIGHTS

The revenue of the Group for the period ended 30 June 2022 (the "**Reporting Period**") was approximately RMB537.2 million, representing a decrease of approximately RMB68.7 million or 11.3% as compared with the corresponding period last year.

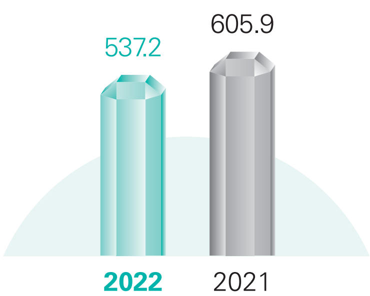
The Group's gross profit was approximately RMB139.6 million for the Reporting Period, representing a decrease of approximately RMB112.2 million or 44.6% as compared with the corresponding period last year; the Group's gross profit margin for the Reporting Period was approximately 26.0%.

For the Reporting Period, the profit attributable to the equity shareholders of the Company was approximately RMB44.7 million, representing a decrease of approximately RMB100.3 million or 69.2% as compared with the corresponding period last year.

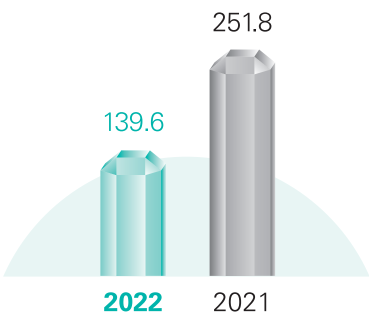
The Group's basic earnings per share attributable to equity shareholders for the Reporting Period was RMB0.03 per share, representing a decrease of RMB0.06 per share as compared with the corresponding period last year.

The board (the "**Board**") of directors (the "**Directors**") of the Company does not recommend the payment of any interim dividend for the Reporting Period.

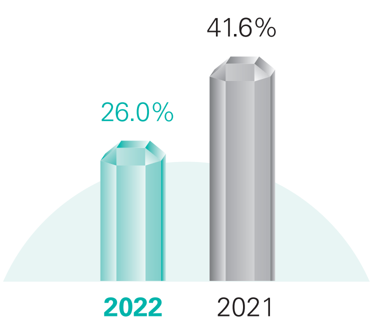
REVENUE (RMB million)
for the six months ended 30 June



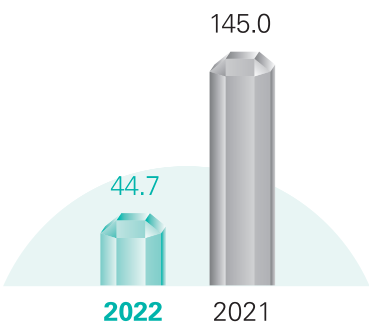
GROSS PROFIT (RMB million)
for the six months ended 30 June



GROSS PROFIT MARGIN
for the six months ended 30 June



PROFIT FOR THE PERIOD (RMB million)
for the six months ended 30 June



MANAGEMENT DISCUSSION AND ANALYSIS

IRON ORE BUSINESS

Market Review

In the first half of 2022, affected by various factors such as the Russia-Ukraine crisis and the continuous fermentation and upgrading of sanctions measures, the continuous rise of global inflation, interest rate hike by the Federal Reserve, the novel coronavirus ("**COVID-19**") pandemic and prevention and control policies, the global economic growth has slowed down and the downside risk has intensified, with an expected decrease to 3.2%. The economic growth of China has also slowed down significantly. Facing the complicated global situation, economic environment and the new round of the COVID-19 pandemic, the Chinese government efficiently coordinated the pandemic prevention and control and economic and social development, and strengthened the adjustment of macro policies. Through the effective implementation of a package of policies and measures to stabilise the economy, the Chinese government has accelerated the resumption of work, production, business and market, resulting in a gradual recovery of China's economic recovery. In the first half of 2022, China's GDP grew by 2.5% year-on-year.

Affected by the pandemic and changes in supply and demand, the iron ore price rose and then fell in the first half of 2022, with the overall decline significantly as compared with the corresponding period last year. As of 30 June 2022, the average Platts 62% Iron Ore Index was approximately US$139.8 per ton, representing a decline of approximately 23.2% as compared with the corresponding period last year.

In the first half of 2022, overcoming the impact as a result of the sluggish industrial and supply chains caused by the repeated pandemic, as well as the fluctuation of the market price of iron ore, the Company performed well on pandemic prevention and control in an attentive and practical manner, and maintained its stable operation. During the Reporting Period, the Group recorded operating revenue of approximately RMB537.2 million, representing a decrease of approximately 11.3% year-on-year as compared to last year, which was mainly due to the decrease in iron ore price as compared with the corresponding period last year.

Business Review

In the first half of 2022, the Group continued to consolidate the pandemic prevention and control measures, and strived to ensure the stable operation of the Group's iron ore business through various measures such as efficient production, cost reduction and efficiency improvement. During the Reporting Period, the Group's output of iron ore concentrates was approximately 568.0 Kt, representing an increase of approximately 4.0% as compared with the corresponding period last year; during the Reporting Period, the Group's sales of iron ore concentrates were approximately 563.1 Kt, representing an increase of approximately 2.5% as compared with the corresponding period last year. During the Reporting Period, unit cash operating cost for iron ore concentrates of Jingyuancheng Mining was approximately RMB750.6 per ton; unit cash operating cost for iron ore concentrates of Jiheng Mining was approximately RMB400.8 per ton.

