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奧威控股
AOWEI HOLDING LIMITED

AOWEI HOLDING LIMITED
奧 威 控 股 有 限 公 司

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

(Stock Code: 1370)

FULFILLMENT OF ALL RESUMPTION GUIDANCE AND RESUMPTION OF TRADING

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

Reference is made to (i) the announcement of the Company dated 29 March 2021 in relation to the delay in publication of the 2020 Annual Results, postponement of Board meeting and suspension of trading in the shares of the Company; (ii) the announcements of the Company dated 30 April 2021 and 10 May 2021 in relation to the publication of the unaudited management accounts of the Company for the year ended 31 December 2020, the Initial Resumption Guidance for the Company and the 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, 29 June 2022 and 29 September 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; (x) the announcement of the Company dated 9 September 2022 in relation to the key findings of the Supplementary Independent Investigation; (xi) the announcement of the Company dated 9 September 2022 in relation to the provision of Deposit Pledge and provision of Loan to an entity; (xii) the announcement of the Company dated 20 September 2022 in relation to the publication of the 2020 Annual Results; (xiii) the announcement of the Company dated 21 September 2022 in relation to 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; (xv) the announcement of the Company dated 27 September 2022 in relation to clarification on the contents of the 2020 Annual Results Announcement; (xvi) the announcement of the Company dated 24 October 2022 in relation to the publication of the 2021 Annual Results; and (xvii) the announcement of the Company dated 26 October 2022 in relation to the publication of the 2022 Interim Results (collectively, the "**Announcements**"). Reference is also made to the 2020 Annual Report and the 2021 Interim Report both published on 28 September 2022 and the 2021 Annual Report and the 2022 Interim Report both published on 28 October 2022. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

RESUMPTION GUIDANCE

As disclosed in the announcements of the Company dated 30 April 2021 and 16 December 2021, the Company has been notified by the Stock Exchange of the Resumption Guidance as follows:

(1) conduct an appropriate independent investigation into the Audit Issues, assess the impact on the Company's business operation and financial position, disclose the findings and impact, take appropriate remedial actions;

(2) publish all outstanding financial results required under the Listing Rules and address any audit issues and/or audit modifications;

(3) demonstrate compliance with Rule 13.24 of the Listing Rules;

(4) announce all material information for the Company's shareholders and investors to appraise the Company's position; and

(5) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules.

FULFILMENT OF THE RESUMPTION GUIDANCE

The Board is pleased to announce that all the Resumption Guidance have been fulfilled as at the date of this announcement, details of which are set out below.

1. Resumption Guidance (1) – conduct an appropriate independent investigation into the Audit Issues, assess the impact on the Company's business operation and financial position, disclose the findings and impact, take appropriate remedial actions

As disclosed in the announcement of the Company dated 21 May 2021, the Independent Investigation Committee has appointed SHINEWING Financial Advisory Services Limited as an independent third party investigator on 21 May 2021 to conduct an independent investigation into the Audit Issues and produce a report of findings on the Independent Investigation to the Independent Investigation Committee.

The key findings of the Independent Investigation are set out in the announcement of the Company dated 8 December 2021. The Company has subsequently instructed the Independent Investigator to conduct the Supplementary Independent Investigation. Clarification and supplementary explanation on certain contents of the Audit Issues were made in the announcement of the Company dated 4 March 2022. As disclosed in the announcement of the Company dated 29 August 2022, the Independent Investigator has issued the Draft Supplementary Independent Investigation Report on 19 August 2022. On the same day, the Independent Investigation Committee reported the findings of the Supplementary Independent Investigation to the Board. The Board reviewed and approved the Draft Supplementary Independent Investigation Report on 19 August 2022 and submitted it to the Stock Exchange on the same day. On 30 August 2022, the Independent Investigation Committee received the Supplementary Investigation Report issued by the Independent Investigator (which has been submitted to the Stock Exchange) and a summary of which was disclosed in the announcement of the Company dated 9 September 2022.

A summary of the Audit Issues identified pursuant to the Independent Investigation and the Supplementary Independent Investigation is set forth below:

(I) First Audit Issue – Prepayments Made by the Group to the Four Transportation Companies

(a) Nature of prepayment

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

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

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

(b) Background for the initiation of the prepayments matters

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

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

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

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

Based on the above reasons, Laiyuan County Aowei Mining Investments Co., Ltd*（淶源縣奧威礦業投資有限公司）("**Aowei Mining**"), an indirect wholly-owned subsidiary of the Company formulated its prepayments policy in 2016.

(c) *Deduction and refund of prepayments and transportation expenses*

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

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

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

(d) Decrease in net prepayments

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

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

(e) Procedures for prepayment approval

The Independent Investigator obtained the internal control system of the Company, namely the Management System for Current Payments（《往來款項管理制度》）, which had established procedures for the payment approval. During the Supplementary Independent Investigation, a total of 77 vouchers (25 of Aotong Transportation, 23 of Huiguang Logistics, 4 of Ronghui Logistics and 25 of Ruitong Transportation) were randomly selected from the prepayment ledgers for 2018, 2019 and 2021, the Independent Investigator found that the Payment Approval Form（《付款審批表》）in the sample was not accompanied by any invoices or supporting documents. The Group explained to the Independent Investigator that the Payment Approval Form would be prepared upon receipt of the verbal prepayment request from the transportation companies and the Group would not request the transportation companies to provide the written application. In addition, in accordance with the Procedures for Payment Approval（《付款審批流程》）stipulated in the abovementioned Management System for Current Payments, the Payment Application Form （《付款申請單》） was required to be accompanied by relevant contracts, agreements, invoices, etc. as supporting documents, while the Independent Investigator's sample Payment Approval Form was found to be not accompanied by any invoices or supporting documents, which was not in compliance with the requirements of the Management System for Current Payments. This process deficiency reflects the lack of sufficient documented records of the Group's procedures for payment approval.

