奧威控股有限公司
AOWEI HOLDING LIMITED

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

Stock Code: 1370

2023
Annual Report

CORE VALUE

CREATE
Wealth for the Society

CREATE
Value for Our Shareholders

CREATE
Prospects for Our Employees

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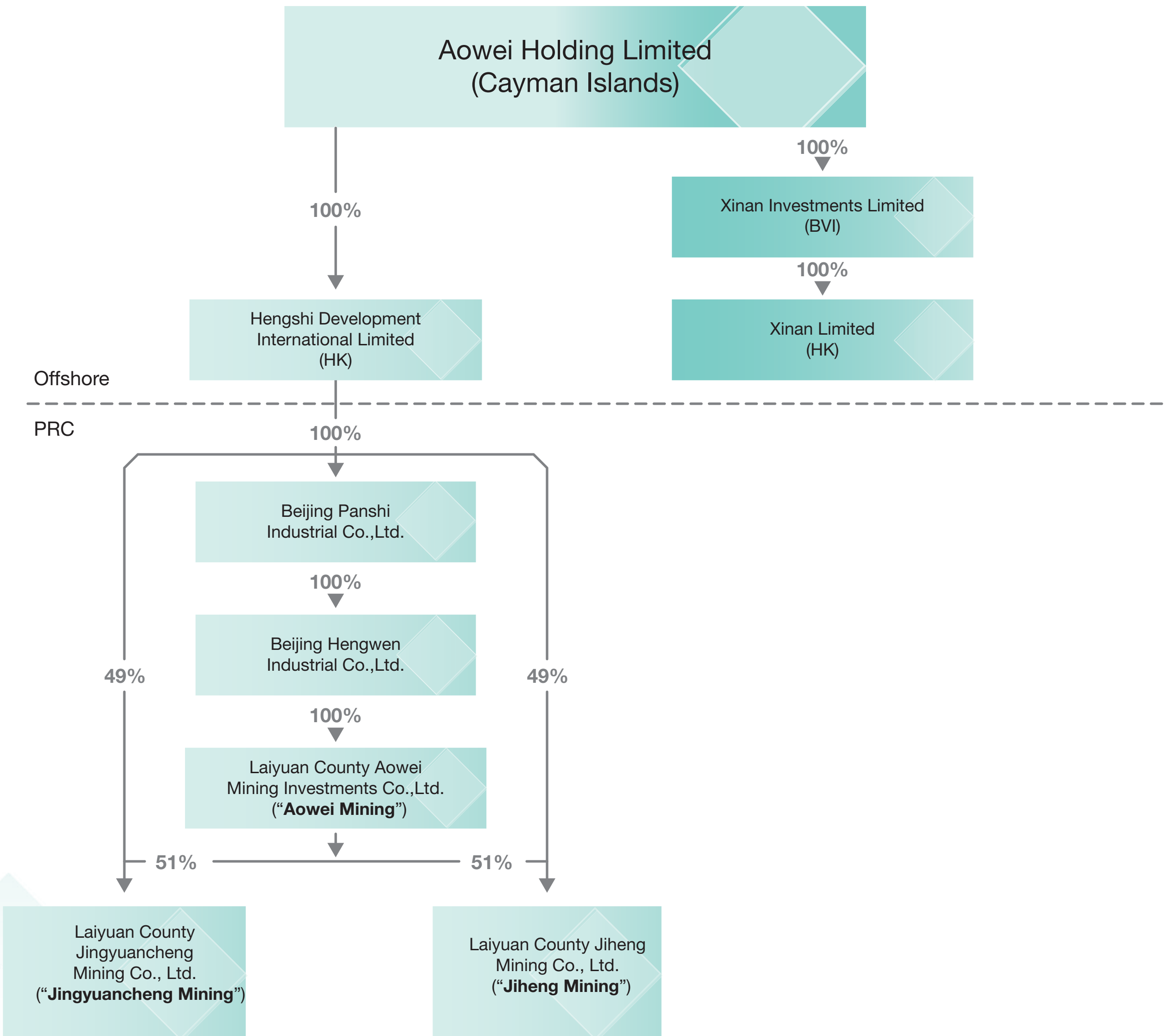
CORPORATE INFORMATION

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

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



CORPORATE INFORMATION

COMPANY'S STATUTORY CHINESE NAME

奧威控股有限公司

COMPANY'S STATUTORY ENGLISH NAME

Aowei Holding Limited

STOCK CODE

1370

REGISTERED OFFICE

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Ugland House Grand Cayman
KY1-1104 Cayman Islands

HEADQUARTERS IN THE PRC

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Hebei Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 248 Queen's Road East
Wanchai
Hong Kong

AUTHORIZED REPRESENTATIVES

Mr. Li Yanjun
Ms. Kwong Yin Ping, Yvonne

COMPANY SECRETARY

Ms. Kwong Yin Ping, Yvonne

AUDITOR

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

PRINCIPAL SHARE REGISTRAR IN THE CAYMAN ISLANDS

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CORPORATE INFORMATION

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
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183 Queen's Road East
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INVESTOR RELATIONS INQUIRES

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

DIRECTORS

Executive Directors

Mr. Li Yanjun *(Chairman)*
Mr. Li Ziwei *(Chief Executive Officer)*
Mr. Sun Jianhua *(Chief Financial Officer)*
(resigned on 29 March 2023)
Mr. Tu Quanping (resigned on 29 March 2023)
Mr. Zuo Yuehui *(Chief Financial Officer)*
(appointed on 29 March 2023)
Mr. Sun Tao (appointed on 29 March 2023)

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

FIVE-YEAR FINANCIAL SUMMARY

SUMMARY DATA OF CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)			
Revenue	**667,367**	937,751	1,191,741	567,977	815,549
Cost of sales	**(568,191)**	(774,054)	(774,498)	(473,888)	(545,314)
Gross profit	**99,176**	163,697	417,243	94,089	270,235
Distribution expenses	**(3,074)**	(3,519)	(8,652)	(16,633)	(2,645)
Administrative expenses	**(132,397)**	(101,858)	(102,473)	(117,947)	(85,047)
Impairment losses, net	**(372,065)**	(54,874)	(1,845)	2,470	(259,786)
(Loss) profit from operations	**(408,360)**	3,446	304,273	(38,021)	(77,234)
Finance income	**4,648**	114	8,034	107	130
Finance costs	**(57,075)**	(27,727)	(34,630)	(41,556)	(43,099)
Net finance costs	**(52,427)**	(27,613)	(26,596)	(41,449)	(42,969)
Other gains (losses)	**(64,003)**	121,075	474	(361)	–
Gains from disposal of a subsidiary	**–**	–	–	–	5,424
(Loss) profit before tax	**(524,790)**	96,908	278,151	(79,831)	(114,788)
Income tax (expense) credit	**(23,844)**	(35,382)	(75,008)	9,260	15,817
(Loss) profit for the year from continuing operations	**(548,634)**	61,526	203,143	(70,571)	(98,971)
Discontinued operation					
Loss for the year from discontinued operation	**(505)**	(771)	–	–	–
(Loss) profit for the year	**(549,139)**	60,755	203,143	(70,571)	(98,971)
Attributable to:					
Equity shareholders of the Company	**(549,139)**	60,755	203,143	(70,571)	(98,971)
Non-controlling interests	**–**	–	–	–	–
Basic (loss) earnings per share (RMB)	**(0.34)**	0.04	0.12	0.04	0.06
Diluted earnings (loss) per share (RMB)	**N/A**	N/A	N/A	N/A	N/A

FIVE-YEAR FINANCIAL SUMMARY

SUMMARY DATA OF CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Non-current assets	**1,783,902**	1,937,017	1,957,913	1,425,351	1,311,093
Current assets	**417,109**	487,829	547,716	904,822	1,023,242
Non-current liabilities	**477,528**	209,988	(153,168)	(328,900)	(171,388)
Current liabilities	**757,886**	700,070	(898,816)	(750,714)	(841,677)
Total equity	**965,597**	1,514,788	1,453,645	1,250,559	1,321,270
Non-controlling interests	**–**	–	–	–	–
Equity attributable to equity shareholders of the Company	**965,597**	1,514,788	1,453,645	1,250,559	1,321,270

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of Aowei Holding Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**Year**" or the "**Reporting Period**").

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

During the Year, the Group recorded a loss of approximately RMB549.1 million. The Group also recorded a loss attributable to owners of the Company of approximately RMB549.1 million, while the profit attributable to the equity shareholders of the Company for the corresponding period of last year was approximately RMB60.8 million. The loss incurred by the Group during the Reporting Period was mainly due to (1) the continuous torrential rainstorm disasters in the area where the Company's mines were located at the end of July 2023, the environmental production restriction in Hebei Province in the fourth quarter, and the decrease in the recoverable reserves of iron ore of Laiyuan County Jiheng Mining Co., Ltd. ("**Jiheng Mining**"), a subsidiary of the Group (of which the open-pit mining portion was basically completed), resulting in a decrease in the sales of iron ore concentrates and sand and gravel materials; (2) record of impairment loss on property, plant and equipment as compared with the same period of last year; (3) record of impairment loss on deposit paid for acquisition of 0.614% equity interest in Bank of Cangzhou. Affected by the current characteristics of the banking industry, there were indications of impairment loss during the Reporting Period. The Company made an impairment provision for the equity interest in Bank of Cangzhou held by Jiheng Mining in accordance with accounting standards; and (4) the increase in the Company's finance costs during the Reporting Period.

BUSINESS REVIEW

In 2023, the Group's production volume of iron ore, sand and gravel materials and infrastructure construction were affected to varying degrees due to various factors such as the rainstorm disasters, production restriction for environmental protection and depletion of open-pit mining reserves of Zhijiazhuang Mine of Jiheng Mining, which indirectly led to a loss in the Company's annual results.

In 2022, the Company renewed the mining licence with the competent authority upon the expiration of the mining licence of Jiheng Mining. Due to the continuous mining of Jiheng Mining, the open-pit mining reserves will be exhausted soon. The Company has conducted exploration and inspection on its own mines and surrounding areas by leveraging its extensive professional skills and experience and engaging qualified exploration institutions, with a view to continuously improving its iron ore resource reserves. However, the current reserves of Zhijiazhuang Mine are more concentrated in underground mining, more upfront investment and more stringent requirements for safe production will be required if underground mining is conducted. In addition, due to the particularity of underground mining, the Company needs to repeatedly verify the underground mining design plan of Jiheng Mining with relevant qualified institutions for the sake of ensuring the economic benefits of underground mining based on the principle of prudence.

With the optimisation and adjustment of the government's pandemic control policies, various industries have also gradually returned to normal in 2023. The Company has engaged a number of professional institutions to repeatedly verify the underground mining design plan of Jiheng Mining, and measured the economic benefits of the underground mining of Jiheng Mining with reference to the production scale and cost, as well as the average selling price of iron ore concentrates in the past three years and other key indicators, but the calculation results were not satisfactory. Based on the current iron ore reserves of Jiheng Mining and the iron ore market conditions in the past three years, the iron ore business will record a loss if underground mining is conducted, which is not economically feasible. During the Reporting Period, the Company has been committed to seeking for more efficient mining plans, including optimising the allocation of personnel and assets internally to reduce production and operation costs and also seeking other strategic alternatives.

CHAIRMAN'S STATEMENT

During the Reporting Period, although the financial performance of the Company was affected, under the strong support of the macro-control policies of the central government and the market situation of the overall strong rebound of iron ore prices, I have full confidence in the operation team and will gradually improve the Company's operating conditions and financial performance through the best strategic plan to achieve performance growth.

OUTLOOK

Looking ahead, our management will closely monitor the market trends and make in-depth research on the feasibility of the underground mining plan of Jiheng Mining. In the face of the current availability of the mining reserves of Jiheng Mining and the uncertainty of the future market trends, our management will also respond flexibly, or consider seeking a suitable opportunity to dispose of the iron ore business of Jiheng Mining for cash in order to improve its financial performance. In addition, China's ecological environment has gradually become increasingly severe, and the Chinese government has also paid more attention to environmental protection issues, formulated and issued a series of environmental protection policies and systems, and strengthened the protection of natural ecosystems and the environment. Environmental protection supervision has also continued to maintain a high-pressure situation, especially for the mining industry appears to be more restrictive, which has indirectly affected the financial performance of enterprises. With a view to improving profitability continuously, the Group will optimise its asset allocation, strive to develop the advantageous segments, effectively grasp the construction opportunities in Xiong'an New Area, and give full play to the resource advantages of its own green construction materials sand and gravel materials business. The Group will expand the production scale of green construction materials sand and gravel materials by building new or acquiring sand and gravel materials production lines around the Group's mines, accelerate the green industrial layout, seize market share, and improve the profitability of the green construction materials business, so as to promote the sustainable development of the Group under the high-handed measures on environmental protection, reduce the impact of the risk of the mineral resources business of Jiheng Mining, and create more economic value and long-term benefits for the Group and shareholders.

ACKNOWLEDGEMENT

On behalf of the Company, I would like to express my sincere gratitude to our shareholders, business partners, management and staff for their unreserved support and continuing trust to the Group.

Li Yanjun
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

IRON ORE BUSINESS

Market Review

2023 is a year of economic recovery after the three-year period of COVID-19 prevention and control, and also a critical year for the implementation of the "14th Five-Year" Plan by the Chinese government to build on the past and prepare for the future. The Chinese government has adhered to the underlying principle of pursuing progress while ensuring stability, comprehensively advanced reform and opening up, intensified macro regulation, and achieved stable recovery and healthy development with the strong support of a series of macro adjustment and control policies. According to the preliminary accounting of the National Bureau of Statistics, the total domestic production value for 2023 exceeded RMB126 trillion, representing a year-on-year increase of 5.2%.

In 2023, China continued to deepen supply-side structural reform, and promoted the green transformation and high-quality development of the steel industry. According to the public data released by the National Bureau of Statistics, the national crude production volume in 2023 was approximately 1.019 billion tons, reaching the "level-control" policy goal as compared with the same period of last year. However, the annual consumption of crude steel, affected by a significant decline in real estate development investment, was not optimistic. According to the relevant data, the annual consumption of crude steel in China in 2023 decreased as compared with the same period last year, which was approximately 933 million tons. The downward shift in domestic demand for steel has led to a decline in steel prices, causing more steel mills to turn to foreign markets. The sustained strength of steel exports has made steel mills more willing to pursue marginal profits. Compared to the losses caused by production cuts, maintaining high production is the primary choice for steel mills. According to the statistics of the General Administration of Customs, China exported 0.09 billion tons of steel in 2023, representing an increase of 36.2% as compared with the same period of last year.

With the increasing production capacity of steel mills, the demand for iron ore has also increased, showing a pattern of strong supply and demand. According to public data, China's total imported iron ore in 2023 was approximately 1,179 million tons, representing an increase of approximately 6% as compared with the same period of last year, and the total supply of iron ore increased year-on-year. As of the end of December 2023, the port inventory of imported iron ore was approximately 120 million tons, representing a year-on-year decrease of 9.1%. As a result, the price of iron ore has continued to grow rapidly, and the 62% iron ore Platts Index has returned to US$130 during the Reporting Period.

PRINCIPAL BUSINESS RISKS

Market price risk

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

Safety and environmental risk

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

Financial risk

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

BUSINESS REVIEW

In 2023, the Group was affected by various factors such as the depletion of open-pit mining reserves of Zhijiazhuang Mine of Jiheng Mining, rainstorm disasters and production restriction for environmental protection, resulting in a decrease in the output and sales volume of the Group's iron ore concentrates. For the year ended 31 December 2023, the Group's output of iron ore concentrates was approximately 726.2 Kt, representing a decrease of approximately 31.0% as compared with the corresponding period of last year. During the Reporting Period, the Group's sales of iron ore concentrates were approximately 719.1 Kt, representing a decrease of approximately 31.0% as compared with the corresponding period of last year. During the Reporting Period, average unit cash operating cost for iron ore concentrates of Jingyuancheng Mining was approximately RMB699.0 per ton, and average unit cash operating cost for iron ore concentrates of Jiheng Mining was approximately RMB527.3 per ton.

As of 31 December 2023, the Group recorded the revenue of approximately RMB584.0 million for iron ore business, representing a decrease of approximately 28.2% as compared with the corresponding period of last year; the gross profit was approximately RMB84.2 million and the gross profit margin was approximately 14.4%.

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

The Group	For the year ended 31 December Output (Kt) 2023	2022	% of change	For the year ended 31 December Sales volume (Kt) 2023	2022	% of change	For the year ended 31 December Average sales price (RMB) 2023	2022	% of change	For the year ended 31 December Average unit cash operating costs (RMB) 2023	2022	% of change
Jiheng Mining												
Iron ore concentrates	**130.3**	514.1	-74.7%	**132.8**	511.6	-74.0%	**774.7**	751.2	3.1%	**527.3**	423.5	24.5%
Jingyuancheng Mining												
Iron ore concentrates	**595.9**	538.3	10.7%	**586.3**	530.7	10.5%	**820.7**	808.2	1.5%	**699.0**	785.0	-11.0%
Total												
Iron ore concentrates	**726.2**	1,052.4	-31.0%	**719.1**	1,042.3	-31.0%	**812.2**	780.2	4.1%	**668.2**	608.4	9.8%

Notes:

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

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

RESOURCES AND RESERVES

During the Reporting Period, the Group engaged Hebei Geological Engineering Exploration Institute Co., Ltd.* to conduct production exploration in Zhijiazhuang Mine for verification of resource reserves.

During the year ended 31 December 2023, a 1:2000 topographic survey of 0.77 km^2, a 1: 2000 geological map revision and survey of 0.12 km^2, a 1: 1000 prospecting line profile revision and survey of 5.08 km, a drilling project of 3,345.78 m, a basic analytical sample collection of 483 pieces, a rock identification of 4 pieces and a block density of 24 pieces were completed in the Zhijiazhuang Mine area. For the year ended 31 December 2023, the accumulated expenses incurred for mineral exploration was approximately RMB2.84 million.

The results of the ore reserves and resources in this report are calculated by deducting the consumption amount from 1 July 2013 to 31 December 2023 from the estimated amount of ore reserves and resources stated in the SRK's Competent Person's Report in November 2013. The estimation assumptions contained in the SRK's Competent Person's Report in 2013 were not changed and the figures were reviewed by internal experts of the Group.

The iron ore reserves which complied with JORC Code (2004 Edition) in respect of each mine of the Group as of 31 December 2023 are shown in the following table:

Company	Mine	Exploration approach	Reserve category	Ore reserves		
				(Kt)	TFe (%)	mFe (%)
Jiheng Mining	Zhijiazhuang	Open-pit	Probable	466	34.57	19.38
Jingyuancheng Mining	Wang'ergou	Open-pit	Probable	6,691	14.16	6.90
		Underground	Probable (graded above 12%)	18,077	15.87	8.50
	Shuanmazhuang	Open-pit	Probable	80,945	13.63	5.58
		Underground	Probable (graded above 12%)	35,723	16.00	7.11
Total		Open-pit	Probable	88,102	13.78	5.75
		Underground	Probable (graded above 12%)	53,800	15.96	7.58
		Total	Probable	141,902	14.61	6.44

The iron ore resources which complied with JORC Code (2004 Edition) in respect of each mine of the Group as of 31 December 2023 are shown in the following table:

Company	Mine	Controlled resource			Inferred resource		
		(Kt)	TFe (%)	mFe (%)	(Kt)	TFe (%)	mFe (%)
Jiheng Mining	Zhijiazhuang	466	34.57	19.38	377	29.76	24.87
Jingyuancheng Mining	Wang'ergou	43,944	14.16	6.90	11,960	12.52	6.76
	Shuanmazhuang	144,652	13.63	5.58	69,140	12.81	4.91
Total		189,062	13.80	5.92	81,477	12.85	5.27

Mines in Operation

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

Zhijiazhuang Mine

Zhijiazhuang Mine, which is wholly-owned and operated by Jiheng Mining, is located in Yangjiazhuang Town, Laiyuan County. The area covered by the mining license for Zhijiazhuang Mine is 0.3337 sq.km. Zhijiazhuang Mine has comprehensive basic infrastructures such as water, electricity, highway and railway. As of 31 December 2023, the annual mining capacity of Zhijiazhuang Mine was 2.4 Mtpa, and the dry processing capacity and the wet processing capacity were 4.2 Mtpa and 1.8 Mtpa, respectively.

The following table sets forth a breakdown of the average unit cash operating costs of Zhijiazhuang Mine:

Iron ore concentrates

	For the year ended 31 December		
Unit: RMB per ton of iron ore concentrates	**2023**	2022	% of change
Mining costs	**162.8**	131.4	23.9%
Dry processing costs	**72.3**	58.4	23.8%
Wet processing costs	**188.1**	141.4	33.0%
Administrative expenses	**87.9**	55.1	59.5%
Sales costs	**–**	0.4	-100%
Taxation	**16.2**	36.8	-56.0%
Total	**527.3**	423.5	24.5%

During the Reporting Period, the average unit cash operating cost for iron ore concentrates of Zhijiazhuang Mine increased as compared with the same period of last year, which was mainly due to the combined influence of the increase in stripping ratio of the mining process and the increase in fixed cost per unit in the production cycle and management expenses as a result of the decrease in the production volume of iron ore concentrates.

Wang'ergou Mine and Shuanmazhuang Mine

Wang'ergou Mine and Shuanmazhuang Mine, which are both wholly-owned and operated by Jingyuancheng Mining, our wholly-owned subsidiary are located in Zoumayi Town, Laiyuan County. The areas covered by the mining licenses for Wang'ergou Mine and Shuanmazhuang Mine are 1.5287 sq.km and 2.1871 sq.km, respectively. Wang'ergou and Shuanmazhuang have comprehensive basic infrastructures such as water, electricity and highway. As of 31 December 2023, the aggregate annual mining capacity of Wang'ergou Mine and Shuanmazhuang Mine was 14.0 Mtpa, and the dry processing capacity and wet processing capacity were 17.6 Mtpa and 3.5 Mtpa, respectively.

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

Iron ore concentrates

	For the year ended 31 December		
Unit: RMB per ton of iron ore concentrates	**2023**	2022	% of change
Mining costs	**344.1**	389.0	-11.5%
Dry processing costs	**134.8**	193.7	-30.4%
Wet processing costs	**112.7**	109.7	2.7%
Administrative expenses	**72.3**	58.3	24.0%
Sales costs	**0.8**	5.0	-83.4%
Taxation	**34.3**	29.4	16.7%
Total	**699.0**	785.1	-11.0%

During the Reporting Period, the average unit cash operating cost for iron ore concentrates of Wang'ergou Mine and Shuanmazhuang Mine decreased as compared with the same period of last year, which was mainly due to the combined influence of the decrease in the stripping ratio of the mining process, the decrease in material consumables and electricity costs in the dry processing process as compared with the same period of last year, and the increase in the loss from suspension of production during the period.

GREEN CONSTRUCTION MATERIALS BUSINESS

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

As of 31 December 2023, the total treatment capability of solid waste comprehensive utilisation project of the Group was approximately 6.40 Mtpa, of which the treatment capacity of solid waste comprehensive utilisation project of Jiheng Mining was approximately 3.70 Mtpa; the treatment capacity of solid waste comprehensive utilisation project of Jingyuancheng Mining was approximately 2.70 Mtpa.