The following table sets forth a breakdown of the production and sales volume of each of the operating subsidiaries of the Group:

	Six months ended 30 June Output (Kt)			Six months ended 30 June Sales Volume (Kt)			Six months ended 30 June Average Sales Price (RMB)		
The Group	**2022**	2021	% change	**2022**	2021	% change	**2022**	2021	% change
Jiheng Mining	**277.04**	256.61	7.96%	**272.81**	257.92	5.77%	**809.96**	1,026.47	(21.09)%
Jingyuancheng Mining	**290.91**	289.32	0.55%	**290.27**	291.58	(0.45)%	**859.74**	1,078.68	(20.30)%
Iron ore concentrates **Total**	**567.95**	545.93	4.03%	**563.08**	549.50	2.47%	**835.62**	1,054.17	(20.73)%

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%.

MINES IN OPERATION

Zhijiazhuang Mine

Zhijiazhuang Mine, which is wholly-owned and operated by the Group's wholly-owned subsidiary, Jiheng Mining, is located in Yangjiazhuang Village, Laiyuan County, the PRC. It has a mining permit covering the area of 0.3337 sq.km. and has comprehensive basic infrastructure such as water, electricity, highway and railway. As of 30 June 2022, the annual mining capacity of Zhijiazhuang Mine was 2.4 Mtpa, and the dry processing capacity and the wet processing capacity were 4.2 Mtpa and 1.8 Mtpa respectively.

During the Reporting Period, Zhijiazhuang Mine had not conducted new exploration activities, and had no new exploration expenses.

The following table sets forth a breakdown of the production of Zhijiazhuang Mine:

		Six months ended 30 June		
Items	**Unit**	**2022**	2021	% change
Mine				
Of which: (≥8%) raw ores	Kt	**993.47**	629.09	57.92%
Stripping in production	Kt	**99.80**	392.45	(74.57)%
Stripping ratio in production	t/t	**0.10**	0.62	(83.87)%
Dry processing				
Raw ore feed	Kt	**1,564.87**	1,173.97	33.30%
Preliminary concentrates output	Kt	**690.30**	524.64	31.58%
By-product feed/preliminary concentrates output	t/t	**2.27**	2.24	1.34%
Wet processing				
Preliminary concentrates feed	Kt	**774.31**	710.83	8.93%
Iron ore concentrates output	Kt	**277.04**	256.61	7.96%
Preliminary concentrates feed/iron ore concentrates output	t/t	**2.79**	2.77	0.72%

The following table sets forth a breakdown of the average unit cash operating costs of the iron ore concentrates of Zhijiazhuang Mine for the six months ended 30 June 2022:

Unit: RMB per ton	Six months ended 30 June		
	2022	2021	% change
Mining costs	**112.16**	148.55	(24.50)%
Dry processing costs	**53.52**	38.04	40.69%
Wet processing costs	**132.18**	174.38	(24.20)%
Administrative expenses	**80.95**	65.46	23.66%
Taxation	**21.98**	28.03	(21.58)%
Total	**400.79**	454.46	(11.81)%

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 Village, Laiyuan County, the PRC. 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 infrastructure such as water, electricity and highway. As of 30 June 2022, the aggregate annual mining capacity of Wang'ergou Mine and Shuanmazhuang Mine was 14.0 Mtpa, and the dry processing capacity and wet processing capacity were 17.6 Mtpa and 3.5 Mtpa, respectively.

During the Reporting Period, Wang'ergou Mine and Shuanmazhuang Mine had not conducted new exploration activities, and had no new exploration expenses.

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

Items	Unit	Six months ended 30 June 2022	2021	% change
Mine				
Of which: raw ores	Kt	**4,823.55**	4,994.76	(3.43)%
Stripping in production	Kt	**4,675.87**	4,548.91	2.79%
Stripping ratio in production	t/t	**0.97**	0.91	6.59%
Dry processing				
Raw ore feed	Kt	**4,747.41**	4,967.02	(4.42)%
Preliminary concentrates output	Kt	**836.19**	920.18	(9.13)%
By-product feed/preliminary concentrates output	t/t	**5.68**	5.40	5.19%
Wet processing				
Preliminary concentrates feed	Kt	**997.71**	983.74	1.42%
Iron ore concentrates output	Kt	**290.91**	289.32	0.55%
Preliminary concentrates feed/iron ore concentrates output	t/t	**3.43**	3.40	0.88%

The following table sets forth a breakdown of the average unit cash operating costs of the iron ore concentrates of Wang'ergou Mine and Shuanmazhuang Mine:

Unit: RMB per ton	Six months ended 30 June 2022	2021	% change
Mining costs	**385.44**	385.05	0.10%
Dry processing costs	**182.22**	119.70	52.23%
Wet processing costs	**97.99**	91.70	6.86%
Administrative expenses	**53.47**	41.76	28.04%
Distribution expenses	**1.41**	3.68	(61.68)%
Taxation	**30.08**	50.62	(40.58)%
Total	**750.61**	692.51	8.39%

Green Construction Materials – Construction Sand and Gravel Materials Business

2022 is a year of hard battle for the 14th Five-Year Plan, and is also a crucial year for promoting the comprehensive utilisation of bulk solid waste, improving resource utilisation efficiency, energy conservation and carbon efficiency improvement, perfecting the green, low-carbon and circular economic development system, and accelerating the comprehensive green transformation of economic and social development. The Chinese government has also introduced a number of policies and regulations to promote the comprehensive utilisation of bulk solid waste, and vigorously promoted the high-quality development of the industry. This will also be an inevitable trend for the comprehensive utilisation of bulk solid waste industry to maintain "steady progress". With advanced equipment, high-quality products and large-scale system, the Company was awarded as a demonstration key enterprise for comprehensive utilisation of bulk solid waste by the National Development and Reform Commission, which is an important and positive milestone for the Company's development of green construction materials and solid waste comprehensive utilisation projects.