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

(f) Our relationship with the four transportation companies

The four transportation companies were introduced by the Group's employees. The contact person between Aotong Transportation and the Group is the general manager of Jiheng Mining; the contact person between Huiguang Logistics and the Group is the general manager of Jiheng Mining/the former executive deputy general manager and the former legal person of Jingyuancheng Mining; the contact person between Ronghui Logistics and the Group is the deputy general manager of sales of Aowei Mining; and the contact person between Ruitong Transportation and the Group is the former executive deputy general manager and former legal person of Jingyuancheng Mining.

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

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

(II) Second Audit Issue – Trade Receivables in Relation to One of the Group's Customers Amounted to RMB51,000,000

Background

During the audit process for the year ended 31 December 2020 of the Group, the Former Auditor found that the Group had not provided sufficient and appropriate supporting documents or evidence for the closing balance of the trade receivables to one of its customers to demonstrate the recoverability or make provision for doubtful and bad debts of approximately RMB51,000,000.

Key findings

Reasons

The Independent Investigator has interviewed with relevant personnel of the Group and the customer involved and obtained relevant information to understand the reasons. The reasons for the second Audit Issue stated in the Independent Investigation Report are as follows:

The customer involved is the Group's major sales customer for iron ore concentrates (the "**Iron Ore Concentrates Customer**") with a good reputation and stable purchase volume. Therefore, the Group has granted a credit limit of RMB50,000,000 to its Iron Ore Concentrates Customer since 2016. However, in the first half of 2020, due to the impact of the COVID-19 pandemic, the local government's policy to strictly control the circulation of personnel and vehicles into Laiyuan County has affected the Group's external sales of iron concentrates. Therefore, the main sales customers of the Group are customers from Laiyuan County. The sales proportion of Iron Ore Concentrates Customer to local enterprises increased to 70% as compared to that of customers outside Laiyuan County in the same period in 2019.

As the COVID-19 pandemic eased in July 2020, the Group has adopted a variety of sales channels to reduce the sales risk caused by a single major customer and suspended the sales of iron concentrates to Iron Ore Concentrates Customer. Since then, the Group has been urging for the collection of payment from Iron Ore Concentrates Customer from August to December 2020. In the second half of the year, the Group no longer sold iron concentrates to the Iron Ore Concentrates Customer, who delayed its payment of the goods in return due to its dissatisfaction with the changes in cooperation status between the two parties.

Investigation Result

According to the agreed-upon procedures conducted by the Independent Investigator, its key findings are as follows:

1. Having reviewed the iron concentrate sales agreement signed by the Iron Ore Concentrates Customer and Jingyuancheng Mining, the credit limit approval form and the repayment agreement of the Iron Ore Concentrates Customer, and found that (1) the approvals of the sales agreement and the sales pricing are in compliance with the requirements of the internal control system; and (2) trade receivables from sales to the Iron Ore Concentrates Customer have exceeded the credit limit of RMB50,000,000.

2. Confirmation procedures of accounts between the Iron Ore Concentrates Customer and the Group have been carried out, and confirmed that the content of the reply is consistent with the Group's record.

3. Having reviewed the implementation of the repayment agreement signed by the Iron Ore Concentrates Customer and Jingyuancheng Mining on 15 April 2021, and found that the Iron Ore Concentrates Customer failed to make the repayment as scheduled in the repayment agreement, subsequent to the Investigating Period, namely for the period from April 2021 to 19 November 2021, all trade receivables of Jingyuancheng Mining were settled by the Iron Ore Concentrates Customer. So no material issues were found as to the recoverability in these receivables.

(III) Third Audit Issue – Procurement Prepayments in relation to One of the Group's Suppliers Amounted to RMB27,000,000

Background

During the audit process for the year ended 31 December 2020 of the Group, the Former Auditor found that the Group had not provided sufficient and appropriate supporting documents or evidence for the closing balance of the procurement prepayments to one of its suppliers to demonstrate the recoverability of the prepayments or make provision for doubtful and bad debts of approximately RMB27,000,000.

Key findings

Reasons

The Independent Investigator has interviewed with relevant personnel of the Group and the supplier involved and obtained relevant information to understand the reasons. The reasons for the third Audit Issue stated in the Independent Investigation Report are as follows:

Due to the impact of the Sino-U.S. trade war and the subsequent political trade turmoil between Australia and China, the supply of domestic iron ore was hindered. Considering the domestic demand for iron ore will experience an increase, Jingyuancheng Mining signed an iron ore preliminary concentrates procurement agreement in advance with an iron ore preliminary concentrates supplier (the "**Iron Ore Preliminary Concentrates Supplier**") on 15 May 2019, the latter was also located at Laiyuan County, with mineral resources. In addition, the agreement price is RMB32,205,000 with 190,000 tonnes of the purchase quantity. However, the Iron Ore Preliminary Concentrates Supplier was still in the process of rectification. Jingyuancheng Mining required that the Iron Ore Preliminary Concentrates Supplier shall sell its iron ore preliminary concentrates processed since the completion of mining rectification to them in order to address the problem of idle production capacity in the wet processing plant of Jingyuancheng Mining to ultimately achieve maximum capacity utilization. Pursuant to the procurement agreement, Jingyuancheng Mining made a prepayment of RMB27,000,000 to the Iron Ore Preliminary Concentrates Supplier in May 2019.