In 2023, affected by various factors such as rainstorms and environmental protection and production restrictions, the Group recorded a decrease in the production volume and sales volume of sand and gravel materials. For the year ended 31 December 2023, the production volume of sand and gravel materials of the Group was approximately 2,763,700 tons, representing a decrease of approximately 27.5% as compared to the same period of last year. During the Reporting Period, the sales volume of sand and gravel materials was approximately 2,334,400 tons, representing a decrease of approximately 34.2% as compared to the same period of last year. The average unit cash operating cost of sand and gravel materials of the Group was approximately RMB23.6 per ton during the Reporting Period.

As of 31 December 2023, the Group's sand and gravel materials business recorded revenue of approximately RMB83.3 million, representing a decrease of approximately 33.1% as compared to the corresponding period of last year; the gross profit was approximately RMB15.1 million and the gross profit margin was approximately 18.1%.

The table below sets out the breakdown of output and sales volume of sand and gravel materials of the Group:

The Group	Product	As of 31 December Output (Kt)			As of 31 December Sales volume (Kt)			As of 31 December Average sales price (RMB)			As of 31 December Average unit cash operating costs (RMB)		
		2023	2022	% of change	**2023**	2022	% of change	**2023**	2022	% of change	**2023**	2022	% of change
Jiheng Mining													
	Construction gravel	**995.5**	912.6	9.1%	**1,013.6**	880.8	15.1%	**31.0**	30.7	1.0%	**19.7**	4.1	380.5%
	Mechanism sand	**958.5**	920.6	4.1%	**749.6**	803.5	-6.7%	**39.6**	39.7	-0.3%	**30.1**	10.3	192.2%
Jingyuancheng Mining													
	Construction gravel	**362.1**	945.4	-61.7%	**383.2**	960.4	-60.1%	**30.7**	29.9	2.7%	**12.8**	7.4	73.0%
	Mechanism sand	**447.6**	1,035.0	-56.8%	**188.0**	904.6	-79.2%	**36.3**	37.3	-2.7%	**26.8**	17.2	55.8%
Total	Sand and gravel materials	**2,763.7**	3,813.6	-27.5%	**2,334.4**	3,549.3	-34.2%	**34.1**	34.2	-0.3%	**23.6**	10.0	136.2%

During the Reporting Period, the average unit cash operating cost of sand and gravel materials of Jiheng Mining and Jingyuancheng Mining increased as compared with the same period of last year, mainly due to the increase in the cost of raw materials used for processing gravel and mechanism sand of Jiheng Mining during the Reporting Period as compared with the same period of last year, and the increase in unit labour costs, unit power consumption costs, the daily consumption of unit machinery materials and equipment maintenance costs of Jingyuancheng Mining as a result of the decrease in the output of gravel and mechanism sand during the Reporting Period.

MEDICAL BUSINESS

As stated in the announcement of the Company dated 3 March 2020, after Baoding Xinan entered into the termination agreements with the Bureau and the Hospital, the Company has been relying on the team of medical experts to actively seek opportunities to carry out the relevant medical business. However, the Company has been unable to seek opportunities to carry out the relevant medical business and has been operating at a loss. Therefore, the Company ceased the medical business during the Reporting Period, and the domestic subsidiaries, including Baoding Xinan Medical Management Consulting Limited*（保定熹南醫療管理諮詢有限公司）, Baoding Aoxiang Property Services Co., Ltd.*（保定奧祥物業服務有限公司）and Baoding Xiang'an Pharmaceutical Sales Co., Ltd.*（保定翔安藥品銷售有限公司）, were deregistered and liquidated.

SAFETY AND ENVIRONMENTAL PROTECTION

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

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2023, the Group had 861 full-time employees in total (31 December 2022: 1,027 employees). For the year ended 31 December 2023, expenses of employees' benefit (including salaries, wages, pension plan contributions and other benefits) were approximately RMB79.4 million (2022: RMB98.4 million).

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

FINANCIAL REVIEW

Revenue

The revenue of the Group during the Reporting Period was approximately RMB667.4 million, representing a decrease of approximately RMB270.4 million as compared to the corresponding period of last year, which was mainly attributable to the influence of the decrease in the sales volume of iron ore concentrates and sand and gravel materials of the Group during the Reporting Period.

Cost of sales

The Group's cost of sales for the Reporting Period was approximately RMB568.2 million, representing a decrease of approximately RMB205.9 million as compared to the corresponding period of last year. The change in cost of sales was mainly attributable to the combined influence of the decrease in sales volume of iron ore concentrates and sand and gravel materials of the Group and the changes of unit cost of sales.

Gross profit and gross profit margin

The gross profit of the Group for the Reporting Period was approximately RMB99.2 million, representing a decrease of approximately RMB64.5 million or 39.4% as compared to the corresponding period of last year, which was mainly attributable to the decrease in revenue as compared to the corresponding period of last year; the Group's gross profit margin also decreased during the Reporting Period from 17.5% to 14.9% as compared to the corresponding period of last year.

Sales and distribution expenses

The Group's sales and distribution expenses for the Reporting Period were approximately RMB3.1 million, representing a decrease of approximately RMB0.4 million as compared to the corresponding period of last year, which was mainly due to the decrease in the total sales volume of the products, of which the Group were responsible for the delivery to customers and the related transportation cost as compared to the corresponding period of last year. Sales and distribution expenses included transportation expenses, labour cost and other expenses.

Administrative expenses

The Group's administrative expenses for the Reporting Period were approximately RMB132.4 million, representing an increase of approximately RMB30.5 million as compared to RMB101.9 million in the corresponding period of last year, which was mainly attributable to the increase in losses from work suspension caused by the continuous severe rainstorm disaster in mines.

Impairment losses

The Group recorded an impairment loss of approximately RMB372.0 million during the Reporting Period, the calculation of which was mainly based on the recoverable amount of the relevant assets at the end of the Reporting Period. The Company has appointed an independent valuer to review the carrying value of related subsidiaries' long-term assets, so as to determine the recoverable amount of the assets. As of 31 December 2023, Jiheng Mining provided for an impairment loss on property, plant and equipment, construction in progress and its intangible assets of approximately RMB298.7 million. The impairment loss on deposits paid by Jiheng Mining for the acquisition of equity instrument was approximately RMB63.9 million. In addition, the provision of impairment under expected credit loss model of the Group was approximately RMB9.4 million. Set out below are the reasons, details of events and standard data for evaluating impairment test leading to the recognition of impairment loss during the Reporting Period:

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

Due to the decrease in iron ore resources of Jiheng Mining and the successful operation of the solid waste comprehensive utilization project of Jiheng Mining during the Reporting Period, the Group, in order to properly assess the relevant valuation of the assets of as at the end of 2023, has appointed an independent valuer to review the carrying value of Jiheng Mining's property, plant and equipment, construction in progress and its intangible assets on then valuation date (i.e. 31 December 2023), so as to determine the recoverable amount of assets in accordance with IAS 36 Impairment of Assets. As of 31 December 2023, Jiheng Mining provided for an impairment loss on assets of approximately RMB298.7 million, in which fixed assets recorded the impairment loss of approximately RMB200.0 million and construction in progress recorded the impairment losses of approximately RMB98.7 million.

Details in relation to independent valuation of asset impairment on of Jiheng Mining:

(a) Basis and Assumptions for Valuation adopted by Jiheng Mining in 2023:

1. Basic Assumption

- There will be no major changes in China's political, legal, fiscal and economic environment currently;
- The expected development trend of the Company's industry and market will not develop significantly;
- It is assumed that the current interest rates and tax rates of the Company will not change significantly;
- Management has fully considered the reasonableness of each major assumption in the preparation of financial forecast;
- The Company's ability to finance will not be limited to growth;
- The Company has the ability to retain appropriate management personnel to support business operations;
- The difference between the industrial trend and market conditions and the economic forecasts of the industry is not significant.

2. Scope of the Valuation

The scope of this valuation is the asset group involved in the asset impairment test, specifically including property, plant and equipment, construction in progress and intangible assets.

(b) Valuation methods adopted by Jiheng Mining in 2023 are as follows:

The valuation company analyzed the relevant information provided by Jiheng Mining and determined the value in use of the assets group of Jiheng through adopting the income approach as the recoverable amount of the assets group with reference to its past experience with similar projects. The income approach generally consists of two steps. Firstly, a forecast of future net cash flows arising from direct or indirect investment in the ownership of an asset or group of assets is established. Secondly, the estimated future cash flows are calculated according to the market return rates applicable to investments in business risk and crisis-like projects.

Taking into account the risk-free rate, market risk premium, Beta value and cost of equity capital, the valuation company adopted the Weighted Average Cost of Capital ("**WACC**") as the discount rate. Based on the capital cost structure of Jiheng, the WACC (after tax) of Jiheng was estimated to be approximately 10.0%, and the average cost of equity (before tax) was estimated to be approximately 13.1%. Reasonable forecasts are made in the valuation model based on the production capacity of the sand and gravel production line, and the reasonable useful life of the production line, etc. The production period for the 2023 valuation report is from 2024 to 2033. There were no material changes in the relevant basis, assumptions and valuation methods adopted by Jiheng Mining in 2023 as compared with historical periods.

Impairment loss on deposits paid by Jiheng Mining for acquisition of equity instruments

Jiheng Mining has paid the deposit for acquisition of 0.614% equity interest in Bank of Cangzhou and the Group engaged an independent valuer to conduct an impairment assessment of the deposit paid for acquisition of the equity interest in Bank of Cangzhou held by Jiheng Mining as at the then valuation date (i.e. 31 December 2023) for the purpose of properly evaluating the recoverable amount of the assets as at the end of 2023. As of 31 December 2023, Jiheng Mining made provision for asset impairment loss of approximately RMB63.9 million.

Details of the independent valuation of the deposits paid by Jiheng Mining for the acquisition of equity instruments are as follows:

(a) Valuation methods adopted by Jiheng Mining in 2023:

By analyzing the characteristics of the target company and the relevant information provided by the company, and referring to their past analysis experience of similar assets, the valuation company selects the market approach for value analysis, specifically the listed company comparison method, to determine the value of the equity interests of the target company.

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the comparable market.

The listed company comparison method is one of the methods used in the market approach. The listed company comparison method is a method to determine the value of the subject enterprise by obtaining and valuing the operating and financial data of comparable listed companies, calculating the value ratio and comparing the valuation with the subject enterprise. This method may also use stock market price data of enterprises engaged in the same or similar business as the subject property. The stocks of such enterprises are actively traded in public, free and open markets (exchanges and over-the-counter transactions).

(b) Basic Assumptions for Valuation of Equity Interests in Jiheng Mining in 2023

In order to describe the selected guideline companies, the range of price multiples, the key parameters used in the calculation and analysis and the range of values calculated, the valuation company identified and selected comparable companies engaged in corporate and personal deposits, loans, payment and settlement, treasury business, and provision of asset management and other financial services based on the following criteria:

i. These comparable companies are listed companies;

ii. The principal business of these comparable companies involves banking business;

iii. These comparable companies derive their revenues primarily from interest income, fee and commission transactions;

iv. These comparable companies have been listed for more than 3 years.

The market value as the numerator of the price to book multiples of the comparable companies is the market value as at the Valuation Benchmark Date. The denominator is calculated based on the total net assets in the latest financial statements. Based on the above indicators, the valuation company calculated the price to book multiples (average) of the comparable companies to be 0.51.

When calculating the value of the equity interests of the Target Company, the valuation company has taken into account the discount for lack of marketability to the price multiples of comparable companies that can be traded and circulated in the securities trading market. Based on the impact of the value of equity interests of listed companies, the value analysis under the market approach adopts the value of equity interests of listed companies (i.e. the value of equity interests calculated by the Company's stock comparison method) as the value of marketable equity interests. For non-listed companies, the value of equity interests of non-listed companies is usually lower than that of other similar listed companies, so additional discount for lack of marketability needs to be considered. Based on the information published by Stout restricted stock study companion guide 2023, we selected 15.7% as the liquidity discount rate for this valuation.

From a long-term perspective, the Group considers that the investment in Bank of Cangzhou has strategic investment value. Participating in the subscription will help the Group to diversify investment risks, take a diversified business route and expand development space, which will not only greatly reduce the Company's single business model and deal with the risks such as resource depletion, but also broaden its horizons and expand the Company's development space, and also accumulate experience for the Company's subsequent investment in other industries. The Group will be able to establish a close cooperative relationship with the banking system and create more convenient conditions for the Group's low-cost financing.

Finance costs

The Group's finance cost for the Reporting Period was approximately RMB57.1 million, representing an increase of approximately RMB29.4 million or 106.1% as compared to the corresponding period of last year. The increase in finance costs was mainly due to the increase in the amount of the Group's banking facilities as at the end of the Reporting Period as compared to the corresponding period of last year. Finance costs included interest expenses of bank borrowings, discounted expenses, other finance expenses and the amortisation of discounted expenses of long-term payables.

Income tax expenses

The Group's income tax expenses for the Reporting Period were approximately RMB23.8 million, representing a decrease of approximately RMB11.6 million as compared with the same period of last year, which was mainly due to the decrease in profit of the Group.

Loss/profit for the year and total comprehensive expense/income for the year

The Group recorded a loss after tax during the Reporting Period of approximately RMB549.1 million, as compared to a profit after tax of approximately RMB60.8 million for the same period last year, which was mainly due to the combined influence of the increase in the Group's asset impairment, decrease in gross profit and the increase in administrative expenses and finance costs.

Property, plant and equipment

The net value of the property, plant and equipment of the Group as of 31 December 2023 was approximately RMB1,152.7 million, representing a decrease of approximately RMB49.3 million or 4.1% as compared to the corresponding period of last year. The change was mainly due to the combined influence of the Group's transfer to fixed assets, provision for depreciation and impairment during the Reporting Period.

Intangible assets

As of 31 December 2023, the net intangible assets of the Group were approximately RMB54.6 million, representing a decrease of approximately RMB7.1 million as compared to the corresponding period of last year. The change was mainly due to the amortisation of intangible assets of the Group during the Reporting Period.

Inventories

As of 31 December 2023, inventories of the Group amounted to approximately RMB111.6 million, representing an increase of approximately RMB24.8 million or 28.6% as compared to the corresponding period of last year, which was mainly due to the increase in the products of sand and gravel materials and iron ore concentrates and the storage of iron ore and preliminary concentrates.

Trade and other receivables

As of 31 December 2023, trade and bills receivables of the Group amounted to approximately RMB109.6 million, representing an increase of approximately RMB7.1 million as compared to RMB102.5 million in the corresponding period of last year, and the changes in trade and bills receivables was mainly due to the increase in trade receivables. As of 31 December 2023, other receivables of the Group amounted to approximately RMB165.6 million, representing a decrease of approximately RMB97.9 million as compared to RMB263.5 million in the corresponding period of last year, which was mainly due to the decrease in prepayments and deposits.

Trade and other payables

As of 31 December 2023, trade payables of the Group amounted to approximately RMB94.3 million, representing a decrease of approximately RMB12.0 million as compared to RMB106.3 million in the corresponding period of last year. The change in trade payables was steady.

As of 31 December 2023, other payables of the Group amounted to approximately RMB144.6 million, representing an increase of approximately RMB39.8 million as compared to RMB104.8 million in the corresponding period of last year, which was mainly due to the increase in payables for construction projects and equipment purchases.

Cash and borrowings

As of 31 December 2023, the balance of cash and cash equivalents of the Group amounted to approximately RMB34.5 million, representing a decrease of approximately RMB21.6 million or 38.5% as compared to the corresponding period of last year.

As of 31 December 2023, bank loans of the Group were RMB912.0 million, representing an increase of RMB399.0 million or 77.8% as compared to the end of last year. The interest rates of the borrowings as of 31 December 2023 ranged from 2.7% to 9.23% per annum. The borrowings of RMB472.0 million were recorded as current liabilities of the Group (as of 31 December 2022: RMB337.0 million) and RMB440.0 million were recorded as non-current liabilities of the Group (as of 31 December 2022: RMB176.0 million). The above borrowings were denominated in RMB.

Save as disclosed above, the Group has no outstanding mortgages, pledges, bonds or other loan capital (issued or agreed to be issued), bank overdrafts, borrowings, acceptance liabilities or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that there was no material change in the liabilities and contingent liabilities of the Group since 31 December 2023 and up to the date of this report. As of 31 December 2023, the overall financial status of the Group remained in a good condition.

Gearing ratio

The gearing ratio of the Group as of 31 December 2023 was approximately 41.4%, representing an increase of approximately 20.2% as compared to the corresponding period of last year. The gearing ratio was calculated as total bank borrowings divided by total assets.

Capital expenditure

The Group's total capital expenditure amounted to approximately RMB153.4 million, which consisted of purchase of property, plant and equipment, construction in progress and intangible assets.

Capital commitment

As at 31 December 2023, the total capital commitments of the Group amounted to approximately RMB19.8 million (31 December 2022: approximately RMB171.8 million).

Interest rate risk and foreign currency risk

The fair value interest rate risk of the Group is primarily related to bank borrowings. Most of the bank borrowings of the Group are due within one year. Therefore their fair value interest rate risk is low.

The Company currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider to hedge significant interest rate exposure if necessary. The principal business of the Group is located in the PRC and the principal operation and transactions are carried out in RMB. Substantially all of the assets and liabilities of the Group are denominated in RMB. Since RMB is not freely convertible, the Chinese government may take actions to affect the exchange rate exposure, which may affect the Group's net assets, earnings and any dividends it declares if such dividends are translated into foreign currency. The Group had no hedging in respect of the exchange rate risk.

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

As of 31 December 2023, the Group's bank loans of RMB377.0 million, RMB95.0 million and RMB440.0 million were secured by the Group's pledged bank deposit, mining right, right-of-use assets (land use rights), properties and equipment, the land use rights and properties of a related party of the Group, and collectively secured by land use rights and properties of third parties, a director of the Company, a director of a subsidiary and related parties, respectively.

The carrying amounts of the Group's pledged bank deposit, mining rights, right-of-use assets (land use rights) and properties pledged for bank loans were approximately RMB154.4 million, RMB54.6 million, RMB10.2 million and RMB50.3 million respectively as of 31 December 2023. The Group had no material contingent liabilities as of 31 December 2023.

Significant investments held

There were no significant investments held by the Company as at 31 December 2023.

OUTLOOK AND STRATEGY

There are both hopes and challenges in 2024. Although the global inflation risk has been temporarily mitigated under the background of easing supply-side issues and restrictive monetary policies, the geopolitical conflicts such as those between Russia and Ukraine, Israel and Palestine, and tensions in the Red Sea and other unfavorable factors may have an impact on commodities and supply chains, bringing risks of economic downturn to the world. In view of the uncertainty of the global political and economic situation, the Group will maintain a prudent situation, strengthen risk control, continue to consolidate the long-term mechanism for cost reduction and efficiency enhancement, optimize asset allocation, production structure and production process, so as to improve product output and quality and ensure the profitability of the Company's various businesses. The Group will also pay close attention to market dynamics, fully grasp the trading opportunities of high commodity prices, and adjust its marketing strategies in a timely manner to achieve higher economic benefits. Meanwhile, the Company will also pay close attention to the national dividend policy and continue to strengthen good communication and cooperation with banks and financial institutions, so as to obtain financial support from banks and financial institutions.

It is particularly difficult for the mining industry under the high-handed measures on environmental protection. As the open-pit mining reserves of Jiheng Mining are basically exhausted, and it is not economically feasible to conduct underground mining, Jiheng Mining's profitability in the future will also be greatly affected. In view of this, the Company will take into account the re-optimization of asset allocation, including disposal of the Jiheng Mining for cash. In the future, the Group will actively promote industrial transformation and upgrading, vigorously develop green construction materials business, accelerate the layout of green construction materials industry through the construction or acquisition of sand and gravel materials production lines, and further increase its market share of green construction materials in Xiong'an New Area, Baoding and other surrounding areas, so as to enhance the profitability of the Company in the green construction materials business.

Furthermore, the Company will continue to adhere to the ecological priority, practice the concept of green development, continue to deepen the extension of the green construction materials industry chain, develop other green construction materials through the recycling of solid waste, and strive to build the Group into a green and environmentally friendly ecological economic system, so as to ensure the sustainable development of the Group and create more sustainable economic benefits for the Company and shareholders.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHIES OF EXECUTIVE DIRECTORS

Mr. Li Yanjun（李豔軍）, aged 59, is our executive Director and the chairman of the Board, and is mainly responsible for the overall business plan, strategies and major decisions making of our Group. Mr. Li is the founder of the Group, and through the previous and current positions he held at Hebei Aowei Industrial Group Co., Ltd.（河北奧威實業集團有限公司）(“**Aowei Group**”), Laiyuan County Aoyu Steel Co., Ltd.（淶源縣奧宇鋼鐵有限公司）(“**Aoyu Steel**”) and the Group, Mr. Li has over 25 years of experience in the iron ore mining, steel industry and corporate management. Mr. Li was also a member of the 12th National People’s Congress（第十二屆全國人大）. Mr. Li Yanjun is the father of Mr. Li Ziwei.

Mr. Li Ziwei (also known as Leung Hongying Li Ziwei)（李子威）, aged 36, is our executive Director and was appointed as the chief executive officer of the Company on 23 August 2018 and is responsible for our Group’s overall business development, daily operation management and investments. Mr. Li Ziwei acted as the General Manager of Aowei Mining on 25 June 2019. Mr. Li joined our Group in August 2008. He has gained over 15 years of experience in the iron ore mining industry from his involvement in the areas of procurement, supply and sales of raw materials and steel products at Aowei Group, Aoyu Steel and our Group. He is also the director of Hengshi Development International Limited. Mr. Li Ziwei is the son of Mr. Li Yanjun.