As of 30 June 2022, the total treatment capacity of the Group's solid waste comprehensive utilisation projects was approximately 6.4 Mtpa, of which the treatment capacity of the solid waste comprehensive utilisation project of Jiheng Mining was 3.7 Mtpa; the treatment capacity of the solid waste comprehensive utilisation project of Jingyuancheng Mining was approximately 2.7 Mtpa.

The following is a breakdown of the Group's production and sales of sand and gravel materials:

		As of 30 June 2022			
Subsidiaries	**Products**	**Output** (Kt)	**Sales Volume** (Kt)	**Average Sales Price** (RMB)	**Average Unit Cash Operating Costs** (RMB)
Jiheng Mining	Building stones	**449.16**	**438.32**	**29.57**	**8.89**
	Crushed sand	**468.62**	**470.04**	**38.90**	**14.22**
Jingyuancheng Mining	Building stones	**465.62**	**493.91**	**29.85**	**6.82**
	Crushed sand	**606.25**	**512.02**	**37.10**	**12.91**
Total		**1,989.65**	**1,914.29**	**33.95**	**10.89**

SAFETY AND ENVIRONMENTAL PROTECTION

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

FINANCIAL REVIEW

Revenue

The Group's revenue for the Reporting Period was approximately RMB537.2 million, representing a decrease of approximately RMB68.7 million or 11.3% as compared with the corresponding period of last year, which was mainly due to the decrease in the price of iron ore concentrates during the Reporting Period as compared with the corresponding period of last year.

Cost of Sales

The Group's cost of sales for the Reporting Period was approximately RMB397.6 million, representing an increase of approximately RMB43.5 million or 12.3% as compared to the corresponding period of last year, which was mainly due to the increase in sales volume of the Group's iron ore concentrates and gravel materials during the Reporting Period.

Gross Profit and Gross Profit Margin

The Group's gross profit for the Reporting Period was approximately RMB139.6 million, while the gross profit for the corresponding period of last year was approximately RMB251.8 million. The decrease in gross profit was mainly due to the decrease in sales price of iron ore concentrates during the Reporting Period. The gross profit margin was 26.0%, decreased by approximately 15.6% as compared to the corresponding period of last year.

Distribution Expenses

The Group's distribution expenses for the Reporting Period were approximately RMB0.3 million, representing a decrease of approximately RMB5.8 million or 95.1% as compared with the corresponding period of last year, which was mainly due to the decrease in the total sales volume of the products, of which the Group were responsible for the delivery to customers and the related transportation cost during the Reporting Period as compared with the corresponding period of last year.

Administrative Expenses

The Group's administrative expenses for the Reporting Period were approximately RMB52.3 million, representing an increase of approximately RMB13.0 million or 33.1% as compared to the corresponding period of last year, which was mainly due to the increase in the Group's professional services fees and wages during the Reporting Period.

Finance Costs

The Group's finance costs for the Reporting Period were approximately RMB16.7 million, representing a decrease of approximately RMB1.2 million or 6.7% as compared with the corresponding period of last year, which was mainly due to the decrease in the Group's bank borrowings. Finance costs consist of interest expenses on bank borrowings and other finance expenses.

Income Tax Expenses

The Group's income tax expenses for the Reporting Period were approximately RMB22.7 million, while the income tax expenses for the corresponding period of last year were approximately RMB37.4 million. The income tax expenses comprise the sum of current tax of approximately RMB18.3 million and deferred tax of approximately RMB4.4 million.

Profit, Total Comprehensive Income of the Group for the Period

The Group's profit after tax for the Reporting Period was approximately RMB44.7 million, representing a decrease of approximately RMB100.3 million as compared with the corresponding period of last year, which was mainly due to the decrease in gross profit during the Reporting Period.

Property, Plant and Equipment

The net carrying value of the Group's property, plant and equipment amounted to approximately RMB1,286.3 million as of 30 June 2022, representing a decrease of RMB28.6 million or 2.2% as compared with the end of last year.

Construction in Progress

Construction in progress of the Group amounted to approximately RMB330.1 million as of 30 June 2022, representing an increase of approximately RMB6.3 million as compared with the end of last year.

Intangible Assets

Intangible assets of the Group mainly include mining rights and related premium paid to obtain the mining rights. As of 30 June 2022, the net value of the Group's intangible assets was approximately RMB73.4 million, representing an increase of approximately RMB2.5 million as compared with the end of last year.

Inventories

Inventories of the Group amounted to approximately RMB100.3 million as of 30 June 2022, representing a decrease of approximately RMB21.1 million or 17.4% as compared with the end of last year, the change was mainly due to the decrease in raw materials inventories during the Reporting Period.

Trade and Other Receivables

The Group's trade receivables amounted to approximately RMB68.7 million as of 30 June 2022, representing a decrease of approximately RMB16.5 million as compared with the end of last year, which was mainly due to the decrease in amount of credit sales during the credit period. The Group's other receivables amounted to approximately RMB314.0 million as of 30 June 2022, representing an increase of approximately RMB77.0 million as compared with the end of last year.