In 2020, the local government delayed the introduction of policies due to the COVID-19 pandemic. As a result, the Iron Ore Preliminary Concentrates Supplier failed to supply iron ore preliminary concentrates as required by Jingyuancheng Mining as at 31 December 2020 and Jingyuancheng Mining also did not receive such prepayment.

Investigation Result

Based on the agreed-upon procedures conducted by the Independent Investigator, its key findings are as follows:

1. Confirmation procedures have been carried out and the accounting vouchers and attachments related to the third Audit Issue have been checked to confirm that the prepayment balance in the reply letter is in accordance with the Group's record and no abnormalities were found in the inspection results.

2. The implementation of the iron ore preliminary concentrates procurement agreement signed by Jingyuancheng Mining and the Iron Ore Preliminary Concentrates Supplier on 15 May 2019 and the three supplemental procurement agreements signed by both parties afterwards have been examined. It was found that the Iron Ore Preliminary Concentrates Supplier failed to supply iron ore preliminary concentrates to Jingyuancheng Mining in time before 31 December 2020. However, as of 31 July 2021, the Iron Ore Preliminary Concentrates Supplier has completed the supply of materials which were sufficient to deduct prepayment of RMB27,000,000, and therefore no problems with the recoverability of the prepayment paid to the Iron Ore Preliminary Concentrates Supplier by Jingyuancheng Mining have been identified.

(IV) Fourth Audit Issue – Time Deposit and Pledge of RMB300,000,000 Placed by the Company with a Bank

(a) Refund of prepayments by Ruitong Transportation

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

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

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

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

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

Reference is made to the announcements of the Company dated 25 June 2021, 7 July 2021 and 12 July 2021. As the large-scale construction in the Xiongan New Area continued to heat up, the volume of construction works would increase rapidly, leading to a significant increase in the demand for sand and gravel materials in the Xiongan New Area. The Company planned to expand the Company's sand and gravel materials production capacity and expand the Company's market share of sand and gravel materials in and around Xiongan New Area to achieve higher economic benefits. Therefore, on 25 June 2021, Jingyuancheng Mining entered into an agreement with Zengzhi Construction to purchase a project in Laiyuan County in relation to the sand and gravel production lines, which was completed on 10 July 2021.

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

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

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

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

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

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

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

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

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

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

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

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

The Company published an announcement on 9 September 2022 to disclose details on the 2 discloseable transactions in relation to (i) the provision of Deposit Pledge; and (ii) the provision of Loan to an entity, as well as the remedial measures to reduce the risk of recurrence of such breaches of Listing Rules.

(V) *Fifth Audit Issue – Transportation and Loading and Unloading Leasing Service Expenses of RMB380,000,000 Having Not Been Issued with Value-Added Tax Invoices*

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

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

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

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

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

(ii) Reasons for failure to issue invoices

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

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

(iii) Undertakings by the transportation companies

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

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

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

(b) Transportation expenses analysis

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

(i) Sampling verification of supporting documents for transportation expenses

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

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

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

(ii) Transportation unit price analysis

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

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

(c) Tax effect of outstanding invoices on the Group

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

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

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

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

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

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

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

(d) General consultation advice from the tax agency

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

(VI) Sixth Audit Issue – Expenditure for Green Mines Construction and Cultivated Land Reclamation Amounted to RMB170,000,000

Background

During the audit process for the year ended 31 December 2020 of the Group, the Former Auditor found that the Group's expenditure related to green mines construction and cultivated land reclamation amounted to approximately RMB170,000,000. The Group has yet to provide each specific construction's design and construction drawings, estimated stage of completion and calculation process, unit price and information relating to confirmation of unit price, on-site drawings and related information for each green mine construction and cultivated land reclamation project to support the claimed completion progress of green mines construction and cultivated land reclamation.

Key findings

Reasons

The Independent Investigator has interviewed with the relevant personnel of the Group, the transportation companies undertaking to provide backhauling and loading and unloading services for the green mining construction of the Group, namely Aotong Transportation, Ruitong Transportation and Huiguang Logistics and an engineering construction supervision company subsequently employed by the Group in March 2021 and obtained relevant information to understand the reasons. The reasons for the sixth Audit Issue stated in the Independent Investigation Report are as follows:

In 2019, in order to accelerate the construction of green mines, the government promulgated a number of preferential policies to encourage mining enterprises to implement the construction and transformation of green mines and set a goal of achieving the green mines standards by 2025 for large and medium-sized solid mines in the province. The management of the Group is of the view that: (i) it is beneficial to the long-term development of the Group to accelerate the construction and transformation of green mines to enjoy the preferential policies; and (ii) Jiheng Mining, a subsidiary of the Group, will have its mining license expired in April 2022, so the construction and transformation of green mines must be completed at the end of 2021, while Jingyuancheng Mining will have its mining license expired in January 2023, so the construction and transformation of green mines must be completed by September 2022. Therefore, the Group sped up the green mines construction as it will affect the license renewal if it does not implement the plan of construction and transformation of green mines.