Mr. Zuo Yuehui（左月輝）, aged 45, was appointed as our executive Director and chief financial officer on 29 March 2023. Mr. Zuo is responsible for the accounting and financial management of the Group. He has over 19 years of experience in accounting and financial management. Prior to joining the Group, Mr. Zuo served as an accountant in the finance department of Aoyu Steel from November 2004 to May 2012. He joined our Group in 2012 and successively served as the deputy chief of the finance section and the chief of the finance section of Jingyuancheng Mining from May 2012 to September 2022. He was appointed as the deputy general manager of Aowei Mining in March 2022 and was responsible for the financial accounting of Aowei Mining. He was also appointed as directors of Xinan Investments Limited and Xinan Limited since July 2023. Mr. Zuo obtained a junior college diploma in computer accounting from Hebei Vocational College of Engineering and Technology*（河北工程技術職業學院）in July 2002, and he also obtained the qualification of intermediate accountant from the Ministry of Finance of the People’s Republic of China in May 2007.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Sun Tao（孫濤）, aged 41, was appointed as our executive Director on 29 March 2023. He is responsible for the development strategy planning, project approval and other affairs of the Group. He has over 19 years of experience in corporate management. Prior to joining the Group, Mr. Sun successively served as the head and chief of the procurement and supply department of Aoyu Steel from March 2005 to February 2013. He joined the Group in 2013 and served as the head of the operation and planning department of Aowei Mining from February 2013 to March 2016. From March 2016 to February 2020, he served as the deputy general manager of Beijing Jianke Cloud Technology Co., Ltd.*（北京健科雲網科技有限公司）, where he was responsible for product promotion and market development and overall affairs of its Shenzhen branch. Mr. Sun re-joined the Group in February 2020 and was appointed as the deputy general manager of Aowei Mining and was responsible for the development strategy planning, project approval and other affairs of Aowei Mining. He was also appointed as directors of Beijing Panshi Industrial Co., Ltd and Beijing Hengwen Industrial Co., Ltd in September 2022. Mr. Sun was selected as a "Featured Talent in Laiyuan County" by the Communist Party of Laiyuan County Committee and the Laiyuan County People's Government on 28 March 2021. In January 2023, he was awarded as "Advanced Individual of Investment Attraction for High-quality Development" by Baoding Municipal Party Committee and People's Government of Baoding. Mr. Sun graduated from Hebei Agricultural University with a bachelor's degree in economics in July 2005, and he obtained the qualification as a Merchandiser from the Vocational Appraisal Centre of the Ministry of Labour and Social Security*（勞動社會保障部職業鑒定中心）in August 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Sze Lok（黃思樂）, aged 51, is primarily responsible for providing independent advice and guidance to the Board. Mr. Wong has been appointed as an independent non-executive Director from 8 April 2021. Mr. Wong is the chairman of Audit Committee and a member of Nomination Committee of the Company.

Mr. Wong has extensive experience in auditing and corporate governance. Mr. Wong was: i) the chief financial officer of Century Entertainment International Holdings Limited (formerly known as Amax Holdings Limited), the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 959); ii) the company secretary of Unitas Holdings Limited, the shares of which are listed on GEM of the Hong Kong Stock Exchange (stock code: 8020); and iii) an independent non-executive director of Grand Field Group Holdings Limited (stock code: 115) from July 2018 to July 2021.

Mr. Wong is currently the chief executive officer of the audit department of Infinity CPA Limited, an independent non-executive director of China e-Wallet Payment Group Limited (stock code: 802), IVD Medical Holding Limited (stock code: 1931), TBK & Sons Holdings Limited (stock code: 1960) and Cocoon Holdings Limited (stock code: 428), the shares of all of which are listed on the Main Board of the Hong Kong Stock Exchange. Mr. Wong also serves as the company secretary of Wai Hung Group Holdings Limited, the shares of which are listed on Main Board of the Hong Kong Stock Exchange (stock code: 3321).

Mr. Wong obtained a bachelor of arts degree in accountancy from The Hong Kong Polytechnic University in November 1996, a master of management degree from Macquarie University in November 2004 and a certificate of higher education in Law from the University of Essex in December 2021. Mr. Wong is currently a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of The Institute of Chartered Accountants in England and Wales and a Certified Information Systems Auditor.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Meng Likun（孟立坤）, aged 62, is our independent non-executive Director, primarily responsible for providing independent advice and guidance to the Board. Mr. Meng has been the Chairman of the Board of Guojie Investments Holding Ltd.（國傑投資控股有限公司）since October 2014. Mr. Meng served as the special consultant of Rongtong Fund Management Co., Ltd.（融通基金管理有限公司）from March 2010 to January 2012. He served as the president and an executive director of New Time Securities Co., Ltd.（新時代證券有限責任公司）from May 2006 to January 2009. He acted as the chairman of the board of directors of Rongtong Fund Management Co., Ltd. from May 2001 to March 2010.

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

Mr. Ge Xinjian（葛新建）, aged 65, is our independent non-executive Director, primarily responsible for providing independent advice and guidance to the Board. He serves as the general manager of Anhui Xinjian Mining Engineering Technology Co., Ltd.（安徽新建礦業工程技術有限責任公司）. Mr. Ge has more than 41 years of experience in processing research, design and technical management. Mr. Ge currently serves as a member of the 7th Ore Dressing Branch Committee of the Chinese Society for Metals（中國金屬學會選礦分會委員會）, the part-time professor of Anhui University of Technology and the member of the Expert Committee of China Metallurgical Mining Enterprise Association（中國冶金礦山企業協會）. Mr. Ge served as the chief engineer of Magang Group Design & Research Institute Co., Ltd.（馬鋼集團設計研究院有限責任公司）from March 2004 to December 2014. During this period, Mr. Ge held a concurrent post as the vice president from August 2011 to December 2014.

Mr. Ge published several theses in different professional journals and compiled many professional works, including Current Application of High-Pressure Grinder of Metallurgy Mine in China（《高壓輥磨工藝在我國冶金礦山的應用現狀》）(Modern Mining, 9th edition of 2009). Mr. Ge obtained a bachelor's degree in Ore Dressing from Jiangxi Metallurgy Institute（江西冶金學院）(now known as Jiangxi University of Science and Technology（江西理工大學）) in July 1983.

Mr. Ge is a professor-level senior engineer in ore dressing recognized by Personnel Department of Anhui Province（安徽省人事廳）in December 2009, a national mineral reserves appraiser recognized by Department of Personnel and Education of Ministry of Land and Resources（國土資源部人事教育司）in September 2007 and a registered national environment engineer recognized by Personnel Department of Anhui Province in September 2007.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Du Liming（杜立明）, aged 61, is the general manager of Jingyuancheng Mining and is responsible for the general management and daily operation of Jingyuancheng Mining. Mr. Du has over 16 years of experience in mining processing. He joined our Group in 2007 and served as the deputy head of Jiheng Mining from April 2007 to February 2010, the head of Jingyuancheng Mining from February 2010 to March 2014, the head of the water processing plant of Jiheng Mining from March 2014 to February 2020, and the deputy general manager of Jingyuancheng Mining from February 2020 to March 2022, where he is responsible for production operation and management. He was appointed as the general manager of Jingyuancheng Mining in March 2022.

Mr. Zhao Bin（趙斌）, aged 38, is the general manager of Jiheng Mining and is responsible for the daily and the general management of Jiheng Mining. Mr. Zhao has over 13 years of experience in mining management. He joined the Group in 2010 and successively served as the section chief of quality and measurement section, the section chief of materials section and the section chief of safety production section of Jiheng Mining from August 2010 to March 2022. He served as the deputy general manager of Jiheng Mining from February 2020 to March 2022, where he is responsible for the administrative management of Jiheng Mining. He was appointed as the general manager of Jiheng Mining in March 2022.

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

COMPANY SECRETARY

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

REPORT OF THE DIRECTORS

The Directors wish to present the report of the Directors together with the audited financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company acts an investment holding company. The activities of principal subsidiaries are the exploration, mining and processing of iron ore, sales of iron ores, preliminary concentrates and iron ore concentrates, production and sales of construction sand and gravel. Details of the principal subsidiaries of the Company are set out in Note 41 to the consolidated financial statements.

BUSINESS REVIEW

After careful deliberation, the Directors have reviewed the Group's business and made an analysis of the Group's performance during the year in accordance with the requirement of Schedule 5 to the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, including the discussions of the major risks and uncertainties facing the Group and the disclosure of the future business development the Group will probably achieve. Please refer to the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report – Risk Management and Internal Controls" of this annual report. For the major financial data and financial performance indicators, please refer to pages 5 to 6 of this report for the chapter of "Five Year Financial Summary".

PERMITTED INDEMNITY

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

Insurance cover has been arranged for the Directors to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 72 of this annual report.

REPORT OF THE DIRECTORS

DIVIDENDS

The Board has adopted a dividend policy that, in recommending or declaring dividends, the Company shall retain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. In considering the declaration and payment of dividends, the Board will take into account a number of factors, including but not limited to the Group's financial results and cash flow position, the Group's future operations and earnings, the Group's expected capital requirements and expansion plans, the Group's debt to equity ratio and debt level, any restrictions on payment of dividends under any financial covenants to which the Group is subject, retained earnings and distributable reserves of the Company and each of the companies comprising the Group, the Shareholders' expectations and industry standards, and general market conditions.

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2023 (2022: Nil).

ANNUAL GENERAL MEETING

The 2024 annual general meeting of the Company (the "**2024 AGM**") will be held at 10:00 a.m. on 24 May 2024 at Meeting Room, Ritan Club, A1 Ritan East Road, Chaoyang District, Beijing, the PRC.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2024 to 24 May 2024 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to determine the entitlement to attend and vote at the 2024 AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 17 May 2024.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 December 2023 in the Group's property, plant and equipment are set out in Note 19 to the consolidated financial statements.

SHARE CAPITAL

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

RESERVES

Details of the movements during the year ended 31 December 2023 in the reserves of the Group are set out in the consolidated statement of changes in equity on page 76 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution to the Shareholders in accordance with the Articles were RMB382.3 million. Under the Cayman Companies Law, subject to the provision of its Articles, the share premium account may be applied by the Company in paying distributions or dividends to its members or in paying up unissued shares to be issued to its members as fully paid bonus shares provided that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

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

FINANCIAL SUMMARY

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

LOANS AND BORROWINGS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended 31 December 2023 and 2022, sales to the five largest customers of the Group accounted for 90.1% and 86.3% of the Group's total revenue respectively, and sales to the largest customer accounted for 52.2% and 46.9% respectively.

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

For the years ended 31 December 2023 and 2022, purchases from the five largest suppliers of the Group accounted for 23.1% and 33.8% of the Group's total purchases respectively, and purchases from the largest supplier accounted for 10.8% and 9.0% respectively.

For the year ended 31 December 2023, to the knowledge of Directors, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest suppliers or customers.

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth the Directors for the year and as of the date of this annual report:

Executive Directors

Mr. Li Yanjun
Mr. Li Ziwei
Mr. Sun Jianhua (resigned on 29 March 2023)
Mr. Tu Quanping (resigned on 29 March 2023)
Mr. Zuo Yuehui (appointed on 29 March 2023)
Mr. Sun Tao (appointed on 29 March 2023)

Independent Non-executive Directors

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

Biographical details of the current Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 28 to 31 of this annual report.

In accordance with the article 16.18 of the Articles, Mr. Li Ziwei, Mr. Wong Sze Lok and Mr. Meng Likun will retire at the 2024 AGM, and being eligible, will offer themselves for re-election at the 2024 AGM.

CHANGE IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Director during the Year are set out below:

In February 2024 and March 2024, Mr. Wong Sze Lok was appointed as independent non-executive director of China e-Wallet Payment Group Limited (stock code: 802) and IVD Medical Holding Limited (stock code: 1931) respectively, the shares of all of which are listed on the Main Board of Hong Kong Stock Exchange.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SERVICE CONTRACTS OF THE DIRECTORS

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

On 25 November 2022, each of Mr. Li Yanjun, Mr. Li Ziwei, Mr. Sun Jianhua, Mr. Tu Quanping, Mr. Meng Likun and Mr. Ge Xinjian entered into a director service contract with the Company for a term of three years;

On 29 March 2023, Mr. Sun Jianhua and Mr. Tu Quanping resigned as executive Directors of the Company and terminated the service contract of directors; on 29 March 2023, each of Mr. Zuo Yuehui and Mr. Sun Tao entered into a director service contract with the Company for a term of three years; and on 8 April 2024, Mr. Wong Sze Lok entered into a director service contract with the Company for a term of three years.

All directors may terminate or renew their service contract in accordance with their respective contractual terms; none of the Directors has signed with the Company any service contract that shall not be terminated without compensation (exclusive of statutory compensation) within one year.

REMUNERATION FOR THE DIRECTORS AND TOP FIVE HIGHEST PAID INDIVIDUALS

Detailed information on remuneration for the Directors and top five highest paid individuals of the Company is set out in Notes 15 and 16 to the consolidated financial statements.

None of the Directors has agreed to waive any remuneration for the year ended 31 December 2023. The remuneration for the Directors was proposed by the remuneration committee of the Company (the "**Remuneration Committee**"), which would take into account remuneration paid by similar companies, conditions of employment, responsibilities and individual performance when proposing the remuneration.

EMOLUMENT POLICIES

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at 31 December 2023, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

Name of Directors	Capacity/nature of interest	Number of Shares (long position)	Approximate percentage of issued Shares
Mr. Li Ziwei	Founder of a discretionary trust(2)(3)	1,181,480,000(L)	72.25%
Mr. Li Yanjun	Interests held jointly with another person(2)(3)	1,181,480,000(L)	72.25%

Notes:

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

(2) Mr. Li Ziwei is the settlor, protector and a beneficiary of the Chak Trust with Credit Suisse Trust Limited as the trustee which holds the entire issued share capital of Hengshi Holdings Limited (holding 100% issued share capital of Hengshi International Investments Limited) through Chak Limited, and is the settler, protector and a beneficiary of the Seven Trust with Credit Suisse Trust Limited as the trustee which holds the entire issued share capital of Aowei International Developments Limited through Seven Limited. Pursuant to the Confirmation Letters, Mr. Li Ziwei and Mr. Li Yanjun have acted and will continue to act in concert to make decisions and exercise discretions in respect of the matters of the Chak Trust and the Seven Trust and exercise all voting rights attached to the shares of Hengshi International Investments Limited and Aowei International Developments Limited, respectively. Therefore, Mr. Li Ziwei and Mr. Li Yanjun are deemed to be interested in the 1,147,730,000 Shares held by Hengshi International Investments Limited (which is 100% owned by Hengshi Holdings Limited) as disclosed above and the 33,750,000 Shares held by Aowei International Developments Limited.

(3) Mr. Li Yanjun and Mr. Li Ziwei through the controlled corporations of Mr. Li Ziwei provided an interest in 829,630,000 shares as security to a person other than a qualified lender.

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

As of 31 December 2023 and so far as is known to the Directors, the interests or short positions of the substantial shareholders, other than the Directors or the chief executives of the Company whose interests or short positions in the shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, who had 5% or more interests or short positions in the Shares and underlying Shares as recorded in the register required to be maintained by the Company under Section 336 of the SFO, were as follows:

Name of Shareholders	Capacity/nature of interest	Number of Shares (long position)	Approximate percentage of issued Shares
Aowei International Developments Limited	Beneficial owner(2)(3)	1,181,480,000(L)	72.25%
Chak Limited	Interest in controlled corporation(2)(3)	1,181,480,000(L)	72.25%
Credit Suisse Trust Limited	Trustee	1,181,480,000(L)	72.25%
Hengshi Holdings Limited	Interest in controlled corporation(2)(3)	1,181,480,000(L)	72.25%
Hengshi International Investments Limited	Beneficial owner(2)(3)	1,181,480,000(L)	72.25%
Seven Limited	Interest in controlled corporation(2)(3)	1,181,480,000(L)	72.25%
Fresh Idea Ventures Limited	Person having a security interest in shares(4)	829,630,000(L)	50.73%
Huarong International Financial Holdings Limited	Interest in controlled corporation(4)	829,630,000(L)	50.73%
China Huarong Asset Management Co., Ltd.	Interest in controlled corporation(4)	829,630,000(L)	50.73%

Notes:

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

(2) Hengshi Holdings Limited holds 100% issued share capital of Hengshi International Investments Limited, thus Hengshi Holdings Limited is deemed to be interested in the 1,147,730,000 Shares held by Hengshi International Investments Limited. Chak Limited holds 100% issued share capital of Hengshi Holdings Limited, thus Chak Limited is deemed to be interested in the 1,147,730,000 Shares held by Hengshi International Investments Limited. Seven Limited holds 100% issued share capital of Aowei International Developments Limited, thus Seven Limited is deemed to be interested in the 33,750,000 Shares held by Aowei International Developments Limited.

(3) Aowei International Developments Limited and Hengshi International Investments Limited provided an interest in 829,630,000 Shares as security to a person other than a qualified lender. Each of Chak Limited, Credit Suisse Trust Limited, Hengshi Holdings Limited and Seven Limited, by virtue of their relationship with Aowei International Developments Limited and Hengshi International Investments Limited as disclosed in note (2) above, is deemed to have provided an interest in 829,630,000 Shares as security to a person other than a qualified lender.

(4) Fresh Idea Ventures Limited has a security interest in an aggregate of 829,630,000 Shares. Fresh Idea Ventures Limited is 100% controlled by Linewear Assets Limited, which in turn is 100% controlled by Huarong International Financial Holdings Limited. Huarong International Financial Holdings Limited is thus deemed to be interested in the aforesaid 829,630,000 Shares. Huarong International Financial Holdings Limited is controlled by Right Select International Limited and Camellia Pacific Investment Holding Limited as to 29.98% and 21.01%, respectively, while Right Select International Limited and Camellia Pacific Investment Holding Limited are 100% controlled by China Huarong International Holdings Limited. China Huarong International Holdings Limited is controlled by China Huarong Asset Management Co., Ltd. and Huarong Zhiyuan Investment & Management Co., Ltd.* as to 84.84% and 15.16%, respectively. Huarong Zhiyuan Investment & Management Co., Ltd.* is 100% controlled by China Huarong Asset Management Co., Ltd. Accordingly, China Huarong Asset Management Co., Ltd. is deemed to be interested in the aforesaid 829,630,000 Shares.

Mr. Li Ziwei and Mr. Li Yanjun are the ultimate controlling shareholders of Chak Limited, Hengshi Holdings Limited, Hengshi International Investments Limited, Seven Limited and Aowei International Developments Limited. Therefore, Chak Limited, Hengshi Holdings Limited, Hengshi International Investments Limited, Seven Limited and Aowei International Developments Limited are deemed to be interested in all the 1,181,480,000 shares. Pursuant to the Confirmation Letters, Mr. Li Ziwei and Mr. Li Yanjun have acted and will continue to act in concert to make decisions and exercise discretions in respect of the matters of the Chak Trust and the Seven Trust and exercise all voting rights attached to the shares of Hengshi International Investments Limited and Aowei International Developments Limited, respectively.

Save as disclosed above, so far as is known by or otherwise notified to the Directors, no other person or entity (other than the Director(s) or chief executive(s) of the Company) had interests or short positions in the Shares or underlying Shares representing 5% or more of the issued share capital of the Company as of 31 December 2023.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

At no time during the year ended 31 December 2023 was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

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

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

On 28 September 2021, Laiyuan County Aowei Mining Investments Co., Ltd. entered into the Property Lease Agreement (the "**2021 Property Lease Agreement**") with Beijing Tongchan Ritan Club Co., Ltd. ("**Ritan Club**"), a subsidiary of Hebei Aowei Industrial Group Co., Ltd. ("**Aowei Group**"):

Laiyuan County Aowei Mining Investments Co., Ltd. rented a property in Beijing as office from Ritan Club from 1 October 2021 to 30 September 2024 (both days inclusive) at the annual rent of RMB1,720,000.00 with a term of three years. Please refer to the announcement dated on 28 September 2021 for details.

Since Mr. Li Yanjun is a director and one of the controlling shareholders of the Company, Mr. Li Yanjun is a connected person of the Company. Considering that Aowei Group holds 99% of equity interest of Ritan Club and Mr. Li Yanjun holds 99% of equity interests of Aowei Group, Aowei Group and Ritan Club are associates of Mr. Li Yanjun, which is thereby a connected person of the Company. Therefore, the transactions under the 2021 Property Lease Agreement constitute connected transactions.

In accordance with IFRS 16, Leases, the lease transaction under the 2021 Property Lease Agreement was regarded as the acquisition of assets. Therefore, the Company will recognise the value of right-of-use asset in respect for the relevant leasing property under the 2021 Property Lease Agreement in the Consolidated Statement of Financial Position of 2023.

All related party transactions were disclosed in Note 40 to the consolidated financial statements, which also constituted the connected transactions as defined in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules for the year ended 31 December 2023.

SIGNIFICANT CONTRACTS

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

COMPLIANCE OF DEED OF NON-COMPETITION

The Company entered into a deed of non-competition (the "**Deed of Non-Competition**") with Mr. Li Ziwei, Mr. Li Yanjun, Hengshi International Investments Limited and Hengshi Holdings Limited (collectively, the "**Controlling Shareholders**") on 12 November 2013. Pursuant to the Deed of Non-Competition, each Controlling Shareholder has undertaken to the Company (for itself and in favour of its subsidiaries) that they will not, profitably or non-profitably, and will procure their associates (except any members of the Group) not to, directly or indirectly, either on his own or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate in or hold interests in or engage in or acquire or hold construction, development, operation or management of any business or activity which competes or may compete with the business of the Group, being the exploration, mining, processing and trading of iron ore products and the major products including iron ores, preliminary concentrates and iron ore concentrates (the "**Restricted Business**"). The Controlling Shareholders have also granted us an option for new business opportunities, a pre-emptive right and an option for acquisition to acquire any potential interest in their business which competes or is likely to compete, either directly or indirectly, with the Restricted Business.

In accordance with the Deed of Non-Competition, the independent non-executive Directors are responsible for reviewing and considering whether exercising the option for new business opportunities, pre-emptive right and the option for acquisition as well as conducting annual review of implementation of the Deed of Non-Competition on behalf of the Company. Each Controlling Shareholder has made annual confirmation of compliance with the Deed of Non-Competition, and the independent non-executive Directors have also reviewed the implementation of the Deed of Non-Competition, and confirmed that the Controlling Shareholders have fully abided by the Deed of Non-Competition without any breach of the Deed of Non-Competition.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

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

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2023, having made specific enquiries to all Directors, all of them have confirmed that neither themselves nor their respective close associates (as defined in the Listing Rules) held any competing interests in any business which competes or is likely to compete either directly or indirectly with the business of the Group.

SIGNIFICANT SUBSEQUENT EVENTS

There were no significant subsequent events affecting the Group which occurred since 1 January 2024 and up to the date of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2023.

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

Throughout the year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

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

KEY RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

- **Employees**
  The Group is well aware that employees are an important foundation for corporate development. Therefore, we are committed to creating a fair, respectful, diversified, cooperative and friendly corporate culture and working environment, and growing together with employees. In order to effectively stimulate the enthusiasm of employees to give full play to their talents and capabilities, the Group provides employees with competitive remuneration packages, and promotes targeted training programs according to the guidelines, so as to help employees to promote career development and progression within the Group.

- **Suppliers and customers**
  The Group has always adhered to the business principles of integrity and honesty and maintained good business relationships with its suppliers and customers. The Group has formulated multiple selection criteria in the selection of suppliers, including but not limited to their qualifications, capabilities and reputation, to ensure the safety of supply chain. In terms of customers, the Group is committed to providing customers with high-quality products and maintaining stable and long-term business cooperation with customers. During the year ended 31 December 2023, the Group maintained good business cooperation with its suppliers and customers.

  For more information, please refer to the Environmental, Social and Governance Report of the Company.

RETIREMENT AND EMPLOYEES' BENEFIT PLAN

Detailed information on the retirement and employees' benefit plan of the Company is provided in Note 35 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

The Company practices the concept of "ecological priority and green development", strictly abides by the laws and regulations of the Chinese government in environmental protection and climate, actively reviews and evaluates the environmental risks brought by its own business operations, and establishes a sound environmental management system to minimize or avoid the adverse impact of daily operations on the environment. At the same time, we also thoroughly implement the concept of green, low-carbon and environmental protection, advocate green, low-carbon and environmental protection education, improve employees' awareness, resist waste of resources, encourage employees to replace business travel by teleconference, and strive to implement the concept of green, low-carbon and environmental protection into the work and life of employees. For more details, please refer to the Environmental, Social and Governance Report of the Company.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2023, the Group has not been involved in any significant legal proceedings or arbitration. To the knowledge of the Directors, there are no significant legal proceedings or claims pending or threatened against the Group.