As at 30 June 2022, prepayments to Laiyuan County Huiguang Logistics Co., Ltd. ("**Huiguang**") for onsite loading services, and to Laiyuan County Aotong Transportation Co., Ltd. ("**Aotong**"), Laiyuan County Ruitong Transportation Co., Ltd. ("**Ruitong**") and Rongcheng Ronghui Logistics Co., Ltd. ("**Ronghui**") for transportation services were amounted to RMB77.2 million, RMB20.7 million, RMB12.5 million and RMB0.3 million (31 December 2021: RMB83.0 million, RMB26.1 million, RMB30.3 million and RMB39.8 million), respectively.

Trade and Other Payables

The Group's trade payables amounted to approximately RMB154.0 million as of 30 June 2022, representing an increase of approximately RMB47.5 million as compared with the end of last year, which was mainly due to the increase in trade payables to main suppliers. The Group's other payables amounted to approximately RMB149.1 million as of 30 June 2022, representing an increase of approximately RMB9.2 million as compared with the end of last year, which was mainly due to the increase in the accruals during the Reporting Period.

Cash and Borrowings

As of 30 June 2022, the cash balances of the Group amounted to approximately RMB63.1 million, representing a decrease of approximately RMB41.0 million as compared with the end of last year.

As of 30 June 2022, bank borrowings of the Group was RMB424.0 million, representing a decrease of approximately RMB133.0 million or 23.9% as compared to the end of last year. The interest rates of the borrowings as of 30 June 2022 ranged from 9.185% to 9.23% per annum. The Group's bank borrowings of RMB247.0 million were accounted for as current liabilities as of 30 June 2022.

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 30 June 2022 and up to the date of this report.

As of 30 June 2022, the overall financial status of the Group remained in a good condition.

Gearing Ratio

The gearing ratio of the Group was approximately 17.1% as of 30 June 2022, representing a decrease of approximately 5.9% as compared to the end of last year. The gearing ratio was calculated as total bank borrowings divided by total assets.

Capital commitment

At 30 June 2022, the total capital commitments of the Group amounted to approximately RMB70.0 million (31 December 2021: approximately RMB81.6 million).

Interest Rate Risk and Foreign Currency Risk

The fair value interest rate risk of the Group is primarily related to bank borrowings. Most of the bank borrowings of the Group are due within one to two years. Therefore their fair value interest rate risk is low. The Company currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider to hedge significant interest rate exposure if necessary.

The principal business of the Group is located in the PRC and the principal operation and transactions are carried out in RMB. Substantially all of the assets and liabilities of the Group are denominated in RMB. Since RMB is not freely convertible, the Chinese government may take actions to affect the exchange rate exposure, which may affect the Group's net assets, earnings and any dividends it declares if such dividends are translated into foreign currency. The Group had no hedging in respect of the exchange rate risk.

Significant Acquisitions and Disposals of Subsidiaries, Affiliated Companies and Joint Ventures

The Group did not have any significant acquisition and disposal of subsidiaries, affiliated companies and joint ventures for the Reporting Period.

Pledge of Assets and Contingent Liabilities

As of 30 June 2022, the Group's bank borrowings of RMB177.0 million and RMB247.0 million were secured by the land use rights and properties of a related party of the Group, and collectively secured by land use rights and properties of third parties and a related party, respectively.

Save for those disclosed above in this report, the Group had no material contingent liabilities as of 30 June 2022.

Future plan and outlook

Looking forward to the second half of 2022, the global political and economic situation will remain uncertain, and the Russia-Ukraine conflicts will not be eased, and the profound impact derived therefrom will continue. Exchange and interest rate risks and inflation risk will put pressure on the recovery of China and the world after the impact of the pandemic. In the face of global economic downturn, exchange and interest rate risks and inflation risk, the Group will maintain a prudent approach in managing its businesses and strategies, as well as make contingency plans, strengthen risk control and capital control to ensure the steady development of the Group.

Under the crisis of high inflation, the Group will also focus on strengthening the special work of cost reduction and efficiency improvement, continue to strengthen the level of refined management, strictly control major capital expenditures and implement budget control and cost reduction and efficiency improvement measures. At the same time, the Group will improve the production process and product quality through technical means to further ensure the stable and long-term operation of the Company's various businesses.

On the other hand, the Group will also pay close attention to the market dynamics, fully grasp the trading opportunities of rising commodity prices, and adjust marketing strategies in a timely manner to achieve higher economic benefits.

While ensuring the stable operation of the iron ore business, the Group will also fully grasp the opportunities of large-scale construction in Xiong' an New Area and Baoding, actively promote the solid waste comprehensive utilization projects to accelerate the layout of green construction materials industry, thereby further increasing the market share of green construction materials.

In the future, the Company will also deepen the extension of the green construction materials industry chain, and will cooperate with domestic authoritative scientific research institutions to develop other green construction materials through the recycling of solid waste to achieve zero discharge of mine production, so as to build the Group into a green and environmentally friendly eco-economic system, provide guarantee of green construction materials for the construction of Beijing-Tianjin-Hebei and Xiong'an New Area, and create more and more sustainable economic benefits for shareholders.

OTHER INFORMATION

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

As at 30 June 2022, 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 any 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 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, were as follows:

Interests in the Shares of the Company:

Name of Directors and Senior Management	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Issued Shares
Mr. Li Ziwei	Founder of a discretionary trust[(2)(3)]	1,181,480,000[(L)]	72.25%
Mr. Li Yanjun	Interests held jointly with another person[(2)(3)]	1,181,480,000[(L)]	72.25%

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 settlor, 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 1,147,730,000 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.

3. Mr. Li Yanjun and Mr. Li Ziwei through the controlled corporations of Mr. Li Ziwei provided an interest in 1,089,630,000 shares as security to a person other than a qualified lender.