In February 2020, the Group made an arrangement and deployment of preliminary works for green mines construction and cultivated land reclamation and formulated a preliminary plan. The Group first conducted necessary preliminary works such as waste slag backhauling, and land levelling from March 2020 to June 2021. As at the end of 2020, the costs recorded referred to preliminary expenditure for backhauling and levelling.

As the Group did not engage an engineering construction supervision company to supervise the green mines construction, the Group can not provide adequate and valid evidence to support the claimed completion progress of this project.

Investigation Result

According to the agreed-upon procedures conducted by the Independent Investigator, its key findings are as follows:

The Group provided (i) detailed accounts and original voucher relating to green mines; (ii) the mining license held by the Group; (iii) the documents on the filing of the Group's green mines construction proposal to the relevant government authorities and (iv) the relevant supervision report issued by the independent engineering construction supervision company (the "**Supervision Company**") appointed in March 2021. The Independent Investigator compared the contents of all the above documents and found that the supervision report supported the Group's internal records.

(VII) Seventh Audit Issue – The Legal Validity of the Stockyard Leasing Agreement

Background

During the audit process for the year ended 31 December 2020 of the Group, the Former Auditor found that the Group had yet to provide adequate and appropriate supporting documents or evidence to demonstrate the legal validity for a newly signed lease agreement with a lease term of 4 years and an annual rent of RMB5,000,000.

Key findings

Reasons

The Independent Investigator has interviewed with the Group and relevant personnel of Ronghui Logistics, the lessor and obtained relevant information to understand the reasons. The reasons for the seventh Audit Issue stated in the Independent Investigation Report are as follows:

The vehicles used by Jiheng Mining to transport sand and gravel materials have to pass through many villages such as Futuyu*（浮圖峪）, Yangjiazhuang*（楊家莊）, Mujicun*（木吉村）and Zhijiazhuang*（支家莊）, and there are many transport vehicles, which will definitely have some effects on the environmental protection, livelihood and safety of those villages during the transportation process. Therefore, in order to better solve the issues caused by transportation of sand and gravel materials, Jiheng Mining leased from Ronghui Logistics a transfer site for sand and gravel materials in Xiaohecun, Laiyuan County (the "**Xiaohecun Stockyard**") in November 2020, and entered into a lease agreement so as to facilitate the backhauling, loading and unloading of sand and gravel materials. During the audit process for the year ended 31 December 2020 of the Group, the Former Auditor found that Ronghui Logistics did not hold the ownership of Xiaohecun Stockyard and the Group had yet to provide adequate and appropriate supporting documents or evidence to demonstrate the legal validity for the leasing agreement of Xiaohecun Stockyard.

Investigation Result

According to the agreed-upon procedures conducted by the Independent Investigator, its key findings are as follows:

1. the Group has provided the lease agreement signed on 1 November 2020.

2. the Group also provided the lease release agreement which was subsequently entered into on 26 February 2021, which the Group believed that the relevant lease agreement had been released and the subsequent legal risks may have been eliminated at that time.

3. During the period from the entering into the lease agreement to the entering into the lease release agreement, the Group's legal risks and retrospectivity were uncertain. The Independent Investigator reminded the Group to engage a PRC legal adviser to consult on the leasing of stockyards.

4. The leasing price for leasing Xiaohecun Stockyard by Jiheng Mining was determined after the negotiation between the parties, and as Jiheng Mining did not conduct price comparison procedure, no price comparison procedure and approval mechanism in regard to the leasing price had been established.

5. the Group lacked efficiency in providing adequate and appropriate supporting documents or evidence to demonstrate its legal validity.

The Company took the advice of the Independent Investigator and engaged a law firm in the PRC to consult on the leasing of stockyards. According to the legal opinion issued by the law firm, "from the legal perspective, the Company has neither legal liability during the operation of the leasing of stockyards nor legal risk or subsequent liability after the release of the leasing of stockyards".

The internal control deficiencies of the Group were identified by the Independent Investigator in the Independent Investigation Report and part of improvement suggestions were proposed to the management of the Group, the summary of which is set out in the announcement of the Company dated 8 December 2021. In view of the fact that the internal control deficiencies identified by the Independent Investigator caused the Audit Issues, the Company engaged the Internal Control Consultant to conduct the Internal Control Review. Details on the remedial actions implemented by the Group to address the root cause of the Audit Issues and to prevent similar incidents from happening again are set out in the paragraph headed Resumption Guidance (5) in this announcement.

Taking into consideration the remedial actions implemented by the Group as disclosed under the paragraph headed Resumption Guidance (5) in this announcement, the Independent Board Committee and the Board are both of the view that, with the improvement of the Group's internal control system and procedures brought by the remedial actions taken, the Audit Issues will be sufficiently and adequately addressed and similar issues will be prevented from arising in future.

On the above basis, the Board is of the view that the Company has adequately fulfilled Resumption Guidance (1).

2. Resumption Guidance (2) – publish all outstanding financial results required under the Listing Rules and address any audit issues and/or audit modifications

The Company has (i) published the 2020 Annual Results and the 2021 Interim Results on 21 September 2022 and 26 September 2022 respectively; (ii) published the 2020 Annual Report and the 2021 Interim Report both on 28 September 2022; (iii) published the 2021 Annual Results and the 2022 Interim Results on 25 October 2022 and 27 October 2022 respectively; and (iv) published the 2021 Annual Report and the 2022 Interim Report both on 28 October 2022.