AUDITOR

The Company engaged Asian Alliance (HK) CPA Limited as the auditor of the Company for the year ended 31 December 2023. A resolution for the re-appointment of Asian Alliance (HK) CPA Limited as the auditor of the Company will be proposed for approval by the Shareholders at the 2024 AGM.

By order of the Board

Mr. Li Yanjun
Chairman of the Board

26 March 2024

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**") of Aowei Holding Limited (the "**Company**") is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance the Group's performance. The Group believes that good corporate governance can effectively improve corporate management, business operation and development, and bring more long-term benefits to the Group and its shareholders. The Corporate Governance Policy adopted by the Company is based on the principles, code provisions and certain recommended best practices set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules and is in the best interests of the Company and its shareholders. During the period from 1 January 2023 to 31 December 2023, the Company has complied with the Corporate Governance Policy and the remaining code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules, and has also satisfied the majority of the recommended best practices specified in the Corporate Governance Code contained in Appendix C1 to the Listing Rules.

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

Set out below is the detailed discussion of the corporate governance practices adopted and observed by the Company during the Reporting Period.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2023.

BOARD OF DIRECTORS

The Board is collectively responsible for leading and overseeing the Group's business with the objective of enhancing Shareholders' value. The Company adheres to the core values of "create wealth for the society, create value for our shareholders, create prospects for our employees", and emphasizes that interests of enterprises and employees are in common. Through staff trainings and the establishment of reasonable rules and regulations to implement the concept, a hardworking and diligent corporate culture is formed thereby improving the competitiveness and promoting the sustainability of the Company. The Board currently comprises a combination of executive Directors and independent non-executive Directors. At least one of the independent non-executive Directors possesses appropriate professional qualifications (or accounting or related financial management expertise) as required by the Listing Rules. This provides a healthy professional relationship between the Board and the management to shape the strategic process. The management shall provide members of the Board and specialized committees under the Board with appropriate and sufficient information in a timely manner so as to update them with the latest developments of the Group and to better facilitate the discharge of their duties. The management is accountable to the Board, executing the strategies and plans formulated by the Board, and making decisions in relation to the day-to-day operation of the Group. The management reports monthly to the Board on the operation and financial performance of the Group. The Board is also supported by other key committees to independently supervise management. Those key committees are the audit committee, remuneration committee and nomination committee and are comprised mainly of independent non-executive Directors.

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

Name of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors			
Li Yanjun *(Chairman)*	–	–	C
Li Ziwei *(Chief Executive Officer)*	–	M	–
Sun Jianhua (resigned on 29 March 2023)	–	–	–
Tu Quanping (resigned on 29 March 2023)	–	–	–
Zuo Yuehui (appointed on 29 March 2023)	–	–	–
Sun Tao (appointed on 29 March 2023)	–	–	–
Independent Non-executive Directors			
Wong Sze Lok	C	–	M
Meng Likun	M	C	M
Ge Xinjian	M	M	–

Notes:

C: Chairman
M: Member

As of 31 December 2023, the Board consisted of seven Directors including four executive Directors and three independent non-executive Directors. The number of independent non-executive Directors complied with the requirement of Rule 3.10(A) of the Listing Rules. Each independent non-executive Director has given an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Non-executive Directors (including independent non-executive Directors) are appointed for a specific term (no more than three years) and subject to retirement by rotation. In accordance with article 16.18 of the Company's articles of association, Mr. Meng Likun shall retire by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting. Mr. Meng Likun was appointed as independent non-executive Director in 2013 and has served as an independent non-executive Director for over nine years. The Nomination Committee and the Board consider that during his tenure of office, Mr. Meng Likun was able to fulfill all the requirements under Rule 3.13 of the Listing Rules relating to the independence of the independent non-executive Directors and provided the Company with annual confirmation of his independence. Mr. Meng Likun does not participate in the daily operations of the Group and he has no interest conflicting with the Group's interest and has continuously provided independent advice to the Board. The Board is not aware of any foreseeable event that may occur and affect the independence of Mr. Meng Likun, and the Board considers that he is and will continue to be independent of the Company notwithstanding, Mr. Meng Likun has been serving the Company for more than nine years. In addition, Mr. Meng Likun has sufficient time to perform his duties. Mr. Meng Likun obtains a doctorate degree in engineering. During the Review Period, Mr. Meng Likun attended all general meetings, Board meetings and various committees meetings organized by the Company and provided effective independent opinions on the operation and development of the Company with his own professional levels in corporate management and finance. Mr. Meng Likun has made significant contributions to the Board and his professional qualifications can contribute to the diversity of the Board of the Company. Accordingly, the Board is of the view that Mr. Meng Likun is eligible for re-election at the forthcoming annual general meeting. The Board will continue to review the independence of each independent non-executive Director on an annual basis.

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

The key roles of the Board are:

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

During the year, the Company held four regular and two special Board meetings for reviewing and approving the financial and operating performance and considering the overall strategies and policies of the Group, etc. Sufficient notice (at least 14 days-notice for regular Board meetings) convening the Board meeting was dispatched to the Directors setting out the matters to be discussed. All Directors were given an opportunity to include matters in the agenda for the Board meeting and had access to the company secretary of the Company (the "**Company Secretary**") to ensure that all Board procedures and all applicable rules and regulations were followed. The independent non-executive Directors also put forward independent professional opinions and suggestions to the Board in respect of the Company's business development, major decisions, risk management and internal control. The Board also enabled the Directors to seek independent professional advice at the Company's expense in appropriate circumstances. The Board considered that the above mechanisms are able to ensure independent views and input available, and will review the implementation and effectiveness such mechanisms annually; and the Board considers that the above mechanisms are effectively implemented. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The Company Secretary was responsible for keeping minutes for the Board meetings.

During the Year, the Company held one general meeting. The attendance records of the meetings held by the Board, Audit Committee, Remuneration Committee, Nomination Committee and general meetings during the year ended 31 December 2023 are set out below:

	Number of meeting attended/Number of meeting held				
Name of Directors	Board meeting	Audit committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Annual general meeting
Executive Directors					
Li Yanjun *(Chairman)*	6/6	–	–	1/1	1/1
Li Ziwei *(Chief Executive Officer)*	6/6	–	1/1	–	1/1
Sun Jianhua (resigned on 29 March 2023)	1/1	–	–	–	–
Tu Quanping (resigned on 29 March 2023)	1/1	–	–	–	–
Zuo Yuehui (appointed on 29 March 2023)	5/6	–	–	–	1/1
Sun Tao (appointed on 29 March 2023)	5/6	–	–	–	1/1
Independent Non-executive Directors					
Wong Sze Lok	6/6	2/2	–	1/1	1/1
Ge Xinjian	6/6	2/2	1/1	–	1/1
Meng Likun	6/6	2/2	1/1	1/1	1/1

DIRECTORS' TRAINING

According to code provision C.1.4 of the CG Code, all Directors should participate in a continuous professional development course and refresh their knowledge and skills to ensure that they continue to contribute to the Board with comprehensive information and where necessary.

All Directors have been provided with training on their duties and responsibilities as a director of a listed company, the compliance issues under the Listing Rules and anti-corruption. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, including the Practical Guide to the Corruption Prevention System for Listed Companies published by Independent Commission Against Corruption of the Hong Kong Special Administration Region, to ensure their compliance and enhance their awareness of good corporate governance practices.

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

During the year ended 31 December 2023, the records of the training attended by the Directors are set out as follows:

Name	Position	Types of Training
Li Yanjun	Chairman and Executive Director	A, B
Li Ziwei	Executive Director and Chief Executive Officer	A, B
Sun Jianhua (resigned on 29 March 2023)	Executive Director and Chief Financial Officer	A, B
Tu Quanping (resigned on 29 March 2023)	Executive Director	–
Zuo Yuehui (appointed on 29 March 2023)	Executive Director and Chief Financial Officer	A, B
Sun Tao (appointed on 29 March 2023)	Executive Director	A, B
Wong Sze Lok	Independent non-executive Director	A, B
Ge Xinjian	Independent non-executive Director	A, B
Meng Likun	Independent non-executive Director	A, B

Notes:

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the chairman and the chief executive officer of the Company are segregated and held by different individuals in order to ensure the independence and accountability of their respective duties and a balanced distribution of power and authority between them. Mr. Li Yanjun is the chairman and is responsible for the management and effective operation of the Board, ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. Mr. Li Ziwei is the chief executive officer and is responsible for the daily operational activities of the Group and accountable to the Board for the overall operations of the Group. During the Reporting Period, the chairman held one meeting with the independent non-executive Directors without the presence of the other Directors.

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

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

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

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

COMPANY SECRETARY

For the year ended 31 December 2023, Ms. Kwong Yin Ping, Yvonne is the Company Secretary of the Company. Ms. Kwong Yin Ping, Yvonne has taken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules. The main contact of Ms. Kwong in the Company is Mr. Li Ziwei.

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

SPECIALIZED COMMITTEES UNDER THE BOARD

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

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the Rule 3.21 of the Listing Rules. The Audit Committee consists of three members (including all independent non-executive Directors), namely, Mr. Wong Sze Lok (Chairman of the Committee) who possesses the appropriate professional qualification or accounting or related financial management expertise, Mr. Ge Xinjian and Mr. Meng Likun. The written terms of reference of the Audit Committee has been made available on the Company's website at www.aoweiholding.com and on the website of the Stock Exchange.

The primary functions of the Audit Committee are: to be responsible for ensuring that the Company has an effective financial reporting and internal control systems in compliance with the Listing Rules, reviewing the risk management and internal control systems of the Company, overseeing the completeness of the financial statements of the Company (including the review of the quarterly, half-yearly and annual results and internal control system), selecting and assessing the independence and qualifications of the Company's external auditor and ensuring effective communication between the Directors and external auditor.

The Audit Committee held two physical meetings during the year ended 31 December 2023. At these two meetings, the Audit Committee discussed and reviewed, among other things, (i) the audited financial statements for the twelve months ended 31 December 2022; (ii) the unaudited management accounts for the six months ended 30 June 2023; and (iii) the effectiveness of the internal control system.

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

During the year ended 31 December 2023, the Audit Committee has reviewed the risk management and internal control systems and the effectiveness of the Company's internal audit function. Details of the risk management and internal control of the Group are set out on pages 57 to 59 of this report.

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference in compliance with the Rule 3.25 of the Listing Rules. The Remuneration Committee consists of three members (including one executive Director and two independent non-executive Directors), namely, Mr. Meng Likun (Chairman of the Committee), Mr. Ge Xinjian and Mr. Li Ziwei. The written terms of reference of this committee have been made available on the Company's website at www.aoweiholding.com and on the website of the Stock Exchange.

The primary functions of the Remuneration Committee are: to be responsible for assisting the Board in determining the policy and structure for the remuneration of Directors and senior management, assessing the performance of executive Directors, reviewing incentive schemes and the terms of the Directors' service contracts, fixing the remuneration packages for executive Directors and senior management and reviewing or approving matters relating to the share scheme.

Under the remuneration policy of our Company, the Remuneration Committee will make recommendations to the Board on the amount of remuneration payable to Directors and the senior management, by reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities, tenure, commitment, responsibilities and performance of Directors and the senior management. The Remuneration Committee held one physical meeting during the year ended 31 December 2023. At the meeting, the Remuneration Committee discussed and reviewed, among other things, (i) the remuneration policy and structure of the Directors and senior management of the Company for 2022; (ii) the remuneration, benefits and welfare under the renewed Directors' service contracts entered into between the Company and the executive Directors and independent non-executive Directors; and (iii) the remuneration, benefits and welfare of Mr. Zuo Yuehui and Mr. Sun Tao as executive Directors of the Company.

The remuneration payable to the Directors and Senior Management during the year ended 31 December 2023 by band is set out below:

Name of Director	Remuneration Band	Director's Fee	Salaries, Allowances and Benefits in Kind	Pension Scheme Contributions	Total
	RMB	%	%	%	%
Executive Directors					
Mr. Li Yanjun	1,000,000-1,500,000	–	100	–	100
Mr. Li Ziwei	500,000-1,000,000	–	98.2	1.8	100
Mr. Sun Jianhua (resigned on 29 March 2023)	0-500,000	–	87.0	13.0	100
Mr. Tu Quanping (resigned on 29 March 2023)	0-500,000	–	94.6	5.4	100
Mr. Zuo Yuehui (appointed on 29 March 2023)	0-500,000	–	93.8	6.2	100
Mr. Sun Tao (appointed on 29 March 2023)	0-500,000	–	94.1	5.9	100
Independent Non-executive Directors					
Mr. Wong Sze Lok	0-500,000	100	–	–	100
Mr. Ge Xinjian	0-500,000	100	–	–	100
Mr. Meng Likun	0-500,000	100	–	–	100

Name of Senior Management	Remuneration Band	Director's Fee	Salaries, Allowances and Benefits in Kind	Pension Scheme Contributions	Total
	RMB	%	%	%	%
Du Liming	0-500,000	–	96.9	3.1	100
Zhao Bin	0-500,000	–	95.4	4.6	100

NOMINATION COMMITTEE

The Company established a nomination committee with written terms of reference in compliance with the Rule 3.27A of the Listing Rules. The Nomination Committee consists of three members (including one executive Director and two independent non-executive Directors), namely, Mr. Li Yanjun (Chairman of the Committee), Mr. Meng Likun and Mr. Wong Sze Lok. The written terms of reference of this committee has been made available on the Company's website at www.aoweiholding.com and on the website of the Stock Exchange.

The principal duties of the Nomination Committee are: to formulate and review the nomination and Board members diversity policies, review the size, structure and composition of the Board, assess the independence of independent non-executive directors, and to make recommendations to the Board on nominations, appointment of Directors and Board succession with adequate consideration to the Board members diversity policy.

The Nomination Committee held one physical meeting during the year ended 31 December 2023. At the meeting, the Nomination Committee discussed and reviewed, among other things, (i) the existing structure, number, composition and diversity of the Board and the sufficiency of time and efforts contributed by the Directors in relation to the performance of their duties of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the Group's business and that it is in compliance with the requirements under the Listing Rules; and (ii) the professional skills, working experience, cultural and educational background of Mr. Zuo Yuehui and Mr. Sun Tao, and proposed to be nominated as executive Directors of the Company.

DUTIES AND FUNCTIONS

The duties of the Committee are as follows:

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

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

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

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

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

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

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

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

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

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

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

(l) conform to any requirement, direction, and regulation that may from time to time be contained in the Articles of the Company or imposed by the Listing Rules or law. The Committee is accountable to the Board. Resolutions proposed by the Committee shall be submitted to the Board for consideration and decision, among which, resolutions on the nomination of candidates for Directors shall be submitted to the general shareholders' meeting for consideration and approval upon consideration by the Board. The Committee shall make sure that where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he/she should be elected and the reasons why they consider him/her to be independent.

DECISION-MAKING PROCEDURES

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

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

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

(b) the Committee may search for candidates for Directors and senior management on an extensive scale in the Company, its holding (joint-stock) companies and the talent market;

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

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

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

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

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

DIRECTOR NOMINATION POLICY AND BOARD DIVERSITY POLICY MEASURES

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

MEASURABLE OBJECTIVES OF BOARD DIVERSITY POLICY

Selection of candidates for Board membership is based on a range of diversity perspectives, and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. As of 31 December 2023, seven Directors of the Board have various professional experience and qualifications, such as steel, mining, mineral processing industry, financial management, investment and financing, compliance and accounting. The Nomination Committee has reviewed the members, structure and composition of the Board, and was of the opinion that the extensive experiences and skills of the Directors in various fields and the rational structure of the Board and accord with Board diversity policy arrangements may enable the Company to maintain high standard operation.

As of the date of this report, all members of the Board are male. As part of its efforts to achieve diversity at the Board level, the Board has set the objective of appointing a female member to the Board no later than 31 December 2024 to achieve gender diversity at the Board level. The Nomination Committee will continue to monitor and actively consider the Board diversity from different aspects and make recommendations to the Board on further actions or plans as necessary.

As of 31 December 2023, the total number of employees (including senior management) was 861, of which 832 were male employees, accounting for approximately 97% of the total number of employees; 29 were female employees, accounting for approximately 3% of the total number of employees. The Company has no gender discrimination in employment and labor practices. The relatively small proportion of female employees is mainly affected by the nature of the mining industry. In the future, the Company will also gradually optimize the gender diversity of employees.

The Nomination Committee will review the structure, size and composition of the Board from time to time and make recommendations to the Board on succession planning for Directors to ensure the stability of the Board to complement the Company's corporate strategy. In identifying individuals suitably qualified to become members of the Board, it identifies individuals suitably qualified to become members of the Board from the Company, its holding (joint-stock) companies and the talent market. It considers whether there is a good complement to other Directors and qualifications, whether there will be an enhancement of the skills, experience and expertise of the Board as a whole, taking into account the gender, age, professional experience and qualifications, cultural and educational background, so that the Board has a balance of skills, experience and gender diversity of perspectives appropriate to the requirements of the Group's strategy and specific business needs. Among them, the nomination of Mr. Zuo Yuehui and Mr. Sun Tao (being senior management) as executive Directors is also a reflection of the succession plan for Directors of the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance functions set out in code provision A.2.1 of the CG Code:

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

REMUNERATION OF AUDITOR

During the year ended 31 December 2023, the total fees paid/payable of annual audit services provided by Asian Alliance (HK) CPA Limited, the external auditor of the Company, to the Company are set out below:

	Fee paid/payable RMB'000
Audit Services:	
2023 annual audit	2,500

The Audit Committee is responsible for making recommendation to the Board as to the appointment, reappointment and removal of the external auditor, which is subject to the approval by the Board and at the general meetings of the Company by the Shareholders.

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

The Directors acknowledged their responsibilities for preparing the financial statements for the year ended 31 December 2023, which gave a true and fair view of the state of affairs, the results and cash flows of the Group for that year. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner and prepared the financial statements on a going concern basis for the reasons as set out in note 3.1 to the financial statements. The Company allocated sufficient resources to prepare the audited accounts. Senior management was required to present and explain the financial reporting and matters that materially affected or may have material impact on the financial performance and operations of the Company to the Audit Committee and the Board and to respond to the queries and concerns raised by the Audit Committee and the Board to their trust. The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the financial statements included appropriate disclosure made in accordance with the Listing Rules and the Companies Ordinance. The responsibility of the external auditor of the Company for preparing the financial statements of the Group was set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the risk management and internal control systems of the Group. The risk management and internal control systems were designed to provide reasonable (but not absolute) assurance against material misstatement or loss, and to manage (but not fully eliminate) the mistakes of the Group's operational systems and the risks of failure to achieve the Group's business objectives. The Audit Committee reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group through active communication and discussion with management, internal audit and external auditor, and the results were reported to the Board.

The Board had conducted an annual review on the risk management and internal control systems of the Group including financial, operational and compliance controls and risk management and environmental, social and governance risks of the Company, and is of the view that the existing risk management and internal control systems of the Group are effective and adequate. The Board has also reviewed the adequacy of resources, qualifications and experience of staff of the internal audit, accounting and financial reporting functions and environmental, social and governance performance and reporting, staff training and budget. After the review, the Audit Committee considered that the Company's risk management and internal control systems were designed appropriately and effectively. Meanwhile, the Company has also engaged a third-party independent internal control consultant to evaluate and provide advice on the risk management and internal control systems of certain subsidiaries of the Company during the Reporting Period to strengthen the Company's risk management and internal control systems.

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

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

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

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

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

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

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

- The Company regularly provide relevant compliance trainings to the Board and the senior management. The Group has established the Information Disclosure Management System, the Administrative Rules Governing Connected Party Transactions, and the Inside Information Disclosure System to process inside information. The Directors and employees are regularly reminded to properly comply with the relevant policies on inside information, and it will keep the Directors and employees informed of the latest guidelines on the above information disclosure published by the regulatory authorities from time to time to ensure the latest information is available. Before inside information is disclosed to the public, the Board ensures that such inside information is kept confidential. The Board regularly evaluates the effectiveness of internal control;

- In order to strengthen the integrity of the Company and avoid the occurrence of fraud or unethical behaviours, the Group has formulated and implemented relevant mechanisms such as audit, reporting and anti-money laundering, which clearly defined the Company's integrity management discipline and behaviour requirements. The Company has also established an anti-corruption reporting mechanism to provide employees and other stakeholders (such as customers and suppliers) with confidential channels, such as reporting hotline, reporting email and reporting mailbox, to encourage reporting of violations as soon as possible. At the same time, the Company will also engage external auditors to conduct audit work on the Company in order to prevent and control the Company's fraud or unethical behaviours. During the Reporting Period, the Company did not receive any reports of irregularities in connection with financial reporting, internal control or other matters raised by the Company's employees or others; and

- The Group conducts anti-corruption training to improve the awareness of employees and management on integrity. In 2023, our Directors and employees received anti-corruption training. During the Reporting Period, the Group did not have any legal cases regarding corrupt practices brought against the Company or its employees.

PROCESS USED TO IDENTIFY, EVALUATE AND MANAGE SIGNIFICANT RISKS

The Group's risk management process involves the identification, evaluation, response, monitoring and reporting of risks. After the management of the Company has identified the risks that may potentially affect the Group's business and operations, the Board will conduct a risk assessment and prioritize the identified risks to determine the key risks that the Group is exposed to and discuss measures to mitigate such key risks. In addition, the management of the Company will monitor the existing risk mitigation measures regularly, review the Group's risk management strategies, report such results and make appropriate recommendations to the Board.

SIGNIFICANT CHANGE TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

During the Reporting Period, the Company has amended the existing memorandum and articles of association of the Company (the "**Existing Memorandum and Articles**") in order to comply with, among others, the 14 core standards of shareholder protection in Appendix 3 to the Listing Rules, which was approved by a special resolution at the annual general meeting of the Company on 31 May 2023. The Second Amended and Restated Memorandum and Articles of Association of the Company are available on the websites of the Company and the Stock Exchange. For details, please refer to the circular dated 27 April 2023 and the announcement dated 31 May 2023 of the Company.

THE RIGHTS OF SHAREHOLDERS

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

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

Procedures for Shareholders to Put Enquiries to the Board

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

Dividend Policy

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

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

- our operations;
- earnings and, distributable reserve of the Company and each of the subsidiaries of the Group;
- the Company's actual and expected financial performance;
- the Group's cash or working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors as the Board may deem relevant at such time. The amount of dividend eventually declared and distributed to our Shareholders will also depend upon our earnings and financial performance, operating requirements, then capital commitments and requirements and other conditions that our Directors may deem relevant or appropriate.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

In 2023, the Company continued to communicate with Shareholders, investors and analysts in a honest manner. Comprehensive corporation information has been disclosed in due course and necessary data for valuation purpose has been fully provided by the Company so as to help capital market to understand its investment value. The main communication channels with the Shareholders include:

ANNUAL GENERAL MEETINGS

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

ANNUAL REPORTS, INTERIM REPORTS, ANNOUNCEMENTS AND CIRCULARS

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

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

THE COMPANY'S WEBSITE

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

INVESTOR CONTACTS AND ENQUIRIES

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations and is committed to a policy of open and timely disclosure of corporate information to its shareholders and the investing public.