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

As of 30 June 2022 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 or 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:

Interests in the Shares of the Company:

Name of Shareholders	Capacity/Nature of Interest	Number of Share	Approximate Percentage of Issued Shares
Aowei International Developments Limited	Beneficial owner(2)(3)	1,181,480,000(L)	72.25%
Chak Limited	Interest in controlled corporation(2)(3)	1,181,480,000(L)	72.25%
Credit Suisse Trust Limited	Trustee	1,181,480,000(L)	72.25%
Hengshi Holdings Limited	Interest in controlled corporation(2)(3)	1,181,480,000(L)	72.25%
Hengshi International Investments Limited	Beneficial owner(2)(3)	1,181,480,000(L)	72.25%
Seven Limited	Interest in controlled corporation(2)(3)	1,181,480,000(L)	72.25%
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 1,147,730,000 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 1,147,730,000 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., Huarong Industrial Investment & Management Co., Ltd., and Huarong Zhiyuan Investment & Management Co., Ltd. as to 84.84%, 13.36%, and 1.80%, respectively. Each of Huarong Industrial Investment & Management Co., Ltd. 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 1,181,480,000 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 30 June 2022.

SHARE OPTION SCHEME

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the code of conduct regarding the dealings in the Company's securities by the Directors. Specific enquiry has been made to all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code for the six months ended 30 June 2022.

OTHER INFORMATION

CHANGE OF DIRECTORS INFORMATION

For the Reporting Period, there is no other change in the information of the Directors required to be disclosed pursuant to Rule 13.51 (B) of the Listing Rules.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

As at 30 June 2022, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective close associates (as defined under the Listing Rules) is engaged in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group, and none of them has any other conflicts of interests with the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2022, the Group had 1,046 employees in total (the corresponding period in 2021: 920 employees in total). The total remuneration expenses and the amounts of other employees' benefit for the Reporting Period were approximately RMB52.6 million (the corresponding period in 2021: approximately RMB39.9 million). Employee costs include basic remuneration, incentive salary, social pension insurance, medical insurance, work-related injury insurance and other insurances required by the PRC government. According to the Group's remuneration policy, the employees' income is linked to the performance of individual employee and the operation performance of the Group.

The employees of the Company have to participate in the pension scheme managed and operated by local municipal government. Subject to the approval of the municipal government, the Company has to make a 12% contribution to the pension scheme according to the average salary of Hebei Province, so as to provide funding to their pension.

STAFF TRAINING SCHEME

Our employees enroll in regular training courses to improve their skills and professional knowledge and are constantly updated on new developments. We also develop our own employee training programs tailored specifically to iron ore mining, processing and sand and gravel materials business and processing operations. We employ dedicated trainers to provide the training programs at our mining sites. To leverage on accumulated operational expertise and special knowledge in our network, we frequently guide new recruits at our mining working sites.

OTHER INFORMATION

SUBSEQUENT EVENT

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 25 June 2021, 7 July 2021 and 12 July 2021 in relation to the acquisition of the sand and gravel materials product line and the completion of the acquisition on 10 July 2021; (vi) 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; (vii) the announcements of the Company dated 8 December 2021 and 4 March 2022 in relation to the key findings of the Independent Investigation; (viii) the announcement of the Company dated 16 December 2021 in relation to the Additional Resumption Guidance; (ix) the announcement of the Company dated 27 January 2022 in relation to the appointment of the Internal Control Consultant; (x) 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; (xi) the announcement of the Company dated 9 September 2022 in relation to the key findings of the Supplementary Independent Investigation; (xii) the announcement of the Company dated 20 September 2022 in relation to the publication of the 2020 Annual Results; (xiii) the announcement of the Company dated 21 September 2022 in relation to the results of the Internal Control Review; (xiv) the announcement of the Company dated 26 September 2022 in relation to the publication of the 2021 Interim Results; and (xv) the announcement of the Company dated 24 October 2022 in relation to the publication of the 2021 Annual Results (collectively, the "**Announcements**").

Save as specifically disclosed in the Announcements and this interim report, there is no material subsequent event affecting the Group which has occurred since 1 July 2022 and up to the date of this interim report.

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.

CORPORATE GOVERNANCE

Our Directors consider that good corporate governance is important in achieving effectiveness and integrity in management and internal procedures. We have complied with the Corporate Governance Code set out in Appendix 14 to the Listing Rules during the Reporting Period.

OTHER INFORMATION

AUDIT COMMITTEE

The Company has an audit committee (the "**Audit Committee**") with terms of reference aligned with the code provisions as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Audit Committee consists of three independent non-executive Directors, namely Mr. Wong Sze Lok (Chairman), Mr. Meng Likun and Mr. Ge Xinjian.

The interim financial results of the Group for the six months ended 30 June 2022 are unaudited but have been reviewed by the Audit Committee, which was of the opinion that the results were prepared in accordance with the applicable accounting principles as well as the Listing Rules and that adequate disclosures have been made.

PUBLIC FLOAT

Based on the publicly available information to the Company and within the knowledge of the Directors as of the date of this report, the Company has maintained the prescribed public float required by the Listing Rules for the Reporting Period and up to the date of this report.

INTERIM DIVIDEND

The Board has resolved not to distribute any dividend for the six months ended 30 June 2022.