Audit modification in the 2021 Annual Report

Asian Alliance (HK) CPA Limited (the "**Auditors**"), the external auditor of the Company, has issued a disclaimer of opinion in the independent auditor's report on the consolidated financial statements of the Company for the year ended 31 December 2021 (the "**Audit Modification**") in relation to the accuracy, occurrence, commercial substance and business rationale, valuation and allocation and classification of (1) the Prepayments as at 31 December 2020, (2) the Upfront Payments and the Refunds during the years ended 31 December 2020 and 31 December 2021. For further details, please refer to the 2021 Annual Report.

Actions of the Company to address the disclaimer of opinion

According to the 2021 Annual Report, the Company has taken certain measures in response to the audit modification and has also demonstrated to the Auditors that the internal control of the Group, inter alia, the Prepayments have been substantially improved in 2022.

The Company has taken the following measures in response to the audit modification (the "**Actions**"), including:

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

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

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

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

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

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

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

Audit Committee's view on the disclaimer of opinion

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

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

Auditors' view on the Actions

In preparation of the 2021 Annual Report, the Auditors have also conducted a preliminary review of the updated financial information and the relevant documentations and procedures in relation to the Prepayments as follows:

i) Reviewed (a) the budget of 2022 Prepayments prepared by the management; and (b) the prepayment ledger of the Group from 1 January 2022 to 31 August 2022.

ii) Obtained the audit confirmations from the Transportation Service Providers to confirm the Prepayments as at 31 December 2021.

iii) Obtained and assessed the reasonableness of the Transportation Service Fees budget plan provided by the Group.

iv) Checked the consumption of the Transportation Service Fees subsequent to 31 December 2021.

v) Performed sampling testing on the consumption of the Transportation Service Fees.

During the above review, no abnormality was found. However, for one of the Transportation Service Providers, there is significant discrepancy of the consumption of the Transportation Service provided compare to the Transportation Service Fees budget plan. The issue has been properly settled and the "Sand and gravel materials sales budget breakdown for Jiheng Mining" has been revised according to the enhanced Company's policy.

After conducting the abovementioned, the Auditors concluded that the enhancement of the internal control system assisted them to obtain sufficient appropriate audit evidence to satisfy themselves as to the accuracy, occurrence, commercial substance and business rationale, valuation and allocation and classification of the Prepayments of approximately RMB179,253,000 as at 31 December 2021.

In addition, the Auditors have also performed the preliminary review for 2022 on the enhanced internal control system. The Auditors have obtained the Company's revised policy and guidance in setting the rationale and reason for the Prepayments and the credit limit of each Transportation Service Provider to be made. The Company had adopted the rectification recommendations raised by the Internal Control Consultant. The Company improved its internal control system on Prepayments by implementing the followings:

a. The sales department cooperates with the production department and the finance department to determine the credit limit of customers and suppliers every year (including the maximum credit limit of prepayment). Before deciding the maximum amount of prepayment, the Company considers its solvency, transaction amount, reasons for the prepayment, service stability and scale of the service providers, the comparison of service providers in terms of price with market price, etc., the budgeted demand for such services from the Group, and how long the credit budget would be consumed to prevent excessive credits.

b. To prevent the excessive outstanding prepayment, the credit limit of prepayment provided could be consumed within 8 months only.

c. If the credit limit exceeds RMB50 million, the Board of Directors of the Company are responsible to review and approve the credit limit before signing the service contract and making the payments.

d. Credit investigation procedures are required for new customers or suppliers or for credit line applications involving credit limits of more than RMB5 million.

e. After the credit limit is determined, the financial officer requires to conduct an internal review of the credit limit and credit period semi-annually for internal approval and the relevant "credit limit and account period management ledger"（《信用額度及賬期管理台賬》）is also required to be regularly submitted to the Board of Directors for review semi-annually.

f. If it is found that it has been more than 8 months, it is required to report to the Board of Directors immediately to review the reasons and find out solutions. The evaluation and approval results is formed into a written "credit limit approval form"（《往來款項信用額度審批表》）and finally approved by management.

g. Meanwhile, the responsible person of the department and the financial department for the prepayment need to review the expected operation, transportation and financial performance at least every semi-annually to adjust and request a refund of the prepayment.

h. In order to ensure the continuous implementation of the system, the internal audit department needs to continuously check for the implementation of each system and report to the general manager and the audit committee semi-annually.

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

On the above basis, the Board believes that the Audit Modification has been properly addressed and is of the view that the Company has adequately fulfilled Resumption Guidance (2).

3. Resumption Guidance (3) – demonstrate compliance with Rule 13.24 of the Listing Rules

The Group is principally engaged in (i) mining, processing and sales of iron ore products, including iron ores, preliminary concentrates and iron ore concentrates; and (ii) the green construction materials construction sand and gravel materials production and sales business in the PRC.

Sufficient Operations

Iron Ore Business

As disclosed in the 2022 Interim Report, in the first half of 2022 ("**1H2022**"), 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 1H2022, 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 1H2022, 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 1H2022, 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.

As disclosed in the 2021 Annual Report, as of 31 December 2021("**FY2021**"), the Group recorded the revenue of approximately RMB1,109.4 million for iron ore business, representing an increase of approximately 128.3% as compared with the corresponding period of last year; the gross profit was approximately RMB417.2 million and the gross profit margin was approximately 35%. As of 31 December 2021, the sales costs and administrative expenses of the Group's iron ore business amounted a total of approximately RMB105.2 million, representing a decrease of approximately RMB24.5 million compared to the corresponding period of the last year. As of 31 December 2021, the Group's iron ore business recorded net profits after tax of approximately RMB211.9 million, representing an increase of approximately RMB273.3 million compared to the corresponding period of the last year, mainly due to recovery of the production of Jiheng Mining during FY2021, and the increase in output and sales volume of iron ore concentrates and average sales price of iron ore concentrates as compared to the corresponding period of the last year.