The Company updates its shareholders and other stakeholders on its latest business developments and financial performance by publishing corporate communications on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company's website (www.aoweiholding.com). The Company's website sets out the following information:

- Memorandum and Articles of Association, the Board and its specialized committees and the biographies of Directors;

- announcements, circulars, regular reports of the Company; and

- information about the Company's shares.

The Group has a dedicated team to maintain contact with investors and handles Shareholders' enquiries. For any enquiries from investors, please contact the Investor Relations Department of the Company at ir@aow.com.cn.

The Board receives from the Company's Investor Relations Department on material issues raised by the Shareholders and investors from time to time. In developing and formulating the Group's strategy, the Board has considered these material issues and taken these independent views and opinions into consideration. The Board conducted a review and assessment of the implementation and effectiveness of the Group's shareholders' communication policy during the financial year ended 31 December 2023 by way of discussions with the management of the Group and considered the policy is effective.

INDEPENDENT AUDITOR'S REPORT

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

TO THE MEMBERS OF AOWEI HOLDING LIMITED

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

Opinion

We have audited the consolidated financial statements of Aowei Holding Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 72 to 174, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3.1 to the consolidated financial statements, the Group included a net loss from continuing operations of approximately RMB548,634,000 for the year ended 31 December 2023 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB340,777,000 and the Group's borrowings due within one year amounted to approximately RMB472,000,000 and has capital commitments of approximately RMB19,833,000 while its cash and cash equivalents amounted to approximately RMB34,482,000 only. These events and conditions, along with other matters as set forth in Note 3.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The directors of the Company (the "**Directors**") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment, construction in progress and intangible assets	
As disclosed in Notes 19, 20 and 21 to the consolidated financial statements, as at 31 December 2023, the carrying amounts of property, plant and equipment, construction in progress and intangible assets of the Group were approximately RMB1,152,723,000, RMB173,263,000 and RMB54,574,000 (net of accumulated impairment loss of approximately RMB480,633,000, RMB113,521,000 and RMB184,635,000), respectively. Impairment loss of approximately RMB200,040,000, RMB98,691,000 and Nil in respect of property, plant and equipment, construction in progress and intangible assets was recognised during the year ended 31 December 2023. As at 31 December 2023, the Group's mining operations are located in two mining areas, each of which is owned by one of the Group's subsidiaries. Each subsidiary was considered to be a separate cash generating unit ("**CGU**"). During the year ended 31 December 2023, the management of the Group concluded that there was impairment indicator appeared in these two CGUs located in the mining areas and conducted impairment assessment on property, plant and equipment, construction in progress and intangible assets.	Our procedures in relation to the impairment assessment on property, plant and equipment, construction in progress and intangible assets included the following: – evaluating the design and implementation of key internal controls over the valuations of the Group's CGUs on which the related estimated recoverable amounts are based; – with the assistance of our independent professional valuer, assessing the methodology applied by management in its impairment assessments with reference to the requirements of the prevailing accounting standards; – evaluating the experience, competence, objectivity and independence of the independent professional valuer engaged by the management to perform the valuation of the recoverable amount of each CGU; – evaluating the experience, competence, objectivity and independence of the independent professional valuer engaged by us;

Key Audit Matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment, construction in progress and intangible assets *(Continued)*	
The Group engaged an independent professional valuer to carry out an impairment assessment by estimating the recoverable amount of the CGUs, with reference to value in use calculation which required significant judgement on assumptions and inputs adopted in the underlying cash flows. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the average selling price used for the cash flow projection, the budgeted sales, gross margins and the discount rate in order to derive the recoverable amount. We considered impairment assessment of property, plant and equipment, construction in progress and intangible assets as a key audit matter because of its significance to the consolidated financial statements and the significant estimates and judgements involved in the impairment assessment.	– challenging the Group's key assumptions and estimates used to determine the recoverable amounts of the CGUs, including those relating to future sales, future operating costs, future capital expenditure and the discount rates applied. This included obtaining the independent valuation report from the independent professional valuer engaged by management, and involving our independent professional valuer to compare these key assumptions and estimates with external benchmarks (including future commodity prices and discount rates for similar companies in the same industry) and to consider the key assumptions and estimates based on their knowledge of the Group and the industry in which it operates; – comparing the key assumptions and estimates included in the cash flow forecasts prepared in the prior year with the current year's performance of the CGUs to assess the reliability of management's cash flow forecasts and making enquiries of management as to the reasons for any significant variances identified; – performing sensitivity analyses of the key assumptions and estimates adopted in the cash flow forecasts and assessing the impact of changes in the key assumptions and estimates and whether there were any indicators of management bias; and – assessing the disclosures in the consolidated financial statements in respect of management's impairment assessments with reference to the requirements of the prevailing accounting standards.

Key Audit Matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables, bills receivables and other receivables	
As disclosed in Note 25 to the consolidated financial statements, as at 31 December 2023, the Group's gross trade receivables, bills receivables and other receivables amounted to approximately RMB115,477,000, RMB2,950,000 and RMB31,602,000, respectively, and allowance for credit losses of approximately RMB8,849,000, Nil and RMB3,469,000, respectively, were included in the Group's consolidated statement of financial position. The impairment losses, net of reversal, on trade receivables, included in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 amounted to approximately RMB7,816,000. Base on the average loss rates, the bills receivables are considered to be insignificant and therefore no loss allowance was recognised. The impairment losses, net of reversal recognised on other receivables, included in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 amounted to approximately RMB1,609,000. The allowance for credit losses of trade receivables, bills receivables and other receivables represents the management's best estimates at the end of the reporting period of expected credit losses under International Financial Reporting Standard 9: Financial Instruments' ("**IFRS 9**") Expected Credit Loss (the "**ECL**") Model.	Our audit procedures in relation to the management's assessment on allowance for credit losses of trade receivables, bills receivables and other receivables included: – understanding key controls on how the management estimates the ECL allowance on trade and other receivables; – engaging our independent professional valuer to assess the reasonableness and appropriateness of the Group's methodology of ECL model, including the model design and calculation and model inputs in compliance with IFRS 9; – assessing the competence, capabilities and objectivity of the independent external valuer engaged by us; – testing the integrity of information used by the management to develop the provision matrix, including trade receivables aging analysis and bills receivables nature analysis as at 31 December 2023, on a sample basis, by comparing individual items in the analysis with the relevant sale invoices and other supporting documents;

Key Audit Matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables, bills receivables and other receivables *(Continued)*	
As disclosed in Note 6(b) to the consolidated financial statements, the ECL in relation to trade receivables, bills receivables and other receivables are assessed individually for the debtors considered as high uncertainty of recovery or collectively using a provision matrix with appropriate groupings. The management assessed the ECL based on historical observed default rates and adjusted by forward-looking information that is reasonable and supportable available without undue costs or effort. We considered impairment assessment of trade receivables, bills receivables and other receivables as a key audit matter because of its significance to the consolidated financial statements and the significant estimates and judgement involved in determining the ECL allowance on the trade receivable, bills receivables and other receivables.	– challenging management's basis and judgement in determining credit loss allowance on trade receivables and bills receivables as at 31 December 2023, including their identification of significant balances and credit-impaired receivables, the reasonableness of the management's grouping of the remaining debtors into different categories in the provision matrix and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); – reviewing the reasonableness of the management's estimation of other receivables in expected timing of collection and the credit quality of individual debtors, including the background of the debtors and their credit worthiness and collection history; – reviewing the repayment history and settlements received subsequent to the reporting period from the debtors; and – evaluating the disclosures regarding the impairment assessment of trade receivables, bills receivables and other receivables in Note 6(b) to the consolidated financial statements.

Responsibilities of Directors and those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

– Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Asian Alliance (HK) CPA Limited
Certified Public Accountants (Practising)
Chan Mei Mei
Practising Certificate Number: P08148

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

26 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Revenue	*7*	**667,367**	937,751
Cost of sales		**(568,191)**	(774,054)
Gross profit		**99,176**	163,697
Other income, gains and losses, net	*9*	**(59,355)**	121,189
Distribution expenses		**(3,074)**	(3,519)
Administrative expenses		**(132,397)**	(101,858)
Impairment losses under expected credit loss model, net	*11(a)*	**(9,425)**	(315)
Impairment losses of property, plant and equipment, construction in progress and intangible assets	*11(b)*	**(298,731)**	(54,559)
Impairment loss on deposit paid for acquisition of equity instruments	*23*	**(63,909)**	–
Finance costs	*10*	**(57,075)**	(27,727)
(Loss) profit before tax	*14*	**(524,790)**	96,908
Income tax expense	*12*	**(23,844)**	(35,382)
(Loss) profit for the year from continuing operations		**(548,634)**	61,526
Discontinued operation			
Loss for the year from discontinued operation	*13*	**(505)**	(771)
(Loss) profit for the year		**(549,139)**	60,755
Other comprehensive (expense) income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(52)**	388
Total comprehensive (expense) income for the year		**(549,191)**	61,143
(Loss) earnings per share in RMB	*18*		
From continuing and discontinued operations			
Basic		**(0.34)**	0.04
Diluted		**N/A**	N/A
From continuing operations			
Basic		**(0.34)**	0.04
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	*19*	**1,152,723**	1,202,006
Construction in progress	*20*	**173,263**	392,963
Intangible assets	*21*	**54,574**	61,680
Deposit paid for acquisition of equity instruments	*23*	**51,091**	–
Pledged bank deposit	*26*	**154,413**	–
Prepayments	*25*	**31,201**	48,006
Deferred tax assets	*31*	**166,637**	232,362
		1,783,902	1,937,017
Current assets			
Inventories	*24*	**111,646**	86,838
Trade and other receivables	*25*	**244,011**	318,023
Restricted bank balances	*26*	**26,970**	26,882
Cash and cash equivalents	*26*	**34,482**	56,086
		417,109	487,829
Current liabilities			
Trade and other payables	*27*	**238,938**	211,143
Contract liabilities	*28*	**2,830**	62,186
Lease liabilities	*29*	**1,697**	1,628
Bank borrowings	*30*	**472,000**	337,000
Tax payable		**40,830**	86,912
Deferred income	*32*	**960**	–
Provision for reclamation obligations	*33*	**631**	1,201
		757,886	700,070
Net current liabilities		**(340,777)**	(212,241)
Total assets less current liabilities		**1,443,125**	1,724,776

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Bank borrowings	*30*	**440,000**	176,000
Lease liabilities	*29*	**–**	1,283
Deferred income	*32*	**11,040**	–
Provision for reclamation obligations	*33*	**26,488**	32,705
		477,528	209,988
Net assets		**965,597**	1,514,788
Capital and reserves			
Share capital	*34*	**131**	131
Reserves		**965,466**	1,514,657
Total equity		**965,597**	1,514,788

The consolidated financial statements on pages 72 to 174 were approved and authorised for issue by the board of directors on 26 March 2024 and are signed on its behalf by:

Li Yanjun
Director

Li Ziwei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to equity shareholders of the Company							
	Share capital RMB'000	Share premium RMB'000 *Note (a)*	Statutory surplus reserve RMB'000 *Note (b)*	Specific reserve RMB'000 *Note (c)*	Exchange reserve RMB'000 *Note (d)*	Other reserve RMB'000 *Note (e)*	Retained profits RMB'000	Total equity RMB'000
At 1 January 2022	131	1,142,640	84,556	23,365	(348)	(126,229)	329,530	1,453,645
Profit for the year	–	–	–	–	–	–	60,755	60,755
Other comprehensive income for the year								
Item that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	–	–	–	–	388	–	–	388
Total comprehensive income for the year	–	–	–	–	388	–	60,755	61,143
Transfer to specific reserve, net of utilisation	–	–	–	7,398	–	–	(7,398)	–
At 31 December 2022	131	1,142,640	84,556	30,763	40	(126,229)	382,887	1,514,788

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to equity shareholders of the Company							
	Share capital RMB'000	Share premium RMB'000 *Note (a)*	Statutory surplus reserve RMB'000 *Note (b)*	Specific reserve RMB'000 *Note (c)*	Exchange reserve RMB'000 *Note (d)*	Other reserve RMB'000 *Note (e)*	Retained profits (accumulated losses) RMB'000	Total equity RMB'000
At 1 January 2023	131	1,142,640	84,556	30,763	40	(126,229)	382,887	1,514,788
Loss for the year	–	–	–	–	–	–	(549,139)	(549,139)
Other comprehensive expense for the year								
Item that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	–	–	–	–	(52)	–	–	(52)
Total comprehensive expense for the year	–	–	–	–	(52)	–	(549,139)	(549,191)
Transfer to specific reserve, net of utilisation	–	–	–	208	–	–	(208)	–
At 31 December 2023	131	1,142,640	84,556	30,971	(12)	(126,229)	(166,460)	965,597

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

Notes:

(a) *Share premium*

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

(b) *Statutory surplus reserve*

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

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

(c) *Specific reserve*

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

(d) *Exchange reserve*

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

(e) *Other reserve*

The other reserve comprises the followings:

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax		
– from continuing operations	**(524,790)**	96,908
– from discontinued operation	**(505)**	(771)
Adjustments for:		
Depreciation	**30,942**	10,364
Interest income	**(4,648)**	(116)
Interest expenses	**57,075**	27,727
Gain from remeasurement of mining rights consideration	**–**	(122,121)
Written-off of property, plant and equipment	**64,230**	1,087
Gain on disposal of property, plant and equipment	**(227)**	(41)
Impairment losses under expected credit loss model, net	**9,425**	315
Impairment losses of property, plant and equipment, construction in progress and intangible assets	**298,731**	54,559
Impairment loss on deposit paid for acquisition of equity instruments	**63,909**	–
Remeasurement of provision for reclamation obligations	**(7,006)**	–
Operating cash flows before movements in working capital	**(12,864)**	67,911
Decrease in inventories	**68,829**	180,991
Decrease (increase) in trade and other receivables	**64,527**	(24,317)
Decrease in trade and other payables	**(1,459)**	(22,278)
Decrease in long-term receivable	**–**	11,420
(Decrease) increase in contract liabilities	**(59,356)**	33,598
Decrease in provision for reclamation obligation	**(2,043)**	(3,472)
Increase in restricted bank balances	**(88)**	(26,882)
Cash generated from operations	**57,546**	216,971
Income tax paid	**(4,201)**	(23,462)
NET CASH FROM OPERATING ACTIVITIES	**53,345**	193,509

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and construction in progress	**(152,841)**	(167,085)
Placement of pledged bank deposit	**(150,000)**	–
Deposit paid for acquisition of equity instruments	**(115,000)**	–
Purchase of intangible assets	**(552)**	(5,683)
Proceeds on disposals of property, plant and equipment	**533**	300
Interest received	**235**	116
Proceeds from the remeasurement of mining rights	**–**	3,520
NET CASH USED IN INVESTING ACTIVITIES	**(417,625)**	(168,832)
FINANCING ACTIVITIES		
New bank borrowings raised	**914,500**	100,000
Repayment of bank borrowings	**(515,500)**	(144,000)
Interest paid	**(54,123)**	(26,895)
Repayment of lease liabilities	**(2,150)**	(2,150)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**342,727**	(73,045)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(21,553)**	(48,368)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**56,086**	104,066
Effect of foreign exchange rate changes	**(51)**	388
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**34,482**	56,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. General information

Aowei Holding Limited (the "**Company**") was incorporated in the British Virgin Islands on 14 January 2011 and redomiciled to the Cayman Islands on 23 May 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (2012 Revision, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (together the "**Group**") are principally engaged in (i) the exploration, mining, processing and trading of iron ore products and major products including iron ores, preliminary concentrates and iron ore concentrates; (ii) the production and sales business of the green construction materials construction sand and gravel materials by recycling tailings and solid wastes in the People's Republic of China (the "**PRC**"). The registered address of the Company is located at P.O. Box 309, Ugland House Grand Cayman KY1-1104, Cayman Islands. The principal place of business of the Company is located at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

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

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

As at 31 December 2023, the directors of the Company (the "**Directors**") considered the immediate parent and ultimate controlling party of the Group to be Hengshi International Investments Limited, a company incorporated in the British Virgin Islands, and Mr. Li Yanjun and Mr. Li Ziwei, respectively. Hengshi International Investments Limited does not produce financial statements available for public use.

2. Application of new and amendments to international financial reporting standards ("IFRSs") and changes in other accounting policies

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to International Accounting Standards ("**IAS**") 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impacts on application of Amendments to IAS 8 *Definition of Accounting Estimates*

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

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

2. Application of new and amendments to international financial reporting standards ("IFRSs") and changes in other accounting policies *(Continued)*

New and amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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

Impacts on application of Amendments to IAS 12 *Income Taxes International Tax Reform-Pillar Two model Rules*

The Group has applied the amendments for the first time in the current year. IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "**Pillar Two legislation**"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

2. Application of new and amendments to international financial reporting standards ("IFRSs") and changes in other accounting policies *(Continued)*

New and amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

2. Application of new and amendments to international financial reporting standards ("IFRSs") and changes in other accounting policies *(Continued)*

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong

As disclosed in Note 35, the Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the Hong Kong Special Administrative Region ("**HKSAR**") gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of IAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

2. Application of new and amendments to international financial reporting standards ("IFRSs") and changes in other accounting policies *(Continued)*

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong *(Continued)*

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of IAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of IAS 19. Accordingly, the Group has recognised a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 December 2022, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of IAS 19 before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of IAS 19 after the Abolition.

The application of amendments did not have a material impact on the Group's profit or loss for the years ended 31 December 2023 and 31 December 2022 and the Group's and the Company's financial position as at 31 December 2023 and 31 December 2022.

2. Application of new and amendments to international financial reporting standards ("IFRSs") and changes in other accounting policies *(Continued)*

Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

Except for the amendments to IFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* (the "2020 Amendments") and Amendments to IAS 1 *Non-current Liabilities with Covenants* (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

2. Application of new and amendments to international financial reporting standards ("IFRSs") and changes in other accounting policies *(Continued)*

Amendments to IFRSs in issue but not yet effective *(Continued)*

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* (the "2020 Amendments") and Amendments to IAS 1 *Non-current Liabilities with Covenants* (the "2022 Amendments") *(Continued)*

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

3. Basis of preparation of consolidated financial statements and material accounting policy information

3.1 Basis of preparation of consolidated financial statements

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

As stated in the consolidated financial statements, the Group incurred a net loss from continuing operation of approximately RMB548,634,000 for the year ended 31 December 2023 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB340,777,000, and the Group's borrowings due within one year amounted to approximately RMB472,000,000 and has capital commitments of approximately RMB19,833,000, while its cash and cash equivalents amounted to approximately RMB34,482,000 only. These events and conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern after taking into consideration the followings:

(1) Subsequent to the end of the reporting period, the Group successfully obtained new borrowings of RMB237,000,000 from certain banks in the PRC to settle the existing borrowings. Pursuant to the loan agreements, those new borrowings carried interest rate at 9.23% per annum and repayable on 20 February 2025. Also, the Group is in progress to apply for a new borrowing of RMB30,000,000 from a bank in the PRC;

(2) The Group is expected to record a net operating cash inflow for the year ending 31 December 2024;

(3) To realise the non-current assets, if necessary; and

(4) The executive directors, Mr. Li Yanjun who is also the chairman and ultimate controlling party of the Company, and Mr. Li Ziwei (also known as Leung Hongying Li Ziwei) who is also the chief executive officer and ultimate controlling party of the Company (collectively referred to the "**Substantial Shareholders**") have undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due. If necessary, the Substantial Shareholders will use their unsecured shares of the Company to provide the financial support to the Group.

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

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

The Directors have reviewed the Group's cash flow projection prepared by the management which covering a period of not less than twelve months from 31 December 2023 on the basis that the Group's aforementioned plans and measures will be successful, and are satisfied that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the twelve months from 31 December 2023. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The consolidated financial statements do not include any adjustments that would result from the failure of the Group to obtain sufficient future funding. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the assets of the Group to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

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

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

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

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Revenue from contracts with customers *(Continued)*

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

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

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

Existence of significant financing component

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

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities

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

The lease payments include:

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

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

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Foreign currencies

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

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

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

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

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

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Borrowing costs

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income, gains and losses, net".

Employee benefits

Retirement benefit costs

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

For LSP obligation, the Group accounts for the employer MPF contributions expected to be offset as a deemed employee contribution towards the LSP obligation in terms of IAS 19.93(a) and it is measure on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

Termination benefits

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Employee benefits *(Continued)*

Short-term and other long-term employee benefits

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

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

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

Taxation

Income tax expense represents the sum of the current and deferred income tax expense.

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

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Taxation *(Continued)*

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

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either: (a) the same taxable entity; or (b) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Taxation *(Continued)*

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

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

Property, plant and equipment

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

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

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Property, plant and equipment *(Continued)*

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

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

Capitalised stripping cost

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

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

- It is probable that future economic benefits associated with the asset will flow to the entity; and

- The costs can be measured reliably.

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Capitalised stripping cost *(Continued)*

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

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

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

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

Intangible assets

Mining rights

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

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

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

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

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

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

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

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

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

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Inventories

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

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Inventories *(Continued)*

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

Provisions

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

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

Obligation for reclamation

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments

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

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

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

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

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

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Amortised cost and interest income

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

Impairment of financial assets subject to impairment assessment under IFRS 9

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

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

The Group always recognises lifetime ECL for trade receivables.

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 *(Continued)*

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 *(Continued)*

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

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

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

(ii) Definition of default

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

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 *(Continued)*

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

3. Basis of preparation of consolidated financial statements and material accounting policy information *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

4. Critical accounting judgement and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3.2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

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

Critical judgements in applying accounting policies *(Continued)*

Going concern and liquidity

As explained in Note 3.1 to the consolidated financial statements, the financial position of the Group indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The assessment of the going concern assumptions involves making judgement by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Group has ability to continue as a going concern and the major conditions that may cast significant doubt about the going concern assumptions are set out in Note 3.1 to the consolidated financial statements.

Capitalised stripped cost

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

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

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

Key sources of estimation uncertainty

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

Iron ore reserves

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

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

Useful live of property, plant and equipment

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

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

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of property, plant and equipment, construction in progress and intangible assets

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

As at 31 December 2023, the carrying amounts of property, plant and equipment, construction in progress and intangible assets subject to impairment assessment were approximately RMB1,152,723,000, RMB173,263,000 and RMB54,574,000 (2022: RMB1,197,805,000, RMB392,963,000 and RMB61,680,000) (net of accumulated impairment loss of approximately RMB480,631,000, RMB113,521,000 and RMB184,635,000 (2022: RMB278,919,000, RMB16,504,000 and RMB184,635,000), respectively. During the year ended 31 December 2023, impairment loss amounted RMB298,731,000 (2022: RMB54,559,000) in respect of property, plant and equipment, construction in progress and intangible assets that have been recognised in the consolidation statement of profit or loss and other comprehensive income.

Details of the impairment assessment of property, plant and equipment, construction in progress and intangible assets are disclosed in Note 22.