MAJOR LEGAL PROCEEDING

During the six months ended 30 June 2022, the Group was not involved in any major legal proceedings or arbitrations. To the best knowledge of the Directors, there is no pending or potential major legal proceeding or claim as of the date of this report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
	Notes	**2022**	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	*4*	**537,159**	605,883
Cost of sales		**(397,585)**	(354,075)
Gross profit		**139,574**	251,808
Other income, gains and losses, net	*6*	**(277)**	241
Distribution expenses		**(333)**	(6,081)
Administrative expenses		**(52,288)**	(39,291)
Impairment losses under expected credit loss model, net	*8*	**(2,539)**	(6,400)
Finance costs	*7*	**(16,672)**	(17,886)
Profit before tax		**67,465**	182,391
Income tax expense	*9*	**(22,734)**	(37,394)
Profit for the period	*10*	**44,731**	144,997
Other comprehensive income (expense) for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**359**	(7)
Total comprehensive income for the period		**45,090**	144,990
Earnings per share in RMB	*12*		
Basic		**0.03**	0.09
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	**At 30 June 2022 RMB'000 (Unaudited)**	At 31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*13*	**1,286,301**	1,314,899
Construction in progress	*14*	**330,140**	323,786
Intangible assets		**73,435**	70,865
Long-term receivables		**30,340**	30,340
Deferred tax assets		**213,373**	218,023
		1,933,589	1,957,913
Current assets			
Inventories		**100,298**	121,423
Trade and other receivables	*15*	**382,693**	322,227
Bank balances and cash		**63,083**	104,066
		546,074	547,716
Current liabilities			
Trade and other payables	*16*	**303,096**	246,356
Contract liabilities		**27,967**	28,588
Lease liabilities		**1,869**	1,943
Bank borrowings	*17*	**247,000**	557,000
Tax payable		**67,761**	60,653
Other financial liabilities		**118,641**	–
Provision for reclamation obligations		**2,738**	4,276
		769,072	898,816
Net current liabilities		**(222,998)**	(351,100)
Total assets less current liabilities		**1,710,591**	1,606,813

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Note	**At 30 June 2022 RMB'000 (Unaudited)**	At 31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Bank borrowings	*17*	**177,000**	–
Lease liabilities		**1,241**	2,911
Other financial liabilities		**–**	117,721
Provision for reclamation obligations		**33,615**	32,536
		211,856	153,168
Net assets		**1,498,735**	1,453,645
Capital and reserves			
Share capital		**131**	131
Reserves		**1,498,604**	1,453,514
Total equity		**1,498,735**	1,453,645

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to equity shareholders of the Company							
	Share capital	**Share premium**	**Statutory surplus reserve**	**Specific reserve**	**Exchange reserve**	**Other reserve**	**Retained earnings**	**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 2021 (Audited)	131	1,142,640	84,556	51,080	(291)	(126,229)	98,672	1,250,559
Profit for the period	–	–	–	–	–	–	144,997	144,997
Other comprehensive expense for the period *Item that may be reclassified subsequently to profit or loss:* Exchange differences arising on translation of foreign operations	–	–	–	–	(7)	–	–	(7)
Total comprehensive (expense) income for the period	–	–	–	–	(7)	–	144,997	144,990
Transfer to statutory surplus reserve	–	–	7,380	–	–	–	(7,380)	–
Transfer back to retained earnings, net of provision	–	–	–	(21,679)	–	–	21,679	–
At 30 June 2021 (Unaudited)	131	1,142,640	91,936	29,401	(298)	(126,229)	257,968	1,395,549
At 1 January 2022 (Audited)	**131**	**1,142,640**	**84,556**	**23,365**	**(348)**	**(126,229)**	**329,530**	**1,453,645**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**44,731**	**44,731**
Other comprehensive income for the period *Item that may be reclassified subsequently to profit or loss:* Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**359**	**–**	**–**	**359**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**359**	**–**	**44,731**	**45,090**
Transfer to specific reserve, net of utilisation	**–**	**–**	**–**	**3,423**	**–**	**–**	**(3,423)**	**–**
At 30 June 2022 (Unaudited)	**131**	**1,142,640**	**84,556**	**26,788**	**11**	**(126,229)**	**370,838**	**1,498,735**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash from operations	**173,583**	54,135
Income tax paid	**(10,976)**	(34,407)
Net cash from operating activities	**162,607**	19,728
Investing activities		
Purchase of property, plant and equipment and constructions in progress	**(54,834)**	(211,770)
Other cash flows arising from investing activities	**118**	241
Release of pledged bank deposit	**–**	300,000
Net cash (used in) from investing activities	**(54,716)**	88,471
Financing activities		
New bank borrowings raised	**–**	400,000
Repayments of bank borrowings	**(133,000)**	(431,000)
Repayment of lease liabilities	**(2,150)**	(430)
Interest paid	**(14,082)**	(24,306)
Net cash used in financing activities	**(149,232)**	(55,736)
Net (decrease) increase in cash and cash equivalents	**(41,341)**	52,463
Bank balances and cash at 1 January	**104,066**	20,212
Effect of foreign exchange rate changes	**358**	(8)
Bank balances and cash at 30 June	**63,083**	72,667

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 40/F, 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 condensed consolidated financial statements in RMB.

As at 30 June 2022, the directors of the Company (the "Directors") considered the immediate parent and ultimate controlling party of the Group to be Hengshi International Investments Limited, a company incorporated in the British Virgin Islands, and Mr. Li Yanjun and Mr. Li Ziwei, respectively. Hengshi International Investments Limited does not produce financial statements available for public use.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs") and agenda decision of the IFRS Interpretations Committee of the IASB, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

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

In addition, the Group applied the agenda decision of the Committee of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the amendments to IFRSs and the Committee's agenda decision in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts on application of the agenda decision of the Committee — Costs necessary to sell inventories

Accounting policy

The application of the Committee's agenda decision results in change in accounting policy for inventories:

Inventories

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Transition and summary of effects

The application of the Committee's agenda decision has had no material impact on the Group's condensed consolidated financial statements.