Green Construction Materials Business

As disclosed in the 2022 Interim Report, 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.

As at the date of this announcement, the business operations of the Group are continuing as usual in all material respects.

Sufficient Assets

As disclosed in the 2021 Annual Report and the 2022 Interim Report, the Group's audited total assets and net assets as at 31 December 2021 were approximately RMB2,505.6 million and approximately RMB1,453.6 million respectively and its unaudited total assets and net assets as at 30 June 2022 were approximately RMB2,479.7 million and approximately RMB1,498.7 million respectively.

Based on the above, the Board is of the view that the Group has sufficient level of operations and assets of sufficient value to support its operations to comply with the requirements under Rule 13.24 of the Listing Rules.

On the above basis, the Board is of the view that the Company has adequately fulfilled Resumption Guidance (3).

4. Resumption Guidance (4) – announce all material information for the Company's shareholders and investors to appraise the Company's position

Since the suspension of trading in the Shares on 29 March 2021, the Company has, in accordance with the requirements of the Listing Rules, informed the market of the material information and the latest situation of the Company, amongst others, the investigation into the Audit Issues, the results of the Internal Control Review, the status on fulfilment of the Resumption Guidance and financial results by publishing announcements from time to time.

On the above basis, the Board is of the view that the Company has adequately fulfilled Resumption Guidance (4).

5. Resumption Guidance (5) – Conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules

As disclosed in the announcement of the Company dated 27 January 2022, the Company has appointed Avista PRO-WIS Risk Advisory Limited as the Internal Control Consultant to conduct the Internal Control Review and to make rectification recommendations.

On 21 September 2022, the Internal Control Consultant issued the Internal Control Review Report. As of August of 2022, all the recommended rectification measures provided by the Internal Control Consultant under the Internal Control Review have been adopted. Based on the results of the Internal Control Review, the Internal Control Consultant is of the view that the Company has in place adequate corporate governance, internal control and financial reporting systems to discharge the Company's obligations under the Listing Rules.

As disclosed in the announcement of the Company dated 21 September 2022, the summary of (i) the key internal control findings identified by the Internal Control Consultant in the Internal Control Review Report; (ii) the recommendations for improvement; and (iii) the Company's response and remediation status is set forth below:

1. AUDIT ISSUES

(i) First Audit Issue – Prepayments Made by the Group to the Four Transportation Companies

Major internal control deficiencies

1. The Group's settlement price for the four transportation companies of Aotong Transportation, Huiguang Logistics, Ruitong Transportation and Ronghui Logistics (the "**Four Transportation Companies**") was only through verbal inquiry and verbal negotiation. The Group did not have a price comparison procedure and approval mechanism.

2. The preferential policies of settlement price in the cooperation agreements entered into between the Group and the Four Transportation Companies were not regularly evaluated to assess the difference between the current settlement price and the market price level.

3. The Group did not conduct regular risk assessment on the credit limits of the Four Transportation Companies to assess whether their solvency matches the credit limits granted to them. Prior to grant of prepayments, the Group focused on its actual operation needs and the daily operation situation and capabilities of the Four Transportation Companies, rather than performing comprehensive due diligence (including detailed financial information).

4. The Group did not regularly review and revise the credit limits for the Four Transportation Companies according to business changes, so the prepayments to the Four Transportation Companies as at 31 December 2020 were far below the credit limit granted.

5. During the approval for the prepayments agreed-upon procedures, the Independent Investigator found that (i) some samples of the Group were lack of signature of approval personnel; and (ii) all samples are lack of sufficient documentation in the process.

Major recommendations

1. Documents need to be prepared for record purpose during the inquiry process and proper approval is required before acceptance of the quotation.

2. Regular market research is required and properly documented to understand the market level of relevant costs.

3. The level of prepayments to each supplier needs to be regularly reviewed and must be evaluated and reviewed by the management of the Group (the "**Management**"). Any significant deviation of the level of prepayments from the credit limit by suppliers must be filed with relevant reasonable explanation and supporting documents for its recoverability.

4. Improving internal approval mechanism and conducting regular control to ensure it is implemented in strict accordance with the procedure.

Company's response and remediation status

1. The Company has required the relevant department to compare the quotations of different suppliers/service providers and improved the approval procedures. The Group will conduct review annually.

2. The Group has improved the control system of credit limit and will assess the credit limits of customers and suppliers annually, taking into account their solvency and transaction amounts before deciding on the credit limits to avoid excessive credit. The Group has also specified the maximum credit limit. If the credit limit exceeds a specific amount for a period, approval shall be obtained from the Board before signing the contract and making payment. Furthermore, due diligent procedures shall be conducted for new customers or suppliers or for credit line applications involving credit limits exceeding a specific amount. The Group's projected operations, transportation and financial situation will be reviewed at least semi-annually to adjust and request for refund of the prepayment if necessary.

3. The internal control department shall keep randomly checking the implementation of the system and report the result to the general manager of the Group (the "**General Manager**") and the Audit Committee semiannually.