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

Key sources of estimation uncertainty *(Continued)*

Provision of ECL for trade receivables

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

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

Provision of ECL for other receivables and deposits

The Group calculates the ECL for the other receivables and deposits by grouping the counterparties with similar nature under general approach. The provision rates are based on internal credit ratings and taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates.

The information about the ECL and the Group's other receivables and deposits are disclosed in Notes 6(b) and 25 respectively.

Obligations for reclamation

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

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

Key sources of estimation uncertainty *(Continued)*

Current tax and deferred tax

The Group is subject to enterprise income tax in the People's Republic of China (the "**PRC**"). Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As at 31 December 2023, deferred tax asset of approximately RMB166,637,000 (2022: approximately RMB232,362,000) has been recognised relating to certain temporary differences and no deferred tax asset has been recognised relating to certain temporary differences approximately RMB994,000 and tax losses of approximately RMB288,158,000 (2022: approximately Nil and approximately RMB154,035,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Estimated impairment of deposit paid for acquisition of equity instrument

As at 31 December 2023, the Group's impairment of deposit paid for acquisition of equity instrument amounting to approximately RMB63,909,000 (2022: Nil) is measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques.

Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Note 6(c) for further disclosures.

5. Capital risk management

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

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

The gearing ratio (calculated as total bank borrowings divided by total assets) of the Group as at 31 December 2023 was 41.44% (31 December 2022: 21.16%).

6. Financial instruments

(a) Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
At amortised cost:		
– Pledged bank deposits	154,413	–
– Trade and other receivables	137,711	133,447
– Restricted bank balances	26,970	26,882
– Cash and cash equivalents	34,482	56,086
	353,576	216,415
Financial liabilities		
At amortised cost:		
– Trade and other payables	220,095	197,494
– Lease liabilities	1,697	2,911
– Bank borrowings	912,000	513,000
	1,133,792	713,405

(b) Financial risk management objectives and policies

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

Interest rate risk

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

6. Financial instruments *(Continued)*

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

Interest rate risk *(Continued)*

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

	2023	2022
	RMB'000	RMB'000
Financial assets at amortised cost	**4,648**	116

Interest expense on financial liabilities not measured at FVTPL:

	2023	2022
	RMB'000	RMB'000
Financial liabilities at amortised cost	**54,813**	27,161

Sensitivity analysis

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

Operational risk assessment

During the year ended 31 December 2023, the Group's exposure to operational risk is primarily attributable to heavy reliance on several major customers located in the PRC for the segment of mining business. The three (2022: two) largest customers accounted for approximately RMB573,347,000 or 85.9% (2022: approximately RMB717,503,000 or 76.5%) of the Group's total revenue for the year ended 31 December 2023. The Directors will continue closely monitoring the performance and financial position of this major customer to avoid any adverse impact on the Group's financial position.

6. Financial instruments *(Continued)*

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

Credit risk and impairment assessment

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

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

Trade receivables and bills receivables arising from contracts with customers

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

At 31 December 2023, trade receivables from the five largest customers amounting to approximately RMB48,830,000 (2022: approximately RMB45,204,000), representing approximately 42.29% (2022: 49.36%) of the total gross trade receivables.

At 31 December 2023, the Group's concentration of credit risk by geographical location is in the PRC, which accounted for 100% (2022: 100%) of total gross trade receivables and bills receivables.

In addition, the Group performs impairment assessment under ECL model on trade receivables and bills receivables collectively based on provision matrix. Except for trade receivables which the management of the Group considered as high uncertainty of recovery, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers.

Impairment loss, net of reversal of approximately RMB7,816,000 (2022: RMB434,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

6. Financial instruments *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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

Base on the average loss rates, the lifetime ECL on bills receivables arising from contracts with customers are considered to be insignificant and therefore no loss allowance was recognised.

Bank balances, restricted bank balances and pledged bank deposit

Except for the bank balances and the pledged bank deposit of approximately RMB34,401,000 and RMB154,413,000, respectively (2022: bank balances and pledged bank deposit of approximately RMB55,927,000 and Nil, respectively) was placed in banks with high credit ratings assigned by international credit agencies, the remaining bank balances and restricted bank balances of approximately RMB29,000 and RMB26,970,000, respectively (2022: bank balances of approximately RMB47,000 and RMB26,882,000, respectively) was placed in a local bank which does not have external credit rating as at 31 December 2023. The Group has applied 12m ECL approach to assess the impairment loss on bank balances and determines the credit rating of this local bank based on the scale, the operational risk and the supervision risk of the bank. The Group assessed 12m ECL for bank balances placed in banks with high credit ratings assigned by international credit agencies by reference to information relating to probability of default and loss given default of the respective credit rating grades. Based on the average loss rates, the 12m ECL on bank balances and restricted bank balance are considered to be insignificant and therefore no loss allowance was recognised.

Other receivables and deposits

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

Impairment loss, net of reversal on other receivables of approximately RMB1,609,000 was recognised during the year ended 31 December 2023.

Reversal of impairment loss, net of impairment loss on other receivables of approximately RMB119,000 was recognised during the year ended 31 December 2022.

6. Financial instruments *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Other receivables and deposits *(Continued)*

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

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

6. Financial instruments *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2023 Gross carrying amount RMB'000	RMB'000	2022 Gross carrying amount RMB'000	RMB'000
Financial assets at amortised costs								
Pledged bank deposit	26	AA+	N/A	12m ECL		154,413		–
Bank balances	26	AA+	N/A	12m ECL	34,401		55,927	
		N/A	Low risk	12m ECL	29	34,430	47	55,974
Restricted bank balances	26	N/A	Low risk	12m ECL		26,970		26,882
Trade receivables	25	N/A	(Note 2)	Lifetime ECL (Provision matrix)		115,477		91,580
Bills receivables	25	N/A	(Note 3)	Lifetime ECL (Provision matrix)		2,950		12,151
Other receivables and deposits	25	N/A	(Note 1)	12m ECL	21,706		26,085	
				Lifetime ECL (credit-impaired)	9,896	31,602	6,702	32,787

Notes:

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

	Past due RMB'000	Not past due/ No fixed repayment terms RMB'000	Total RMB'000
2023			
Other receivables and deposits	**9,896**	**21,706**	**31,602**
2022			
Other receivables and deposits	6,702	26,085	32,787

2) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items on a collective basis, grouped by past due status.

3) For bills receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items on a collective basis, grouped by their nature.

6. Financial instruments *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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

31 December 2023

	Trade receivables					
	Current RMB'000	1-90 days past due RMB'000	91-180 days past due RMB'000	181-365 days past due RMB'000	More than 1 years past due RMB'000	Total RMB'000
Gross carrying amount	68,077	14,661	15,401	15,498	1,840	115,477
Average loss rate	1.12%	6.68%	11.51%	22.55%	100%	
Expected credit loss	761	980	1,773	3,495	1,840	8,849

31 December 2022

	Trade receivables			
	Current RMB'000	1-90 days past due RMB'000	More than 1 years past due RMB'000	Total RMB'000
Gross carrying amount	88,003	3,399	178	91,580
Average loss rate	0.41%	19.68%	100%	
Expected credit loss	364	669	178	1,211

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

During the year ended 31 December 2023, the Group provided approximately RMB8,225,000 (2022: approximately RMB1,204,000) impairment allowance for trade receivables, based on the provision matrix.

6. Financial instruments *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 1 January 2022	777	–	777
Changes due to financial instruments recognised as at 1 January 2022:			
– Transfer to lifetime ECL (credit-impaired)	(1)	1	–
– Impairment losses recognised	663	177	840
– Impairment losses reversed	(770)	–	(770)
New financial assets originated or purchased	364	–	364
At 31 December 2022	1,033	178	1,211
Changes due to financial instruments recognised as at 1 January 2023:			
– Transfer to lifetime ECL (credit-impaired)	(79)	79	–
– Impairment losses recognised	5,703	1,761	7,464
– Impairment losses reversed	(409)	–	(409)
Write off	–	(178)	(178)
New financial assets originated or purchased	761	–	761
At 31 December 2023	**7,009**	**1,840**	**8,849**

6. Financial instruments *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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

	2023 Increase (decrease)	
	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000
Further impairment made for the credit risk increased trade receivables	5,703	1,761
Settlement in full of trade receivables with gross carrying amount of approximately RMB35,338,000	(409)	–
New trade receivables with gross carrying amount of approximately RMB68,077,000	761	–

	2022 Increase (decrease)	
	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000
Further impairment made for the credit risk increased trade receivables	663	177
Settlement in full of trade receivables with gross carrying amount of approximately RMB82,378,000	(770)	–
New trade receivables with gross carrying amount of approximately RMB88,003,000	364	–

6. Financial instruments *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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

	12m ECL RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 1 January 2022	236	1,743	1,979
Changes due to financial instruments recognised as at 1 January 2022:			
– Transfer to lifetime ECL (credit-impaired)	(3)	3	–
– Impairment losses recognised	11	47	58
– Impairment losses reversed	(43)	(227)	(270)
New financial assets originated	93	–	93
At 31 December 2022	294	1,566	1,860
Changes due to financial instruments recognised as at 1 January 2023:			
– Transfer to lifetime ECL (credit-impaired)	(69)	69	–
– Impairment losses recognised	47	1,049	1,096
– Impairment losses reversed	(85)	(1,036)	(1,121)
New financial assets originated	–	1,634	1,634
At 31 December 2023	**187**	**3,282**	**3,469**

6. Financial instruments *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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

	2023 Increase (decrease)	
	12m ECL RMB'000	Lifetime ECL (credit-impaired) RMB'000
Further impairment made for the credit risk increased other receivables and deposits	**47**	**1,049**
Settlement in other receivables and deposit with gross carrying amount of RMB5,001,000	**(85)**	**(1,036)**
New other receivable and deposit with gross carrying amount of RMB6,505,000	**–**	**1,634**

	2022 Increase (decrease)	
	12m ECL RMB'000	Lifetime ECL (credit-impaired) RMB'000
Settlement in other receivables and deposit with gross carrying amount of RMB384,000	(43)	(227)
New other receivable and deposit with gross carrying amount of RMB3,059,000	93	–

Liquidity risk

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

Subsequent to the end of the reporting date, the Group successfully obtained new borrowings in total of RMB237,000,000 from certain banks in the PRC to settle the existing borrowings. Furthermore, the Group is in progress to apply for a new borrowing of RMB30,000,000 from a bank in the PRC. The Group is considering alternative sources of financing as well, the Directors are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period.

6. Financial instruments *(Continued)*

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

Liquidity risk *(Continued)*

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

The table includes both interest and principal cash flows.

2023	Weighted average interest rate	On demand or less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31 December 2023 RMB'000
Trade and other payables	–	220,095	–	–	220,095	220,095
Lease liabilities	6.64%-7.70%	1,720	–	–	1,720	1,697
Bank borrowings	2.80%-9.23%	506,251	223,084	245,506	974,841	912,000
		728,066	223,084	245,506	1,196,656	1,133,792

2022	Weighted average interest rate	On demand or less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31 December 2022 RMB'000
Trade and other payables	–	197,494	–	–	197,494	197,494
Lease liabilities	6.27%-6.64%	1,720	1,290	–	3,010	2,911
Bank borrowings	3.20%-9.23%	361,997	179,996	–	541,993	513,000
		561,211	181,286	–	742,497	713,405

(c) Fair value measurements of financial instruments

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

7. Revenue

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2023

	Mining segment RMB'000
Type of goods	
Iron ore concentrates	**584,027**
Gravel materials	**83,340**
Total	**667,367**
Geographical markets	
The PRC	**667,367**
Timing of revenue recognition	
A point in time	**667,367**

For the year ended 31 December 2022

	Mining segment RMB'000
Type of goods	
Iron ore concentrates	813,190
Gravel materials	124,561
Total	937,751
Geographical markets	
The PRC	937,751
Timing of revenue recognition	
A point in time	937,751

7. Revenue *(Continued)*

(ii) Performance obligations for contracts with customers

Sales of iron ore concentrates and gravel material

Revenue associated with the sales of iron ore concentrates and gravel materials when control of the goods has transferred, being the time when the goods are delivered and accepted. Revenue excludes value added tax and is after deduction of any trade discounts.

Following acceptance, the customers have the ability to direct the use of, and obtain substantially all the benefits from goods. Therefore, the Directors have justified that the performance obligation in respect of the sales of goods is satisfied at a point in time and recognised revenue at a point in time.

In general, customers were obligated for a payment in advance before the acceptance and delivery of goods. A contract liability is recognised for payment in advance in which revenue has yet been recognised. However, certain customers, who have a good track record with the Group and in good credit condition, are granted credit periods up to 1 year. The contract terms do not include the arrangement of refunds, returns or exchanges.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

Sales of iron ore concentrates and gravel material

All contracts with customers are for periods of one year or less. As permitted by IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

8. Operating segments

Information reported to the Directors, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments under IFRS 8 *Operating Segments* are as follows:

– Mining segment: the exploration, mining, processing and trading of iron ore products and major products including iron ores, preliminary concentrates and iron ore concentrates and the production and sales business of the green construction materials construction sand and gravel material by recycling tailings and solid wastes.

An operating segment regarding the provision of hospital management, establishment of specialist clinics, supply of medical consumables and nursing service was discontinued in the current year (the "**Medical Segment**"). The segment information reported below does not include any amounts for this discontinued operation, which was described in more details in Note 13.

8. Operating segments *(Continued)*

After discontinued the operation of the Medical Segment, information reported to the CODM for the purpose of resources allocation and assessment focuses on revenue analysis by types of services. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Geographical information

The Group's major operations are located in the PRC. All the Group's revenue from external customers during the years ended 31 December 2023 and 2022 were derived from the PRC, the place of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in the PRC. Accordingly, no geographical information is presented.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2023 **RMB'000**	2022 RMB'000
Customer A	**348,672**	277,330
Customer B	**134,281**	440,173
Customer C	**90,394**	–*

* Less than 10%

9. Other income, gains and losses, net

	2023 **RMB'000**	2022 RMB'000 (Restated)
Continuing operations		
Written-off of property, plant and equipment (Note (b))	**(64,230)**	(1,087)
Gain on disposal of property, plant and equipment	**227**	41
Bank interest income	**4,648**	114
Gain from remeasurement of mining rights consideration (Note (a))	**–**	122,121
	(59,355)	121,189

9. Other income, gains and losses, net *(Continued)*

Notes:

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

As at the date of the agreement, the Group had paid mining rights consideration of Shuanmazhuang Mine and Wang'ergou Mine of approximately RMB34,595,000 and RMB23,316,000 respectively to HPDLR. HPDLR agreed to refund the excessive net payment of mining rights consideration of approximately RMB4,400,000 to the Group (the "**Refund**"). The Group has received this refund during the year ended 31 December 2023.

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

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

(b) On 1 August 2023, the Laiyuan County Jiheng Mining Co., Ltd.* ("**Jiheng Mining**") suffered a rain storm and certain property, plant and equipment with carrying value of approximately RMB60,783,000 (with a cost of approximately RMB75,985,000 and accumulated depreciation and impairment loss of approximately RMB15,202,000) were damaged and were therefore fully written-off.

On 28 December 2023, the management of the Group considered mining underground is not cost effective under current iron ore market after the open-pit mining of Jiheng Mining was basically completed, thus certain property, plant and equipment related to Jiheng Mining with carrying value of approximately RMB3,148,000 (with a cost of approximately RMB276,768,000 and accumulated depreciation and impairment loss of approximately RMB273,620,000) were therefore fully written-off.

10. Finance costs

	2023 **RMB'000**	2022 RMB'000
Continuing operations		
Interest expenses on:		
– Bank borrowings	**54,640**	26,820
– Lease liabilities	**113**	207
– Discounted bills	**60**	134
Unwinding interest expenses on:		
– Provision for reclamation obligations (Note 33)	**2,262**	566
	57,075	27,727

11. Impairment losses

(a) Impairment loss under expected credit loss model, net

	2023 RMB'000	2022 RMB'000
Continuing operations		
Reversal of impairment losses on:		
– Trade receivables	**409**	770
– Other receivables	**1,121**	270
Impairment losses on:		
– Trade receivables	**(8,225)**	(1,204)
– Other receivables	**(2,730)**	(151)
	(9,425)	(315)

Details of impairment assessment are set out in Note 6(b).

(b) Impairment loss of property, plant and equipment, construction in progress and intangible assets

	2023 RMB'000	2022 RMB'000
Continuing operations		
– Property, plant and equipment	**200,040**	37,486
– Construction in progress	**98,691**	16,504
– Intangible assets	**–**	569
	298,731	54,559

Details of impairment assessment are set out in Note 22.

12. Income tax expense

	2023 RMB'000	2022 RMB'000
Continuing operations		
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	–	49,721
Overprovision in prior years		
EIT	(41,881)	–
Deferred tax (Note 31):		
Current year	65,725	(14,339)
Total	23,844	35,382

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years. No provision for taxation in Hong Kong has been made for the years ended 31 December 2023 and 31 December 2022 as the Group did not generate any assessable profit arising in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The income tax expense for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss as follows:

	2023 RMB'000	2022 RMB'000 (restated)
(Loss) profit before tax from continuing operations	(524,790)	96,908
Tax at domestic income tax rate of 25% (2022: 25%)	(131,198)	24,227
Effect of different tax rates of subsidiaries operating in other jurisdictions	937	904
Tax effect of expenses not deductible for tax purpose	160,180	9,915
Tax effect of tax losses not recognised	34,812	336
Tax effect of deductible temporary differences not recognised	994	–
Overprovision in prior years	(41,881)	–
Income tax expense for the year	23,844	35,382

13. Discontinued operation

On 25 September 2023, the Group approved the deregistration of subsidiaries (the "**Deregistration**"), including Baoding Xinan Medical Management Consulting Limited, Baoding Aoxiang Property Services Limited and Baoding Xiangan Drug Sales Limited, which carried out all of the Group's operations in the Medical Segment. The Deregistration was effected in order to focus the Group's resources in its remaining business. The Deregistration were completed on 27 December 2023.

The loss for the year from the discontinued Medical Segment is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the Medical Segment as a discontinued operation.

	2023 **RMB'000**	2022 RMB'000
Loss of Medical Segment for the period/year	**(505)**	(771)

The results of the Medical Segment for the period from 1 January 2023 to 27 December 2023 (2022: Year ended 31 December 2022), which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	2023 **RMB'000**	2022 RMB'000
Other income	**–**	2
Administrative expenses	**(505)**	(773)
Loss for the period/year	**(505)**	(771)

13. Discontinued operation *(Continued)*

Cash flows from discontinued operation:

	2023 **RMB'000**	2022 RMB'000
Net cash used in operating activities	**(619)**	(771)

	2023 **RMB'000**	2022 RMB'000
Loss before tax from discontinued operation includes the followings:		
Staff costs:		
– salaries and other benefits in kind	**476**	620
– retirement benefits scheme contributions (Note 35)	**29**	38
Total staff costs	**505**	658

14. (Loss) profit before tax

	2023 RMB'000	2022 RMB'000 (Restated)
(Loss) profit before tax from continuing operations has been arrived at after charging:		
Staff costs (include directors' and chief executive's emoluments (Note 15)):		
– salaries and other benefits in kind	**67,669**	88,724
– retirement benefits scheme contributions (Note 35)	**7,304**	9,030
– redundancy cost	**3,935**	–
Total staff costs	**78,908**	97,754
Capitalised in inventories	**(40,662)**	(57,833)
	38,246	39,921
Transportation service fees	**144,932**	174,185
Capitalised in inventories	**(141,413)**	(157,590)
Capitalised in construction in progress	**(412)**	(13,223)
	3,107	3,372
Depreciation of property, plant and equipment (exclude right-of-use assets)	**105,632**	131,214
Depreciation of right-of-use assets	**11,289**	11,257
Amortisation of intangible asset	**7,658**	14,299
Total depreciation and amortisation	**124,579**	156,770
Capitalised in inventories	**(93,637)**	(146,406)
	30,942	10,364
Auditor's remuneration:		
– audit services	**2,500**	2,864
– non-audit services	**–**	650
Legal and professional fee	**7,348**	4,294
Cost of inventories recognised as an expense	**563,495**	766,808

15. Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the years, disclosed pursuant to the applicable Listing Rules and the CO, is as follows:

For the year ended 31 December 2023

	Fees RMB'000	Salaries and other benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors				
Mr. Li Yanjun (Chairman)	–	1,303	–	1,303
Mr. Li Ziwei (Vice Chairman and Chief Executive Officer)	–	869	16	885
Mr. Zuo Yuehui (Chief Financial Officer) (appointed on 29 March 2023)	–	195	13	208
Mr. Sun Tao (appointed on 29 March 2023)	–	209	13	222
Mr. Tu Quanping (resigned on 29 March 2023)	–	70	4	74
Mr. Sun Jianhua (resigned on 29 March 2023)	–	87	13	100
Independent non-executive directors				
Mr. Ge Xinjian	118	–	–	118
Mr. Meng Likun	118	–	–	118
Mr. Wong Sze Lok	217	–	–	217
	453	2,733	59	3,245

15. Directors' and chief executive's emoluments *(Continued)*

For the year ended 31 December 2022

	Fees RMB'000	Salaries and other benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors				
Mr. Li Yanjun (Chairman)	–	1,291	–	1,291
Mr. Li Ziwei (Vice Chairman and Chief Executive Officer)	–	860	16	876
Mr. Tu Quanping	–	360	18	378
Mr. Sun Jianhua	–	345	55	400
Independent non-executive directors				
Mr. Ge Xinjian	117	–	–	117
Mr. Meng Likun	117	–	–	117
Mr. Wong Sze Lok	215	–	–	215
	449	2,856	89	3,394

Notes:

(a) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(b) The independent non-executive directors' emoluments shown above were for their services as Directors.

There were no arrangement under which a director or the chief executive waived or agreed to waive any emoluments during the years ended 31 December 2023 and 2022.

16. Five highest paid employees

The five highest paid employees of the Group during the year included two (2022: two) directors, details of whose remuneration are set out in Note 15 to the consolidated financial statements above. Details of the remuneration for the year of the remaining three (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries and other benefits in kind	**1,824**	1,699
Retirement benefits scheme contributions	**33**	35
	1,857	1,734

The number of the highest paid employees who are not the Directors whose remuneration fell within the following bands is as follows:

	2023	2022
Nil to RMB1,000,000	**3**	3

17. Dividends

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

18. (Loss) earnings per share

For continuing operations

The calculation of the basic (loss) earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	2023 RMB'000	2022 RMB'000 (Restated)
(Loss) profit for the year attributable to owners of the Company	**(549,139)**	60,755
Add: Loss for the year from discontinued operation	**505**	771
(Loss) earnings for the purpose of basic (loss) earnings per share from continuing operations	**(548,634)**	61,526

	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,635,330**	1,635,330

For continuing and discontinued operation

The calculation of the basic (loss) earnings per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	2023 RMB'000	2022 RMB'000
(Loss) profit for the year from the continuing and discontinued operations attributable to owners of the Company for the purpose of basic (loss) earnings per share	**(549,139)**	60,755

From discontinued operation

Basic loss per share for the discontinued operation is RMB0.00031 per share (2022: RMB0.00047 per share) based on the loss for the year from the discontinued operation of approximately RMB505,000 (2022: RMB771,000) and the denominators detailed above for both basic and diluted loss per share.

