



(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



2024

ANNUAL REPORT

CORE VALUE



CREATE
Wealth for the Society

CREATE
Value for Our Shareholders

CREATE
Prospects for Our
Employees



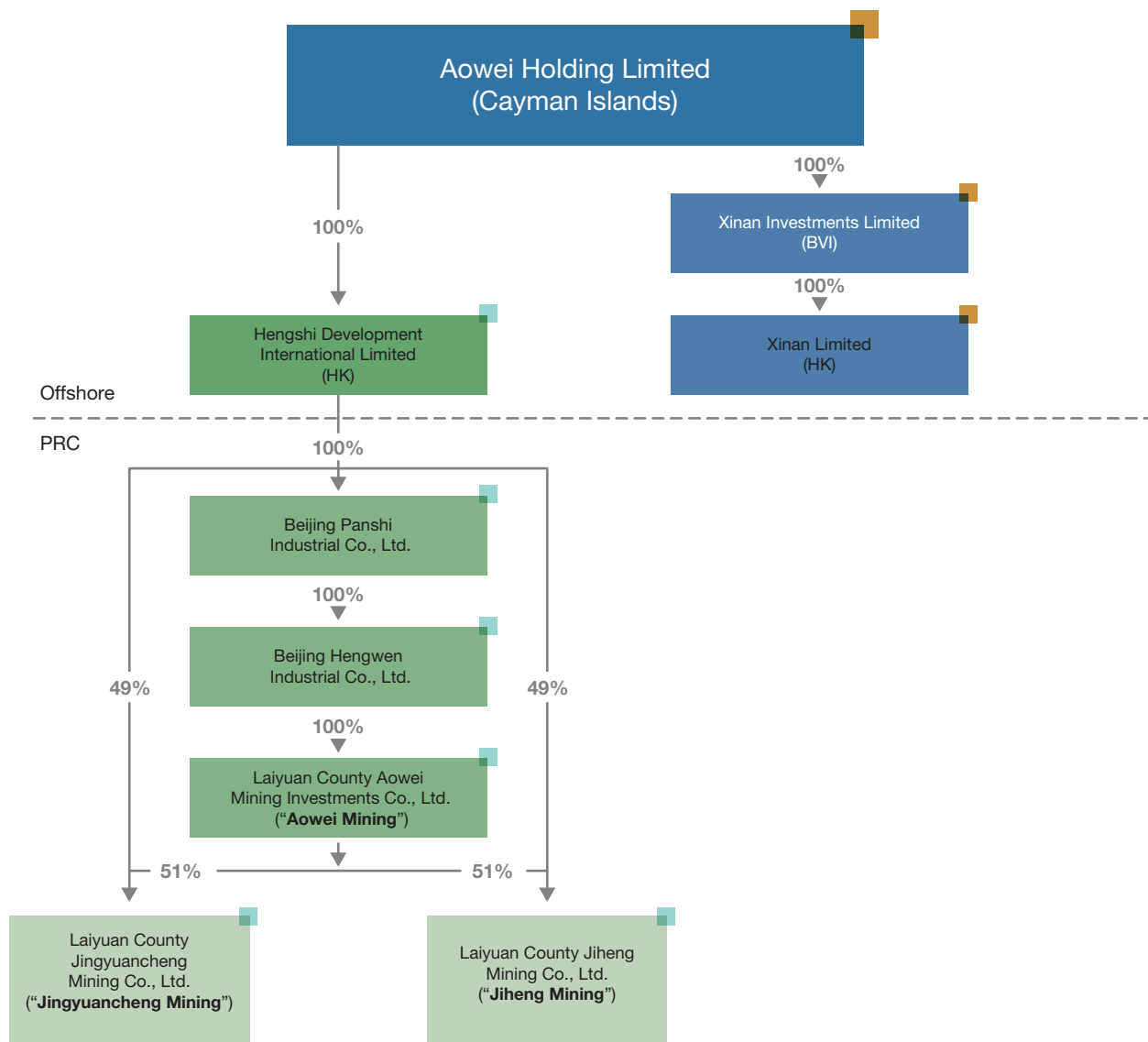
CONTENTS

Corporate Information	2
Five-Year Financial Summary	5
Chairman's Statement	7
Management Discussion and Analysis	9
Biographies of Directors and Senior Management	26
Report of the Directors	30
Corporate Governance Report	42
Independent Auditor's Report	61
Consolidated Statement of Profit or Loss and Other Comprehensive Income	70
Consolidated Statement of Financial Position	71
Consolidated Statement of Changes in Equity	73
Consolidated Statement of Cash Flow	76
Notes to the Consolidated Financial Statements	78

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

奥威控股有限公司

COMPANY'S STATUTORY ENGLISH NAME

Aowei Holding Limited

STOCK CODE

1370

REGISTERED OFFICE

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KY1-1104 Cayman Islands

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Hebei Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
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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
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8 Causeway Road
Causeway Bay
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PRINCIPAL SHARE REGISTRAR IN THE CAYMAN ISLANDS

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Grand Cayman
KY1-1102
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CORPORATE INFORMATION

HONG KONG SHARE REGISTRAR

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Shops 1712-1716
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INVESTOR RELATIONS INQUIRES