4. REVENUE

Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2022

	Mining segment RMB'000
Type of goods	
Iron ore concentrates	**470,514**
Gravel materials	**66,645**
Total	**537,159**
Geographical markets	
The PRC	**537,159**
Timing of revenue recognition	
A point in time	**537,159**

For the six months ended 30 June 2021

	Mining segment RMB'000
Type of goods	
Iron ore concentrates	579,505
Gravel materials	26,378
Total	605,883
Geographical markets	
The PRC	605,883
Timing of revenue recognition	
A point in time	605,883

5. OPERATING SEGMENTS

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

For the six months ended 30 June 2022 (Unaudited)

	Mining segment RMB'000	Medical segment RMB'000	Total RMB'000
Revenue	**537,159**	**–**	**537,159**
Segment results	**71,103**	**(387)**	**70,716**
Unallocated corporate expenses			**(3,251)**
Profit before tax			**67,465**

For the six months ended 30 June 2021 (Unaudited)

	Mining segment RMB'000	Medical segment RMB'000	Total RMB'000
Revenue	605,883	–	605,883
Segment results	185,466	(391)	185,075
Unallocated corporate expenses			(2,684)
Profit before tax			182,391

6. OTHER INCOME, GAINS AND LOSSES, NET

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss on disposal of property, plant and equipment	**(311)**	–
Interest income	**34**	241
	(277)	241

7. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses on:		
– Bank borrowings	**14,956**	15,953
– Lease liabilities	**406**	120
– Discounted bills	**45**	–
Unwinding interest expenses on:		
– Other financial liabilities	**920**	1,456
– Provision for reclamation obligations	**345**	357
	16,672	17,886

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reversal of impairment losses on:		
Trade receivables	**674**	3
Other receivables	**115**	69
Impairment losses on:		
Trade receivables	**(1,756)**	(1,693)
Other receivables	**(1,572)**	(4,779)
	(2,539)	(6,400)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
Provision for the period	**(18,304)**	(52,363)
Deferred tax		
Current period	**(4,430)**	14,969
	(22,734)	(37,394)

10. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Staff costs (include directors' and chief executive's emoluments):		
– Salaries and other benefits in kind	**45,640**	34,831
– Retirement benefits scheme contributions	**6,925**	5,117
Total staff costs	**52,565**	39,948
Capitalised in inventories	**(33,268)**	(25,449)
	19,297	14,499
Transportation service fees	**93,364**	195,924
Capitalised in inventories	**(89,700)**	(107,221)
Capitalised in construction in progress	**(2,840)**	(82,023)
	824	6,680
Depreciation of property, plant and equipment	**50,674**	47,161
Depreciation of right-of-use assets	**11,625**	9,497
Amortisation of intangible asset	**3,113**	3,224
Total depreciation and amortisation	**65,412**	59,882
Capitalised in inventories	**(58,949)**	(55,746)
	6,463	4,136
Cost of inventories recognised as an expense	**393,308**	348,613

11. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The Directors have determined that no dividend will be paid in respect of the interim period.

12. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings for the period attributable to owners of the Company for the purpose of basic earnings per share	**44,731**	144,997

	Six months ended 30 June	
	2022	2021
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,635,330**	1,635,330

No diluted earnings per share for both six months ended 30 June 2022 and 30 June 2021 were presented as there were no potential ordinary shares in issue for both six months ended 30 June 2022 and 30 June 2021.

13. PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2021, the Group entered into a new lease agreement and therefore additions to right-of-use assets of approximately RMB845,000 have been recognised. The annual lease payment terms are fixed. The Group did not entered into any new lease during the six months ended 30 June 2022.

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC, with original lease periods over 5 to 50 years. Up to the issue of these condensed consolidated financial statements, the Group is still in the process of applying for the title certificates of certain of its leasehold land with a carrying amount of approximately RMB65,815,000 (31 December 2021: approximately RMB69,911,000). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned properties and leasehold land.

(b) Property, plant and equipment (excluded right-of-use assets)

During the six months ended 30 June 2022, the Group recognised addition of property, plant and equipment (including right-of-use assets) with a cost of approximately RMB20,588,000 (six months ended 30 June 2021: approximately RMB63,258,000) and the depreciation of property, plant and equipment (including right-of-use assets) charged for the six months ended 30 June 2022 was approximately RMB62,299,000 (six months ended 30 June 2021: approximately RMB56,658,000).

During the current interim period, the Group disposed of property, plant and equipment with an aggregate carrying amount of approximately RMB394,000 (six months ended 30 June 2021: Nil) for proceeds of approximately RMB83,000 (six months ended 30 June 2021: Nil), resulting in a loss on disposal of approximately RMB311,000 (six months ended 30 June 2021: Nil).

The Group's property, plant and equipment are substantially located in the PRC. As at 30 June 2022, the Group had not obtained title certificates of certain of its buildings and plants with an aggregate carrying amount of approximately RMB242,363,000 (31 December 2021: approximately RMB248,508,000). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned properties.

14. CONSTRUCTION IN PROGRESS

During the six months ended 30 June 2022, additions of construction in progress of the Group, representing mainly the green mines building costs, processing plant, machinery and equipment under construction and installation amounted to approximately RMB19,861,000 (six months ended 30 June 2021: RMB129,652,000).

15. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Trade receivables	**70,601**	85,955
Less: Allowance for credit losses	**(1,859)**	(777)
Total trade receivables, net (Note (a))	**68,742**	85,178
Prepayments and deposits (Note (b))	**295,963**	213,484
Value-added tax recoverable	**13,984**	14,486
Amounts due from directors (Note (c))	**–**	81
Other receivables	**7,440**	10,977
	317,387	239,028
Less: Allowance for credit losses	**(3,436)**	(1,979)
Total other receivables, net	**313,951**	237,049
Trade and other receivables, net	**382,693**	322,227

Notes:

(a) Ageing analysis

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 following is an analysis of trade receivables by age, presented based on the invoice date which approximated the revenue recognition date, net of allowance for credit losses.

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
0 to 30 days	**19,895**	23,708
31 to 90 days	**14,940**	51,631
91 to 180 days	**14,890**	4,523
181 to 365 days	**16,647**	4,514
Over 365 days	**2,370**	802
	68,742	85,178

15. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(b) Prepayments and deposits mainly represent advance payments made to the following Group's transportation service providers.

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Laiyuan County Huiguang Logistics Co., Ltd.*	**77,248**	83,027
Laiyuan County Aotong Transportation Co., Ltd.*	**20,676**	26,135
Laiyuan County Ruitong Transportation Co., Ltd.*	**12,515**	30,320
Rongcheng Ronghui Logistics Co., Ltd.*	**281**	39,771
	110,720	179,253

(c) The amount due from directors are unsecured, interest-free and have no fixed terms of repayment.

	Maximum amount outstanding during the period/ year ended RMB'000	**30 June 2022 RMB'000**	31 December 2021 RMB'000
Amount due from Mr. Li Yanjun	42	**–**	42
Amount due from Mr. Li Ziwei	39	**–**	39
		–	81

* *For identification purpose only*

16. TRADE AND OTHER PAYABLES

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Trade payables (Note (a))	**154,017**	106,475
Other taxes payable	**16,813**	16,495
Payables for construction work, equipment purchases and others	**39,301**	53,686
Amount due to a director (Note (b))	**7**	–
Interest payables	**2,125**	1,251
Other payables and accruals	**90,833**	68,449
	303,096	246,356

Notes:

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

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Up to 30 days	**44,100**	20,618
31 to 90 days	**24,324**	24,714
91 to 180 days	**18,244**	19,788
181 to 365 days	**37,842**	12,208
Over 1 year	**29,507**	29,147
	154,017	106,475

(b) The amount due to a director is unsecured, interest-free and have no fixed terms of repayment.

17. BANK BORROWINGS

On 29 March 2022, the Group renewed a bank borrowing amounting to RMB177,000,000, which carry interest at fixed rates 9.185% with a maturity date of 29 March 2024.

On 27 April 2022, the Group renewed a bank borrowing amounting to RMB247,000,000, which carry interest at fixed rates 9.23% with a maturity date of 29 April 2023.

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1: fair value measurements are based on unadjusted quoted prices in active markets for identical financial assets and liabilities.

Level 2: fair value measurements are those derived from inputs (other than quoted prices included within Level 1) that are observable for the financial asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 June 2022, none of the Group's financial assets or liabilities were measured at fair value (on a recurring or non-recurring basis) in the consolidated statement of financial position across the three levels of the fair value hierarchy as defined in IFRS 13. At 30 June 2022, no unlisted debt securities were measured at fair value and classified into Level 3.

(b) Fair value of financial assets and liabilities carried at other than fair value

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their respective fair values.

19. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**70,037**	81,559

(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. These uncertainties include:

(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.

19. COMMITMENTS AND CONTINGENCIES *(continued)*

(b) Environmental contingencies *(continued)*

Since 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 national/provincial green mine in February 2021 and Jingyuancheng mining is applying for the title of national/provincial green mine up to the date of this report.

(c) Governmental and regulatory levies

The Group is subject to certain levies (mineral resources compensation, water and soil loss compensation, pollutant discharge fee 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 periods 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.

20. RELATED PARTY TRANSACTIONS

During the periods 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., Ltd.* ("Tong Da")	A joint venture owned by Mr. Li Yanjun
Beijing Tongchan Ritan Club Co. Limited* ("Ritan Club")	A company ultimately owned by Mr. Li Yanjun

* *For identification purpose only*

20. RELATED PARTY TRANSACTIONS *(continued)*

Other than as disclosed elsewhere in the condensed consolidated financial statements, the Group had following transactions with related parties:

	Note	Six months ended 30 June **2022** **RMB'000** **(Unaudited)**	 2021 RMB'000 (Unaudited)
Repayment of lease liabilities	*(a)*	**1,720**	–

Notes:

(a) Repayment of lease liabilities represents office and car park rental paid and payable to Ritan Club.

(b) As at 30 June 2022, the bank borrowing of RMB177,000,000 (31 December 2021: RMB177,000,000) 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.

As at 30 June 2022, the bank borrowing of RMB247,000,000 (31 December 2021: RMB260,000,000) is secured by land use right and properties of Hebei Aowei and independent third parties and guaranteed by Mr. Li Yanjun, Hebei Aowei and independent third parties.

(c) 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 and key executives is as follows:

	Six months ended 30 June **2022** **RMB'000** **(Unaudited)**	 2021 RMB'000 (Unaudited)
Salaries and other benefits in kind	**1,782**	1,922
Retirement scheme contributions	**43**	40
	1,825	1,962