No diluted earnings per share for both years ended 31 December 2023 and 2022 were presented as there were no potential ordinary shares in issue for both years ended 31 December 2023 and 2022.

19. Property, plant and equipment

	Lands, buildings and plants RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Mine properties RMB'000	Total RMB'000
COST						
At 1 January 2022	1,020,375	438,875	34,184	17,858	684,580	2,195,872
Additions	3,133	10,217	7,227	191	30,738	51,506
Transferred from construction in process (Note 20)	158	787	–	–	15,959	16,904
Written-off	(261)	(8,137)	(158)	–	–	(8,556)
Disposals	–	(4,254)	(561)	(14)	–	(4,829)
At 31 December 2022	1,023,405	437,488	40,692	18,035	731,277	2,250,897
Additions	3,627	1,959	2,766	595	4,189	13,136
Transferred from construction in process (Note 20)	–	1,550	–	–	317,528	319,078
Written-off	(45,684)	(72,771)	(2,148)	(81)	(232,443)	(353,127)
Disposals	–	–	(5,293)	–	–	(5,293)
At 31 December 2023	**981,348**	**368,226**	**36,017**	**18,549**	**820,551**	**2,224,691**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2022	324,539	257,952	19,999	12,485	265,998	880,973
Charge for the year	40,796	34,484	4,102	1,266	61,823	142,471
Written-off	(120)	(7,199)	(150)	–	–	(7,469)
Written back on disposals	–	(4,024)	(533)	(13)	–	(4,570)
Impairment loss	14,083	4,127	359	135	18,782	37,486
At 31 December 2022	379,298	285,340	23,777	13,873	346,603	1,048,891
Charge for the year	40,310	20,068	3,739	558	52,246	116,921
Written-off	(45,264)	(71,323)	(2,085)	(79)	(170,146)	(288,897)
Written back on disposals	–	–	(4,987)	–	–	(4,987)
Impairment loss	55,476	16,263	1,052	541	126,708	200,040
At 31 December 2023	**429,820**	**250,348**	**21,496**	**14,893**	**355,411**	**1,071,968**
NET CARRYING VALUES						
At 31 December 2023	**551,528**	**117,878**	**14,521**	**3,656**	**465,140**	**1,152,723**
At 31 December 2022	644,107	152,148	16,915	4,162	384,674	1,202,006

19. Property, plant and equipment *(Continued)*

Depreciation of property, plant and equipment used in the mining, processing and sales of iron ore products ("**Iron Mines Assets**") are calculated in the unit-of-production basis whereby the annual depreciation amount is determined based on the actual production volume over the total estimated proven and probable reserves of the mines.

The estimated useful lives of property, plant and equipment, other than Iron Mines Assets, are as follows:

Lands, buildings and plants	
– Owned properties	6 – 30 years
– Leased properties	Lease term
– Leasehold land	Lease term
Machinery and equipment	3 – 15 years
Motor vehicles	5 years
Office equipment	3 years

The Group's property, plant and equipment are substantially located in the PRC. As at 31 December 2023, the Group has not obtained title certificate of certain of its buildings and plants with an aggregate carrying amount of approximately RMB228,362,000 (2022: approximately RMB237,542,000). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned properties.

As at 31 December 2023, mine properties include capitalised stripping activity asset with a carrying amount of approximately RMB22,725,000 (2022: approximately RMB29,743,000).

As at 31 December 2023, certain of the Group's bank borrowings were secured by the Group's property, plant and equipment (excluded right-of-use assets) with a carrying amount of approximately RMB50,257,000 (2022: approximately RMB22,633,000) (Note 37).

On 1 August 2023, Laiyuan County Jiheng Mining Co., Ltd.* ("**Jiheng Mining**") suffered a rain storm and certain property, plant and equipment with carrying value of approximately RMB60,783,000 (with a cost of approximately RMB75,985,000 and accumulated depreciation and impairment loss of approximately RMB15,202,000) were damaged and were therefore fully written-off.

On 28 December 2023, the management of the Group considered mining underground is not cost effective under current iron ore market after the open-pit mining of Jiheng Mining was basically completed, thus certain property, plant and equipment related to Jiheng Mining with carrying value of approximately RMB3,148,000 (with a cost of approximately RMB276,768,000 and accumulated depreciation and impairment loss of approximately RMB273,620,000) were therefore fully written-off.

19. Property, plant and equipment *(Continued)*

Right-of-use assets included in lands, buildings and plants

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at 31 December 2023			
Carrying amounts	**80,184**	**1,780**	**81,964**
As at 31 December 2022			
Carrying amounts	97,093	2,988	100,081
For the year ended 31 December 2023			
Depreciation charge	**9,258**	**2,031**	**11,289**
Impairment loss	**10,455**	**–**	**10,455**
For the year ended 31 December 2022			
Depreciation charge	8,926	2,331	11,257
Impairment loss	2,334	–	2,334

	2023 **RMB'000**	2022 RMB'000
Expense relating to short-term leases	**–**	200
Total cash outflow for leases	**2,150**	2,350
Additions to right-of-use assets	**3,627**	3,023

19. Property, plant and equipment *(Continued)*

Right-of-use assets included in lands, buildings and plants *(Continued)*

For both years, the Group leases leasehold lands, office and premises for its operations. Lease contracts of office and premises are entered into for fixed term of 2 to 3 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. The leasehold lands were amortised over the benefit periods from 5 to 50 years.

Up to the issue of these consolidated financial statements, the Group is still in the process of applying for the title certificates of certain of its leasehold lands with a carrying amount of approximately RMB57,206,000 (2022: approximately RMB63,089,000). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned leasehold land.

As at 31 December 2023, certain leasehold lands with an aggregate carrying amount of approximately RMB10,157,000 (2022: approximately RMB8,806,000) were pledged to secure a bank borrowing granted to the Group (Note 37).

20. Construction in progress

	RMB'000
At 1 January 2022	323,786
Additions	102,585
Transferred to property, plant and equipment (Note 19)	(16,904)
Impairment loss	(16,504)
At 31 December 2022	392,963
Additions	198,069
Transferred to property, plant and equipment (Note 19)	(319,078)
Impairment loss	(98,691)
At 31 December 2023	**173,263**

21. Intangible assets

	Mining rights RMB'000
COST	
At 1 January 2022	793,854
Addition	5,683
At 31 December 2022	799,537
Addition	552
At 31 December 2023	**800,089**
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2022	722,989
Charge for the year	14,299
Impairment loss	569
At 31 December 2022	737,857
Charge for the year	7,658
At 31 December 2023	**745,515**
NET CARRYING VALUES	
At 31 December 2023	**54,574**
At 31 December 2022	61,680

Notes:

(a) As at 31 December 2023, the remaining useful life of the mining rights was approximately 3.3 to 8.3 years (2022: approximately 0.1 to 4.3 years) but is renewable when the mining rights expire. The Directors are of the opinion that the Group would renew the mining rights and has the ability to do so.

(b) As at 31 December 2023, certain of the Group's bank borrowings were secured by the mining right of Jiheng Mining and Jingyuancheng Mining (2022: Jiheng Mining) with a carrying amount of approximately RMB54,574,000 (2022: approximately RMB240,000) (Note 37).

(c) During the year ended 31 December 2022, Jiheng Mining has renewed its mining rights for the period of 5.0 years with the consideration of approximately RMB5,683,000.

(d) During the year ended 31 December 2023, Jingyuancheng Mining has renewed its mining rights for the period of 9.3 years with the consideration of approximately RMB552,000.

22. Impairment assessment of tangible and intangible assets

Property, plant and equipment, construction in progress and intangible assets with definite useful life – mining rights

For the purpose of impairment testing, property, plant and equipment, construction in progress and mining rights has been allocated to two individual cash generating units ("**CGU**") comprising two subsidiaries in the mining segment, i.e. Jingyuancheng Mining CGU and Jiheng Mining CGU.

Jingyuancheng Mining

Since 2020, the Group has implemented the requirements in accordance with the "Code for Green Mine Construction in the Nonferrous Metals Industry" (DZ/T 0320-2018). As at 31 December 2023, Jingyuancheng Mining CGU incurred approximately RMB248,367,000 for the implementation of the green mine construction, and as Jingyuancheng Mining CGU suffer a loss for the year ended 31 December 2023, the management of the Group therefore concluded there was impairment indicator and conducted impairment assessment on property, plant and equipment, construction in progress and mining rights in Jingyuancheng Mining CGU with carrying amount of approximately RMB891,942,000, RMB41,011,000 and RMB54,574,000 (net of accumulated impairment loss of approximately RMB250,119,000, Nil and RMB184,618,000), respectively. The Directors estimated the recoverable amount of Jingyuancheng Mining CGU with reference to a valuation carried out by Masterpiece Valuation Advisory Limited ("**Masterpiece**"), an independent qualified professional valuer. The recoverable amount of the Jingyuancheng Mining CGU has been determined based on a value-in-use calculation, which uses a cash flow projection based on financial forecast approved by management covering a 15-year period. The average selling price per ton of iron ore concentrates and gravel materials used for the cash flow projection is RMB949 per ton and RMB37 per ton, respectively. The pre-tax discount rate applied to cash flow projection is 13.3%.

As at 31 December 2023, based on the result of the assessment, management of the Group determined that the recoverable amount of the Jingyuancheng Mining CGU exceed its carrying amount. Accordingly, no impairment loss would be recognised against the carrying amount of Jingyuancheng Mining CGU.

Management determined the budgeted sales and gross margins based on past performance, expectation for the market development and planned business strategy. The discount rate used is pre-tax and reflects specific risks relating to mining business.

* *For identification purpose only*

22. Impairment assessment of tangible and intangible assets *(Continued)*

Property, plant and equipment, construction in progress and intangible assets with definite useful life – mining rights *(Continued)*

Jingyuancheng Mining *(Continued)*

As at 31 December 2022, the Jingyuancheng Mining CGU incurred approximately RMB173,979,000 for the implementation of the green mine construction, the management of the Group concluded there was impairment indicator and conducted impairment assessment on property, plant and equipment, construction in progress and mining rights in Jingyuancheng Mining CGU with carrying amount of approximately RMB772,909,000, RMB186,189,000 and RMB61,440,000 (net of accumulated impairment loss of approximately RMB248,445,000, RMB1,674,000 and RMB184,618,000), respectively. The Directors estimated the recoverable amount of Jingyuancheng Mining CGU with reference to a valuation carried out by Masterpiece, an independent qualified professional valuer. The recoverable amount of the Jingyuancheng Mining CGU has been determined based on a value-in-use calculation, which uses a cash flow projection based on financial forecast approved by management covering a 13-year period. The average selling price per ton of iron ore concentrates and gravel materials used for the cash flow projection is RMB730 per ton and RMB38 per ton, respectively. The pre-tax discount rate applied to cash flow projection is 14.5%.

As at 31 December 2022, based on the result of the assessment, management of the Group determined that the recoverable amount of the Jingyuancheng CGU is lower than its carrying amount by approximately RMB9,239,000. Accordingly, impairment loss was recognised against the carrying amount of Jingyuancheng Mining CGU.

Management determined the budgeted sales and gross margins based on past performance, expectation for the market development and planned business strategy. The discount rate used is pre-tax and reflects specific risks relating to mining business.

Jiheng Mining

Since 2020, the Group has implemented the requirements in accordance with the "Code for Green Mine Construction in the Nonferrous Metals Industry" (DZ/T 0320–2018). As at 31 December 2023, Jiheng Mining CGU incurred approximately RMB194,736,000 for the implementation of the green mine construction, and Jiheng Mining CGU suffer loss for the year ended 31 December 2023, the management of the Group therefore concluded there was impairment indicator and conducted impairment assessment on property, plant and equipment, construction in progress and mining right in the Jiheng Mining CGU with carrying amount of approximately RMB256,724,000, RMB132,252,000 and Nil (net of accumulated impairment loss of approximately RMB230,514,000, RMB113,521,000 and RMB17,000), respectively. The Directors estimated the recoverable amount of the Jiheng Mining CGU with reference to a valuation carried out by Masterpiece, an independent qualified professional valuer. The recoverable amount of the Jiheng Mining CGU has been determined based on a value-in-use calculation, which uses a cash flow projection based on financial forecast approved by management covering a 10-year period. The average selling price per ton of gravel materials used for the cash flow projection is RMB38 per ton. The pre-tax discount rate applied to cash flow projection is 13.1%.

22. Impairment assessment of tangible and intangible assets *(Continued)*

Property, plant and equipment, construction in progress and intangible assets with definite useful life – mining rights *(Continued)*

Jiheng Mining *(Continued)*

As at 31 December 2023, based on the result of the assessment, management of the Group determined that the recoverable amount of the Jiheng Mining CGU is lower than its carrying amount by approximately RMB298,731,000. Accordingly, impairment loss was recognised against the carrying amount of Jiheng Mining CGU.

Management determined the budgeted sales and gross margins based on past performance, expectation for the market development and planned business strategy. The discount rate used is pre-tax and reflects specific risks relating to mining business.

As at 31 December 2022, the Jiheng Mining CGU incurred approximately RMB133,478,000 for the implementation of the green mine construction, the management of the Group concluded there was impairment indicator and conducted impairment assessment on property, plant and equipment, construction in progress and mining right in Jiheng Mining CGU with carrying amount of approximately RMB424,896,000, RMB206,774,000 and RMB240,000 (net of accumulated impairment loss of approximately RMB30,474,000, RMB14,830,000 and RMB17,000), respectively. The Directors estimated the recoverable amount of Jiheng Mining CGU with reference to a valuation carried out by Masterpiece, an independent qualified professional valuer. The recoverable amount of the Jiheng Mining CGU has been determined based on a value-in-use calculation, which uses a cash flow projection based on financial forecast approved by management covering a 11-year period. The average selling price per ton of iron ore concentrates and gravel materials used for the cash flow projection is RMB789 per ton and RMB41 per ton respectively. The pre-tax discount rate applied to cash flow projection is 15.1%.

As at 31 December 2022, based on the result of the assessment, management of the Group determined that the recoverable amount of the Jiheng Mining CGU is lower than its carrying amount by approximately RMB45,320,000. Accordingly, impairment loss was recognised against the carrying amount of Jiheng Mining CGU.

Management determined the budgeted sales and gross margins based on past performance, expectation for the market development and planned business strategy. The discount rate used is pre-tax and reflects specific risks relating to mining business.

23. Deposit paid for acquisition of equity instrument

On 29 August 2023, Jiheng Mining entered into a share acquisition agreement (the "**Acquisition**") with Bank of Cangzhou*（滄州銀行）, pursuant to which Jiheng Mining has conditionally agreed to subscribe for, and Bank of Cangzhou has agreed to issue, 50,000,000 newly issued shares of Bank of Cangzhou, represented 0.614% of total enlarged issued shares of the Bank of Cangzhou (the "**Acquisition Shares**"). The acquisition price of each Acquisition Share is RMB2.3 and the subscription monies is RMB115,000,000. The newly issued Acquisition Share will be traded on the Hei Bei Equity Exchanges*（河北股權交易所）. Jiheng Mining has paid the non-refundable and unadjustable subscription monies in full on 12 September 2023 (the "**Deposit**"). Up to the date of this report, Bank of Cangzhou is in progress to obtain the approval for the changes in shareholdings from the relevant regulators.

Reason and benefits of entering into the Acquisition

1) The Group believes that the participation in the Acquisition will help the Group to diversify its investment risks, take a diversified business path and expand its development prospects, which will not only greatly reduce the single business model of the Company and deal with the risks of resource depletion; moreover, it can broaden its vision and expand the Company's development prospects, and also accumulate experience for the Company's subsequent investment in other industries.

2) The Group will be able to establish a close cooperation relationship with the banking system and create more favourable conditions for expected low-cost financing.

The Acquisition Shares will be recognised as the equity instrument through other comprehensive income when the acquisition is completed.

As at 31 December 2023, since the stock market of PRC fell during September to December 2023, the management of the Group concluded that there was indication of impairment and conducted impairment assessment on the Deposit in accordance with IAS 36 *Impairment of Assets*. The recoverable amount of the Deposit has been determined based on higher value of fair value less cost to sales and value-in-use of the Acquisition Shares. The recoverable amount was determined, by reference to the valuation carried out by Masterpiece, an independent qualified professional valuer, based on the price to book multiple of comparable company and applying discount of lack of marketability. The price to book multiple of comparable company is 0.51 and the applying discount of lack of marketability is 15.7%.

As at 31 December 2023, based on the result of the assessment, management of the Group determined that the recoverable amount of the Acquisition Shares is lower than its carrying amount by approximately RMB63,909,000. Accordingly, impairment loss was recognised against the carrying amount of Acquisition Shares during the year ended 31 December 2023.

Details of the Acquisition have been stated in the Company's announcement dated 29 August 2023.

24. Inventories

	2023 RMB'000	2022 RMB'000
Iron ores	**9,848**	3,603
Preliminary concentrates	**12,518**	10,915
Iron ore concentrates	**14,893**	9,134
Gravel materials	**48,260**	33,655
	85,519	57,307
Consumables and supplies	**26,127**	29,531
	111,646	86,838

25. Trade and other receivables

	2023 RMB'000	2022 RMB'000
Trade receivables	**115,477**	91,580
Less: Allowance for credit losses	**(8,849)**	(1,211)
Total trade receivables, net (Note (a))	**106,628**	90,369
Bills receivables (Note (b))	**2,950**	12,151
Prepayments and deposits (Notes (c) to (e))	**130,086**	224,032
Value-added tax recoverable	**10,000**	11,139
Other receivables (Notes (f) to (h))	**29,017**	30,198
	169,103	265,369
Less: Allowance for credit losses	**(3,469)**	(1,860)
Total other receivables, net	**165,634**	263,509
Prepayments classified as non-current assets (Note (e))	**(31,201)**	(48,006)
Other receivables, net	**134,433**	215,503
Trade and other receivables, net	**244,011**	318,023

25. Trade and other receivables *(Continued)*

Notes:

(a) As at 1 January 2022, trade receivables from contracts with customers amounted to approximately RMB85,955,000, net of allowance for credit losses of approximately RMB777,000.

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

	2023 **RMB'000**	2022 RMB'000
0 to 30 days	**1,585**	28,928
31 to 90 days	**13,236**	19,232
91 to 180 days	**26,803**	31,553
181 to 365 days	**25,692**	7,926
1 to 2 years	**39,312**	2,730
	106,628	90,369

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB39,312,000 (2022: RMB2,730,000) which are past due as at the reporting date. As at 31 December 2023, out of the past due balance, approximately RMB25,631,000 (2022: Nil) has been past due 90 days or more is not considered as default as the customers are normally have longer repayment period and the management have the regular to review the credit risk of these customers.

(b) As at 31 December 2023, total bills receivable amounting to approximately RMB2,950,000 (2022: approximately RMB12,151,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

25. Trade and other receivables *(Continued)*

Notes: (Continued)

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

	2023 RMB'000	2022 RMB'000
Laiyuan County Huiguang Logistics Co., Ltd* ("**Laiyuan Huiguang**")	**30,224**	59,347
Laiyuan County Ao Tong Transportation Co., Ltd.* ("**Laiyuan Aotong**")	**–**	16,617
Laiyuan Ruitong	**38,606**	59,752
	68,830	135,716

(d) As at 31 December 2023, included in the Group's prepayments and deposits, an amount of approximately RMB1,860,000 (2022: approximately RMB1,860,000) represented a utility deposit.

(e) As at 31 December 2023, included in the Group's prepayments and deposits, an amount of approximately RMB31,201,000 (2022: RMB48,006,000) represented prepayments paid to construction companies for land restoration projects.

(f) As at 31 December 2023, included in the Group's other receivables, an amount of approximately RMB18,920,000 (2022: RMB RMB18,920,000) represented environmental reclamation deposits placed with government in respect of the Group's reclamation obligations for the closure of mines. The Group has submitted the application to refund.

(g) As at 31 December 2022, included in the Group's other receivables, an amount of RMB2,000,000 represented a performance security deposit paid to certain customers.

(h) As at 31 December 2023, included in the Group's other receivables, an amount of approximately RMB6,603,000, net of allowance of credit losses (2022: approximately RMB7,957,000, net of allowance of credit losses) represented amount due from Laiyuan Xinxin Mining Co, Ltd* ("**Xinxin Mining**") for the reimbursement of expenses of electricity and fuel which had been consumed by Xinxin Mining.

Details of impairment assessment of trade and other receivables are set out in Note 6(b).

* *For identification purpose only*

26. Pledged bank deposit, restricted bank balances and cash and cash equivalents

Cash and cash equivalents include demand deposits and short-term deposits for the purpose of meeting the Group's short-term cash commitments, which carry interest at market rates which ranged from 0.01% to 0.39% (2022: from 0.01% to 0.39%) per annum.

Pledged bank deposits carry fixed interest rate of 3.00% per annum (2022: Nil) and represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits and the interest receivable amounting to RMB150,000,000 and RMB4,413,000 respectively (2022: Nil and Nil) have been pledged to secure long-term bank borrowings and are therefore classified as non-current assets. The pledged bank deposits and the related interest receivable will be released upon the settlement of relevant bank borrowings.

Included in bank balances and cash are the following amounts denominated in currencies other than the group entities' functional currencies:

	2023 **RMB'000**	2022 RMB'000
United State dollars ("**USD**")	**74**	66
HK$	**278**	250
Singapore dollar	**2**	2

Included in the pledged bank deposit, cash and cash equivalents and restricted bank balances are the following amounts which are subject to foreign exchange control regulations and not freely transferable:

	2023 **RMB'000**	2022 RMB'000
Amounts denominated in RMB	**211,098**	82,650

As at 31 December 2023, bank balances that are placed in restricted bank accounts in accordance with the Labour Law of the People's Republic of China*（中華人民共和國合同法）, Provisions on the Protection of the Geographic Environment of Mines*（礦山地積環境保護規定）, Measures for the Administration of Land Reclamation in Hebei Province and Agreement on the Use*（河北省土地復墾管理辦法）and Supervision of Land Reclamation Fund for the Restoration of Mineral Geological Environment*（礦山地質環境治理恢復質土地復墾基金使用監管協議）issued by HPDLR amounting to RMB26,970,000 (2022: RMB26,882,000), such balances can only be used for application of the green mining projects. The balances carrying interest at variable interest rates at 0.25% per annum (2022: 0.39% per annum). The restricted bank balances were used to ensure the Group to implement the mine land accumulation environment management and the reclamation obligations on the land from current mining activities.

Details of impairment assessment of pledged bank deposit, cash and cash equivalents and restricted bank balances are set out in Note 6(b).

27. Trade and other payables

	2023 RMB'000	2022 RMB'000
Trade payables (Note (a))	**94,279**	106,333
Other taxes payables	**18,843**	13,649
Payables for construction work, equipment purchase and others	**69,429**	40,692
Interest payables	**1,693**	1,176
Other payables (Notes (b) to (e))	**54,694**	49,293
	238,938	211,143

Notes:

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

	2023 RMB'000	2022 RMB'000
0 to 30 days	**36,206**	18,148
31 to 90 days	**17,226**	26,305
91 to 180 days	**5,144**	35,729
181 to 365 days	**5,691**	12,896
Over 1 year	**30,012**	13,255
	94,279	106,333

As at 31 December 2023, all trade payables are due and payable on presentation or within one year.