(ii) Second Audit Issue – Trade Receivables in Relation to One of the Group's Customers Amounted to RMB51,000,000

Major internal control deficiencies

1. The Group did not take measures for the Iron Ore Concentrates Customer's outstanding balance exceeding its credit limit.

Major recommendations

1. Assessment of the recoverability of customers' accounts shall be made from time to time and determining whether provision for doubtful and bad debts is required.

Company's response and remediation status

1. In order to strengthen the management of customer credit lines, the Company has established a system to record, inter alia, details of the sales customers/suppliers regarding their credit period, credit limit, estimated time required to consume the credit line, used and remaining credit line, average monthly amount of service transactions used during the year up to the cut-off date. The finance department will be responsible for the continuous monitoring on a monthly basis. As for assessing the recoverability of customer payments, the Group will treat receivables (including prepayments) that are assuredly irrecoverable as bad debts losses in due course.

(iii) Third Audit Issue – Procurement Prepayments in relation to One of the Group's Suppliers Amounted to RMB27,000,000

Major internal control deficiencies

1. The Iron Ore Preliminary Concentrates Supplier has not supplied for a long time after signing the agreement with the Group, and the Group has not taken further measures in a timely manner.

2. In 2021, the Iron Ore Preliminary Concentrates Supplier renegotiated a new supply price with the Group by way of the supplemental agreement, and its supply price has also increased, but the Group has not conducted relevant market price comparison procedure.

Major recommendations

1. The supply by each supplier shall be inspected on a regular basis after signing the agreement, and to establish the contingency plan system to deal with the problem of non-supply.

2. Conduct regular market price comparison procedure to ensure the reasonableness of the supply price.

Company's response and remediation status

1. In order to deal with the problem of non-delivery, the Group has set up a record system to register the details of the orders. If the goods do not arrive on the agreed date, the purchasing department will contact the supplier to confirm the specific reasons and report to the General Manager.

2. The Group will conduct review annually, by comparing the price and cost, qualification and service quality of each supplier to ensure the reasonableness of the transaction price.

(iv) Fourth Audit Issue – Time Deposit and Pledge of RMB300,000,000 Placed by the Company with a Bank

Major internal control deficiencies

1. The pledge of the Time Deposit Certificates of Bank of Nanjing of RMB300,000,000 has not gone through the approval process of the Group's internal fund management system.

Major recommendations

1. Improving the internal control management and training mechanism of the Group to ensure that employees and Management master the requirements of the internal control system in a timely manner.

Company's response and remediation status

1. The Company has established and reviewed the applicability of the existing systems and made the corresponding improvements, organised regular in-depth study of the Company's rules and regulations/Listing Rules for Management and staff to improve their knowledge in relevant internal control system and the Listing Rules and reporting procedures with written training records. The internal control department shall keep randomly checking the implementation of the system and report the result to the General Manager and the Audit Committee semi-annually.

(v) Fifth Audit Issue – Transportation and Loading and Unloading Leasing Service Expenses of RMB380,000,000 Having Not Been Issued with Value-Added Tax ("VAT") Invoices

Major internal control deficiencies

1. The Group has not formulated a response mechanism for the issue of not obtaining VAT invoices of RMB380,000,000.

Major recommendations

1. Improve the internal control system and establish the contingency plan system and process for special matters to deal with and effectively solve the problems arising from reasons not due to the Group itself or lower the risks.

Company's response and remediation status

1. In order to monitor the failure to obtain VAT invoices for reasons not due to the Group itself, the tax management system has been improved including:

   (a) The financial controller of the Group (the "**Financial Controller**") continuously monitors the matters relating to service providers not issuing VAT invoices. If the outstanding VAT invoices from any supplier has exceeded the received service from that supplier for the past six months, a report shall be made to the Financial Controller and General Manager to assess the impact on the Group and to formulate a feasible contingency plan.

   (b) The finance department shall regularly compile statistics on the amount of outstanding VAT invoices and communicate with the service providers to confirm the reasons and progress of issuance, and assess the impact on cash flow and solutions before reporting to the Financial Controller and General Manager.

   (c) The management of operation shall ensure that service providers agree and sign undertakings to clarify that they are aware of the relevant unissued invoice matters and undertake to issue the VAT invoices before a deadline and the service providers will continue to provide transportation, loading and unloading services. The Company shall be entitled to claim for tax-related losses caused by the service providers delaying the issuance of the VAT invoices.

(vi) Sixth Audit Issue – Expenditure for Green Mines Construction and Cultivated Land Reclamation Amounted to RMB170,000,000

Major internal control deficiencies

1. The Group did not appoint a supervision company to monitor the progress of work and lack of third-party documentation supporting the progress of works as a result.

Major recommendations

1. Improve the internal control system to strengthen the monitoring procedures of the progress of works.

Company's response and remediation status

1. In order to strengthen the monitoring procedures of the progress of works, the Company has revised the relevant manual to engage a supervision entity or establish a project monitoring team to control the progress, schedule, quality and safety with proper documentations.

(vii) Seventh Audit Issue – The Legal Validity of the Stockyard Leasing Agreement

Major internal control deficiencies

1. The Group failed to properly conduct due diligence before entering into lease agreements or material agreements.

Major recommendations

1. Improve the internal control system and establish an appropriate due diligence and approval mechanism.

Company's response and remediation status

1. The Group has adopted relevant measures and will conduct appropriate due diligence and record the relevant results and the information of the lessor, with adequate approval procedures before entering into any lease agreement.

2. LISTING RULES

(i) Failure to disclose financial statements in a timely manner in accordance with the requirements of the Listing Rules

Findings

In accordance with Rule 13.49(1) and Rule 13.46(2)(a) of the Listing Rules, the Company is required to publish its 2021 annual results on or before 31 March 2022, and despatch its 2021 annual report to the Shareholders on or before 30 April 2022. However, as the 2020 annual results were yet to be published and the 2020 annual report was yet to be despatched, the Company was unable to disclose its financial results and report in a timely manner.

Major recommendations

The Management shall coordinate with the finance staff to provide sufficient information to the Auditor to publish all outstanding financial results as required by the Listing Rules and resolve the Audit Issues.

Company's response and remediation status

The Management has been proactively coordinating with the finance staff to provide sufficient information to the Auditor and all the outstanding financial results announcements and reports have been published. The respective publication dates of the financial results and reports of the Company are stated in the following table:

	Financial results and reports	Date of publication of financial results announcement	Date of publication of financial report
1.	2020 Annual Results and 2020 Annual Report	21 September 2022	28 September 2022
2.	2021 Interim Results and 2021 Interim Report	26 September 2022	28 September 2022
3.	2021 Annual Results and 2021 Annual Report	25 October 2022	28 October 2022
4.	2022 Interim Results and 2022 Interim Report	27 October 2022	28 October 2022

(ii) Failure to adequately disclose the notifiable transactions

Findings

Reference is made to the announcement of the Company dated 9 September 2022. Each of the provision of the Deposit Pledge and the provision of the Loan (i) constituted a notifiable transaction of the Company and was therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) was also subject to the general disclosure obligations under Rule 13.15 of the Listing Rules. In both cases, the Company was not able to report and announce the transactions mentioned above as soon as possible after the terms of the transactions have been finalised and thus is in breach of the Listing Rules.

Details are set out in the announcement of the Company dated 9 September 2022.

Major recommendations

With regard to the above issue, the Group shall conduct the following measures as soon as possible:

1) Prepare and publish announcement(s) in respect of the abovementioned discloseable transactions to fulfil the requirements of the Listing Rules for providing adequate information to the Shareholders and potential investors of the Company.

2) Impose penalty on the staff who has seriously violated the rules and regulations of the Company to demonstrate the high attention paid by the Management for this issue.

3) Provide regular training in relation to regulatory compliance matters about notifiable transactions to the Directors, the Management and the personnel-in-charge, to ensure that they fully understand the regulations under the Listing Rules and the importance of determining whether a particular transaction constitutes a notifiable transaction before execution.

4) Consult external legal adviser, financial adviser and/or other professionals as and when appropriate and necessary before entering into any possible notifiable transaction or making any payment regarding the possible notifiable transactions.

5) Re-examine the current system of the Company in relation to compliance with the Listing Rules, in order to ensure the system can provide detailed guidance for the Directors and the Management, and to strengthen and consolidate their understanding on notifiable transactions and their ability to identify potential issues as soon as possible.

Company's response and remediation status

The Group has implemented the following rectification work according to the above recommendations:

1) The announcement in relation to discloseable transactions was published on 9 September 2022.

2) The Company has terminated the employment with the person who initiated the Deposit Pledge.

3) The Directors and major relevant Management have participated in a Listing Rules training session focusing on Chapter 13 and Chapter 14 of the Listing Rules. The Company has also amended its internal disclosure management system, which stipulates that regular trainings shall be held in relation to the Company's rules and regulations/Listing Rules.

4) The amended internal disclosure management system also stipulates that, when in doubt, the manager of investor relations department (the "**IR Manager**") and the Financial Controller may consult a financial adviser, legal adviser and/or other professionals before entering into any possible notifiable transaction or making any payment regarding the possible notifiable transactions.

5) Other improved internal measures of the Group include but are not limited to the following.

   (i) Update the triggering amount for size tests calculations according to latest consolidated financial statements semi-annually.

   (ii) With regard to any transaction with contract amount exceeding the updated triggering amount, all relevant documents must be emailed to the IR Manager to check whether it constitutes a notifiable transaction. No agreements shall be entered into before obtaining approvals from the IR Manager and the Financial Controller.

(iii) With regard to all material transactions, the IR Manager must obtain the written independence confirmation from each Director before entering into relevant agreements.

(iv) The internal control department shall keep randomly checking the implementation of the system and report the result to the General Manager and the Audit Committee semi-annually.

After considering the Internal Control Review Report and the recommendations thereunder, the Board is of the view that the remedial measures implemented by the Group are adequate and sufficient to address all the key findings in the internal control systems and procedures of the Group as identified by the Internal Control Consultant. The Board considers that the Group's enhanced internal control system and procedures are sufficient to discharge the Company's obligations under the Listing Rules and safeguard its interests and the interests of the Shareholders.

With the implementation of the remedial measures by the Group, the Audit Committee also concurs with the Board's view (as set out above) on the sufficiency of the Group's enhanced internal control system and procedures to discharge the Company's obligations under the Listing Rules and safeguard its interests and the interests of the Shareholders.

On the above basis, the Board is of the view that the Company has adequately fulfilled Resumption Guidance (5).

RESUMPTION OF TRADING

For the reasons set out above, the Company is of the view that it has fulfilled all the requirements set out in the Resumption Guidance and fully complied with the Listing Rules to the Stock Exchange's satisfaction.

Trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 29 March 2021. As all the Resumption Guidance has been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 12 December 2022.

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

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

Beijing, the PRC, 9 December 2022

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