(b) As at 31 December 2023, included in the Group's other payables, an amount of approximately RMB8,961,000 (2022: RMB12,248,000) represented the compensation fees for land reclamation.

(c) As at 31 December 2023, included in the Group's other payables, an amount of approximately RMB18,247,000 (2022: approximately RMB18,435,000) represented the accrued salaries.

(d) As at 31 December 2023, included in the Group's other payables, an amount of approximately RMB5,330,000 (2022: approximately RMB5,130,000) represented the compensation charged by Laiyuan Country Zhijiazhuang Village Committee for compensation of impact from mining operation to the nearby village.

28. Contract liabilities

	2023 RMB'000	2022 RMB'000
Sales of iron ore concentrate	**16**	60,367
Sales of gravel materials	**2,814**	1,819
	2,830	62,186

As at 1 January 2022, contract liabilities amounted to approximately RMB28,588,000.

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current liabilities based on the Group's earliest obligation to transfer goods or services to the customers.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	Sales of iron ore concentrate RMB'000	Sales of gravel material RMB'000	Total RMB'000
For the year ended 31 December 2023			
Revenue recognised that was included in the contract liability balance at the beginning of the year	**60,367**	**1,819**	**62,186**
For the year ended 31 December 2022			
Revenue recognised that was included in the contract liability balance at the beginning of the year	27,663	925	28,588

28. Contract liabilities *(Continued)*

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Deposits received from customers for sales of iron ore concentrate and preliminary concentrate

When the Group receives a deposit before the sales of iron ore concentrates, this will give rise to contract liabilities at the start of a contract. The Group receives a deposit of 100% (2022: 100%) of the sales amount on acceptance of the contract from certain customers. However, certain customers, who have a good track record with the Group and in good credit condition, are granted credit periods up to 1 year.

The significant decrease in contract liabilities in current year was mainly due to most of the sales contracts from existing customers completed in December 2023 and the new contracts were entered in January 2024.

Deposits received from customers for sales of gravel material

When the Group receives a deposit before the sales of gravel materials, this will give rise to contract liabilities at the start of a contract. The Group receives a deposit of 100% (2022: 100%) of the sales amount on acceptance of the contract from certain customers.

The significant increase in contract liabilities in current year was mainly due to the increase in contracts with new customers for the sale of gravel material.

29. Lease liabilities

	2023 **RMB'000**	2022 RMB'000
Lease liabilities payable:		
Within one year	**1,697**	1,628
Within a period of more than one year but not exceeding two years	**–**	1,283
	1,697	2,911
Less: Amount due for settlement within 12 months shown under current liabilities	**(1,697)**	(1,628)
Amount due for settlement after 12 months shown under non-current liabilities	**–**	1,283

The incremental borrowing rates applied to lease liabilities is range from 6.64% to 7.70% (2022: from 6.27% to 6.64%).

30. Bank borrowings

The carrying amounts of the bank borrowings are repayable:

	2023 RMB'000	2022 RMB'000
Within one year	**472,000**	337,000
Within a period of more than one year but not exceeding two years	**198,000**	176,000
Within a period of more than two year but not exceeding five years	**242,000**	–
	912,000	513,000
Less: Amounts due within one year shown under current liabilities	**(472,000)**	(337,000)
Amounts shown under non-current liabilities	**440,000**	176,000

Bank borrowings comprise:

	Maturity date	Effective interest rate	2023 RMB'000	2022 RMB'000
Fixed-rate bank borrowings:				
Secured bank borrowing (Note (a))	29 March 2024	9.18%	**–**	176,000
Secured bank borrowing (Note (b))	29 April 2023	9.23%	**–**	237,000
Secured bank borrowing (Note (c))	29 June 2023	3.20%	**–**	100,000
Secured bank borrowing (Note (d))	13 January 2026	4.00%	**142,000**	–
Secured bank borrowing (Note (e))	23 February 2024	9.23%	**120,000**	–
Secured bank borrowing (Note (f))	26 February 2024	9.23%	**117,000**	–
Secured bank borrowing (Note (g))	14 March 2024	8.00%	**30,000**	–
Secured bank borrowing (Note (h))	19 June 2024	2.70%	**95,000**	–
Secured bank borrowing (Note (i))	20 December 2025	7.00%	**198,000**	–
Secured bank borrowing (Note (j))	20 July 2026	6.00%	**30,000**	–
Secured bank borrowing (Note (k))	20 July 2026	6.00%	**70,000**	–
Secured bank borrowing (Note (l))	20 July 2024	6.00%	**110,000**	–
			912,000	513,000

30. Bank borrowings *(Continued)*

Notes:

(a) On 21 May 2020, the Group entered into a bank borrowing agreement with the aggregate amount of RMB180,000,000. The bank borrowing was guaranteed by the subsidiaries of the Company, a director of the Company and a director of a subsidiary, and secured by properties of a related party. On 29 March 2022, the Group extended the bank borrowing period to 29 March 2024. The amount was fully repaid during the year ended 31 December 2023.

(b) On 28 April 2021, the Group entered into a bank borrowing agreement with the aggregate amount of RMB280,000,000. The bank borrowing was secured by the land use right and properties of a related party and independent third parties and guaranteed by a related party, a director of the Company and independent third parties. On 27 April 2022, the Group extended the bank borrowing period to 29 April 2023. The amount was fully repaid during the year ended 31 December 2023.

(c) On 30 June 2022, the Group entered into a bank borrowing agreement with the aggregate amount of RMB100,000,000. The bank borrowing was secured by certain property, plant and equipment, right-of-use assets and intangible assets of the Group. This borrowing of approximately RMB100,000,000 are subject to the fulfilment of covenants relating to Jiheng Mining's financial statement ratios (i.e. asset-liability ratio, current ratio and quick ratio). If the Group breaches the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2022, the Group breached the covenant of the bank borrowing, which are primarily related to the asset-liability ratio, current ratio and quick ratio of the Jiheng Mining. The amount was fully repaid during the year ended 31 December 2023.

(d) On 14 January 2023, the Group entered into a bank borrowing agreement with the aggregate amount of RMB142,500,000. The bank borrowing is secured by fixed bank deposit of the Group. During the year ended 31 December 2023, the Group has repaid RMB500,000.

(e) On 24 February 2023, the Group entered into a bank borrowing agreement with the aggregate amount of RMB120,000,000. The bank borrowing is secured by the land use right and properties of a related party and independent third parties and guaranteed by a related party, a director and independent third parties.

(f) On 27 February 2023, the Group entered into a bank borrowing agreement with the aggregate amount of RMB117,000,000. The bank borrowing is secured by the land use right and properties of a related party and independent third parties and guaranteed by a related party, a director and independent third parties.

(g) On 18 September 2023, the Group entered into a bank borrowing agreement with the aggregate amount of RMB30,000,000. The bank borrowing is guaranteed by the subsidiaries and directors.

30. Bank borrowings *(Continued)*

Notes: (Continued)

(h) On 20 June 2023, the Group entered into a bank borrowing agreement with the aggregate amount of RMB95,000,000. The bank borrowing is secured by certain property, plant and equipment, right-of-use assets and intangible assets of the Group. This borrowing of approximately RMB95,000,000 are subject to the fulfilment of covenants relating to Jiheng Mining's financial statement ratios (i.e. asset-liability ratio, current ratio and quick ratio). If the Group breaches the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2023, the Group breached the covenant of the bank borrowing, which are primarily related to the asset-liability ratio, current ratio and quick ratio of the Jiheng Mining. In any event, should the lender call for immediate repayment of the loan, the Directors believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

(i) On 6 January 2023, the Group entered into a bank borrowing agreement with the aggregate amount of RMB200,000,000. The bank borrowing is secured by the properties of a related party and guaranteed by the subsidiaries and directors. During the year ended 31 December 2023, the Group has repaid RMB2,000,000.

(j) On 31 August 2023, the Group entered into a bank borrowing agreement with the aggregate amount of RMB30,000,000. The bank borrowing is secured by the mining rights of the Group and guaranteed by the subsidiaries and directors.

(k) On 31 August 2023, the Group entered into a bank borrowing agreement with the aggregate amount of RMB70,000,000. The bank borrowing is secured by the land use right and properties of the Group and the properties of a related party and guaranteed by the subsidiaries and directors.

(l) On 12 September 2023, the Group entered into a bank borrowing agreement with the aggregate amount of RMB110,000,000. The bank borrowing is secured by the mining rights of the Group and guaranteed by the subsidiaries and directors of the Company.

31. Deferred taxation

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	166,637	232,362

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Accrued expenses RMB'000	Impairment losses on non-current assets RMB'000	Depreciation allowance RMB'000	Unwinding of interest and accrued reclamation obligations RMB'000	Provision for doubtful debts RMB'000	Total RMB'000
At 1 January 2022	87,491	106,375	11,094	12.401	662	218,023
Credit (charge) to profit or loss (Note 12)	(592)	13,640	5,109	(3,924)	106	14,339
At 31 December 2022	86,899	120,015	16,203	8,477	768	232,362
Credit (charge) to profit or loss (Note 12)	(41,881)	(11,330)	(9,900)	(4,024)	1,410	(65,725)
At 31 December 2023	**45,018**	**108,685**	**6,303**	**4,453**	**2,178**	**166,637**

Deferred tax assets not recognised

As at 31 December 2023, the Group has unutilised tax losses and deductible temporary difference of approximately RMB288,158,000 and RMB994,000 respectively (2022: RMB154,035,000 and Nil), available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams.

Included in unutilised tax losses as at 31 December 2023 were losses of approximately RMB150,870,000 (2022: RMB16,747,000) that would expire in five years and the remaining balance would not expire under the current tax legislation.

Deferred tax liabilities not recognised

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB548,702,000 (2022: RMB701,609,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

32. Deferred income

	2023 RMB'000	2022 RMB'000
Government subsidy	**12,000**	–
Less: current portion	**(960)**	–
	11,040	–

During the year ended 31 December 2023, according to the "Notice of the Hebei Provincial Development and Reform Commission on decomposing and issuing the 2023 central budget investment plan for special projects on pollution control and energy conservation and carbon reduction (energy conservation and carbon reduction direction)", the Group received a government subsidy of RMB12,000,000 (the "**Subsidy**") to compensate for the construction cost of the Group's plant and machinery of approximately RMB12,000,000 related to pollution control and energy conservation and carbon reduction within the scheme. The Subsidy is recognised as deferred income in the consolidated statement of financial position and will be transferred to profit or loss over the useful lives of the related assets, in which these related assets have the useful life 5 to 20 years.

33. Provision for reclamation obligations

	2023 RMB'000	2022 RMB'000
At 1 January	**33,906**	36,812
Remeasurement (Note (b))	**(7,006)**	–
Accretion expenses (Note 10)	**2,262**	566
Utilised during the year	**(2,043)**	(3,472)
At 31 December	**27,119**	33,906
Less: current portion	**(631)**	(1,201)
	26,488	32,705

Note:

(a) The provision for reclamation costs has been determined based on management's best estimates. The estimate of the associated costs may be subject to change in the near term when the reclamation on the land from current mining activities becomes apparent in future periods. The Group's management believes that the provision for reclamation obligations at the end of the respective reporting periods are adequate and appropriate. The provision is based on estimates and therefore, the ultimate liability may exceed or be less than such estimate.

(b) During the year ended 31 December 2023, according to the "Notice of the General Office of the Ministry of Land and Resources on doing a good job in the compilation and reporting of mine geological environmental protection and land reclamation programs" (Guo Tu Zi Gui [2016] No. 21), "Notice of the Hebei Provincial Department of Natural Resources on doing a good job in the preparation and reporting of mine geological environmental protection and land reclamation plans" (Ji Natural Resources [2019] No. 103) and "Guidelines for the compilation of mine geological environmental protection and land reclamation plans", the Group adopted the new reclamation plans for the Zhijiazhuang Mine, Shuanmazhuang Mine and Wang'ergou Mine and resulted a gain of approximately RMB7,006,000 from the remeasurement.

34. Share capital

	Par value per share HK$	Number of shares '000	Amount RMB'000
Ordinary shares:			
Authorised:			
At 1 January 2022, 31 December 2022 and **31 December 2023**	**0.0001**	**10,000,000**	**800**
Issued and fully paid:			
At 1 January 2022, 31 December 2022 and **31 December 2023**	**0.0001**	**1,635,330**	**131**

All ordinary shares rank pari passu in all respects.

35. Retirement benefits scheme

The Group operates a MPF scheme for all qualifying employees in Hong Kong. Under the scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs capped at HK$1,500 per month to MPF scheme, in which the contribution is matched by employees.

Employees of the Group are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds at a rate of 12% of the bases determined by referencing to the prevailing average salary of Hebei Province and as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The total expense from the continuing operation and discontinued operation recognised in profit or loss of approximately RMB7,304,000 and RMB29,000 respectively (2022: approximately RMB9,030,000 and RMB38,000, respectively) represents contributions paid and payable to these plans by the Group at rates specified in the rules of the plans.

As at 31 December 2023, contributions of approximately RMB35,000 (2022: approximately RMB42,000) due in respect of the year ended 31 December 2023 had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

At 31 December 2023 and 31 December 2022, the Group had no forfeited contribution available to reduce its contributions to the retirement benefit schemes in future years.

36. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows from financing activities:

	Accrued interest (included in other payables) RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2022	1,251	557,000	4,854	563,105
Changes from cash flows:				
Repayment of lease liabilities	–	–	(2,150)	(2,150)
New bank borrowings raised	–	100,000	–	100,000
Repayment of bank borrowings	–	(144,000)	–	(144,000)
Interest paid	(26,895)	–	–	(26,895)
	(26,895)	(44,000)	(2,150)	(73,045)
Non-cash changes:				
Interest expenses	26,820	–	207	27,027
At 31 December 2022	1,176	513,000	2,911	517,087
Changes from cash flows:				
Repayment of lease liabilities	**–**	**–**	**(2,150)**	**(2,150)**
New bank borrowings raised	**–**	**914,500**	**–**	**914,500**
Repayment of bank borrowings	**–**	**(515,500)**	**–**	**(515,500)**
Interest paid	**(54,123)**	**–**	**–**	**(54,123)**
	(54,123)	**399,000**	**(2,150)**	**342,727**
Non-cash changes:				
New lease entered	**–**	**–**	**823**	**823**
Interest expenses	**54,640**	**–**	**113**	**54,753**
	54,640	**–**	**936**	**55,576**
At 31 December 2023	**1,693**	**912,000**	**1,697**	**915,390**

37. Pledge of or restrictions on assets

Pledge of assets

The Group's bank borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	2023 RMB'000	2022 RMB'000
Pledged bank deposit	154,413	–
Property, plant and equipment (excluded right-of-use assets) (Note 19)	50,257	22,633
Right-of-use assets (Note 19)	10,157	8,806
Intangible assets (Note 21)	54,574	240
	269,401	31,679

Restrictions on assets

In addition, lease liabilities of approximately RMB1,697,000 are recognised with related right-of-use assets, included in property, plant and equipment, of approximately RMB1,780,000 as at 31 December 2023 (2022: lease liabilities of approximately RMB2,911,000 and related right-of-use assets, included in property, plant and equipment, of approximately RMB2,988,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

38. Commitments and contingencies

(a) Capital commitments

	2023 RMB'000	2022 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the consolidated financial statements	19,833	171,753

38. Commitments and contingencies *(Continued)*

(b) Environmental contingencies

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. Laws and regulations protecting the environment have generally become more stringent in recent years and could become more stringent in the future. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. However, environmental laws and regulations continue to evolve. Management of the Group regularly reassesses environmental remediation for its operations. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include:

(i) the exact nature and extent of the contamination at the mines and processing plants;

(ii) the extent of required clean-up efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed for future environmental legislation cannot be reasonably estimated at present and could be material.

Since 2020, the Group has implemented the requirements in accordance with the "Code for Green Mine Construction in the Nonferrous Metals Industry" (DZ/T 0320-2018). The implementation of the green mine construction including engaging designers, consultants and environmental management companies to work with internal experts to formulate the green mine plans. The Group also strengthen the self-discipline in the mining operations, undertaking the corporate responsibility of saving resources, energy conservation and emission reduction, environmental reconstruction, land reclamation, assisting local economic and social development, increasing investment in mine environmental protection and governance. Jiheng Mining has obtained the title of provincial green mine in February 2021 and Jingyuancheng Mining is applying for the title of national/provincial green mine which is in progress up to the date of this report.

38. Commitments and contingencies *(Continued)*

(c) Governmental and regulatory levies

The Group is subject to certain levies (mineral resources compensation, water and soil loss compensation, pollutant discharge fee and etc.) imposed by relevant government authorities in accordance with relevant PRC laws and regulations. Under such laws and regulations, the Group has fully fulfilled their responsibilities in paying the respective levies during the years presented. The Directors are of the opinion that the Group had no other material obligations or liabilities of such levies at the end of the reporting period.

39. Major non-cash transactions

(a) On 1 June 2023, the Group entered into a new lease agreement for the use of office premises for 2 years. On the lease commencement, the Group needed to prepay the whole year of the lease payment at the beginning of each year and recognised right-of-use assets and lease liabilities of approximately RMB823,000 and RMB823,000 respectively.

(b) As disclosed in Note 9(c) to the consolidated financial statements, the other financial liabilities of approximately RMB117,721,000, which represented the outstanding mining rights consideration and the unwinding interest was derecognised as a result of the Remeasurement during the year ended 31 December 2022.

40. Related party transactions

During the years presented, the Group entered into transactions with the following related parties.

Name of party	Relationship
Mr. Li Yanjun	The ultimate controller and the Director
Mr. Li Ziwei	The ultimate controller and the Director
Hebei Aowei Industrial Group. Co., Limited* (“**Hebei Aowei**”)	A company ultimately owned by Mr. Li Yanjun
Beijing Tong Da Guang Yue Trading Co., Limited* (“**Tong Da**”)	A joint venture owned by Mr. Li Yanjun
Beijing Tongchan Ritan Club Co., Limited* (“**Ritan Club**”)	A company ultimately owned by Mr. Li Yanjun

* *For identification purpose only*

40. Related party transactions *(Continued)*

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

	Note	**2023 RMB'000**	2022 RMB'000
Repayment of lease liabilities	*(a)*	**1,720**	1,720

Notes:

(a) Repayment of lease liabilities represent office and car park rental (2022: office and car park rental) paid and payable to Ritan Club (2022: Ritan Club).

(b) As at 31 December 2022, the bank borrowing of RMB176,000,000 is secured by the properties of Tong Da and guaranteed by certain subsidiaries of the Company, Mr. Li Yanjun and Mr. Li Mengzhe, a director of a subsidiary of the Company.

As at 31 December 2023, the bank borrowing of RMB268,000,000 is secured by the properties of Tong Da and guaranteed by certain subsidiaries of the Company, Mr. Li Yanjun and Mr. Li Ziwei, a director of a subsidiary of the Company.

As at 31 December 2023, the bank borrowing of RMB237,000,000 (2022: RMB237,000,000) is secured by the land use right and properties of Hebei Aowei and the properties of independent third parties, and guaranteed by Hebei Aowei, Mr. Li Yanjun and independent third parties.

As at 31 December 2023, the bank borrowing of RMB170,000,000 is secured by the mining right of the Group and guaranteed by Mr. Li Yanjun and Mr. Li Ziwei.

(c) The Directors are of the view that the terms of the above related party transactions are fair and reasonable, based on normal commercial terms where no charge over assets of the Group is created in respect of the above transactions.

Compensation of key management personnel

The remuneration for key management personnel, including amounts paid to the Directors as disclosed in Note 15 and certain of the highest paid employees as disclosed in Note 16, is as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	**4,069**	4,062
Retirement scheme contributions	**145**	123
	4,214	4,185

The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

41. Particulars of principal subsidiaries of the Company

Details of the subsidiaries at the end of the reporting period are as follows:

Name of subsidiaries	Place of incorporation/ principal place of operation	Paid-up share capital/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
			2023		2022		2023		2022		
			Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
			%	%	%	%	%	%	%	%	
Hengshi Development International Limited	Hong Kong	100 shares of HK$1.00 each	100	–	100	–	100	–	100	–	Investment holding
Beijing Panshi Industrial Co., Ltd.*+	PRC	RMB150,000,000	–	100	–	100	–	100	–	100	Investment holding
Beijing Hengwen Industrial Co., Ltd.*+	PRC	RMB120,000,000	–	100	–	100	–	100	–	100	Investment holding
Laiyuan County Aowei Mining Investments Co., Ltd.*+	PRC	RMB120,000,000	–	100	–	100	–	100	–	100	Investment holding
Jingyuancheng Mining*+	PRC	RMB160,000,000	–	100	–	100	–	100	–	100	Mining, processing and sale of iron ore products and gravel materials
Jiheng Mining*+	PRC	RMB100,000,000	–	100	–	100	–	100	–	100	Mining, processing and sale of iron ore products and gravel materials
Xinan Investments Limited	British Virgin Islands	1 share of USD1.00 each	100	–	100	–	100	–	100	–	Investment holding
Xinan Limited	Hong Kong	1 share of HK$1.00 each	–	100	–	100	–	100	–	100	Investment holding

* For identification purpose only

+ A wholly foreign owned enterprise established in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

At the end of the year 2022, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in PRC. The principal activities of these subsidiaries are summarised as follow:

Principal activities	Principal of business	Number of subsidiaries
Hospital management	PRC	3

During the year ended 31 December 2023, the Company ceased the medical business, and these three domestic subsidiaries were deregistered and liquidated.

42. Statement of financial position and reserves of the company

	2023 RMB'000	2022 RMB'000
Non-current asset		
Investments in subsidiaries	**152,834**	152,834
Current assets		
Amounts due from subsidiaries	**384,336**	867,738
Cash and cash equivalents	**134**	308
	384,470	868,046
Current liabilities		
Other payables	**2,743**	4,754
Amount due to a subsidiary	**700**	700
	3,443	5,454
Net current assets	**381,027**	862,592
Net assets	**533,861**	1,015,426
Capital and reserves		
Share capital	**131**	131
Reserves	**533,730**	1,015,295
Total equity	**533,861**	1,015,426

The Company's statement of financial position was approved and authorised for issue by the board of directors on 26 March 2024 and are signed on its behalf by:

Li Yanjun	**Li Ziwei**
Director	*Director*

42. Statement of financial position and reserves of the company *(Continued)*

Movement of the Company's reserves

	Share premium RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	1,142,640	(3,120)	150,576	(269,632)	1,020,464
Loss for the year	–	–	–	(9,421)	(9,421)
Other comprehensive income	–	4,252	–	–	4,252
At 31 December 2022	1,142,640	1,132	150,576	(279,053)	1,015,295
Loss for the year	–	–	–	(481,322)	(481,322)
Other comprehensive expense	–	(243)	–	–	(243)
At 31 December 2023	**1,142,640**	**889**	**150,576**	**(760,375)**	**533,730**