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E-Mail: ir@aow.com.cn

DIRECTORS

Executive Directors

Mr. Li Yanjun (*Chairman*)
Mr. Li Ziwei (*Chief Executive Officer*)
Mr. Zuo Yuehui (*Chief Financial Officer*)
Mr. Sun Tao
Ms. Chen Lixian (appointed on 28 November 2024)

Independent Non-Executive Directors

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

AUDIT COMMITTEE

Dr. 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
Dr. Wong Sze Lok

FIVE-YEAR FINANCIAL SUMMARY

SUMMARY DATA OF CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		For the year ended 31 December			
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Restated)		
Revenue	645,659	667,367	937,751	1,191,741	567,977
Cost of sales	(568,741)	(568,191)	(774,054)	(774,498)	(473,888)
Gross profit	76,918	99,176	163,697	417,243	94,089
Distribution expenses	(3,268)	(3,074)	(3,519)	(8,652)	(16,633)
Administrative expenses	(112,775)	(132,397)	(101,858)	(102,473)	(117,947)
Impairment losses, net	(201,061)	(372,065)	(54,874)	(1,845)	2,470
(Loss) profit from operations	(240,186)	(408,360)	3,446	304,273	(38,021)
Finance income	4,592	4,648	114	8,034	107
Finance costs	(61,109)	(57,075)	(27,727)	(34,630)	(41,556)
Net finance costs	(56,517)	(52,427)	(27,613)	(26,596)	(41,449)
Other gains (losses)	90	(64,003)	121,075	474	(361)
Gains from disposal of a subsidiary	–	–	–	–	–
(Loss) profit before tax	(296,613)	(524,790)	96,908	278,151	(79,831)
Income tax (expense) credit	6,992	(23,844)	(35,382)	(75,008)	9,260
(Loss) profit for the year from continuing operations	(289,621)	(548,634)	61,526	203,143	(70,571)
Discontinued operation					
Loss for the year from discontinued operation	–	(505)	(771)	–	–
(Loss) profit for the year	(289,621)	(549,139)	60,755	203,143	(70,571)
Attributable to:					
Equity shareholders of the Company	(289,621)	(549,139)	60,755	203,143	(70,571)
Non-controlling interests	–	–	–	–	–
Basic (loss) earnings per share (RMB)	(0.18)	(0.34)	0.04	0.12	0.04
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

	2024 RMB'000	As at 31 December			
		2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Assets and liabilities					
Non-current assets	1,492,019	1,783,902	1,937,017	1,957,913	1,425,351
Current assets	365,779	417,109	487,829	547,716	904,822
Non-current liabilities	(269,538)	(477,528)	(209,988)	(153,168)	(328,900)
Current liabilities	(900,646)	(757,886)	(700,070)	(898,816)	(750,714)
Total equity	687,614	965,597	1,514,788	1,453,645	1,250,559
Non-controlling interests	–	–	–	–	–
Equity attributable to equity shareholders of the Company	687,614	965,597	1,514,788	1,453,645	1,250,559

CHAIRMAN'S STATEMENT



Li Yanjun
Chairman of the Board

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 2024 (the “**Year**” or the “**Reporting Period**”).

CHAIRMAN'S STATEMENT

ANNUAL REVIEW

In 2024, the global economy continued a moderate recovery trend but remained in a phase of cyclical adjustment. Amidst the intensifying wave of protectionism, geopolitical risks, and uncertainties in monetary policy, the downside risks to the global economic growth outlook remained significant.

For the year ended 31 December 2024, the Group recorded revenue of approximately RMB645.7 million, representing a decrease of approximately 3.3% as compared with the same period of last year. The gross profit for the year was approximately RMB76.9 million, representing a decrease of approximately 22.4% as compared with the same period of last year, and thus recorded a gross profit margin of approximately 11.9% (2023: approximately 14.9%). The loss attributable to the equity shareholders of the Company for the year was approximately RMB289.6 million (2023: RMB549.1 million). The loss for the year can primarily attributable to (1) an impairment loss of property, plant and equipment recorded during the Reporting Period; (2) reduction in production and sales volume of sand and gravel materials which was mainly attributable to the impact of the continuous heavy rain disaster in late July 2023, which resulted in impurities seeping into the finished sand and gravel materials products stocked by Laiyuan County Jingyuancheng Mining Co., Ltd. leading to the inventory backlog; and the temporary suspension of production of the sand and gravel materials business by the Company due to the reconstruction of damaged road facilities in Laiyuan County Jiheng Mining Co., Ltd.; and (3) decrease in selling price of gravel materials which cause the decrease in gross profit margin.

FUTURE OUTLOOK

In 2024, the Group's performance was not satisfactory, but looking ahead, I remain confident in the development of the Group. Facing the complex economic environment and market conditions, the Group will enhance our management level and skills through improving the skills of the working team. Meanwhile, the Group will continue to strengthen risk control and adopt prudent financial management and cost control measures, optimize production processes to fully leverage production efficiency, actively expand the sales scope of the sand and gravel materials business and develop other markets outside the Xiong'an New Area, so as to enhance the Group's risk resilience and market competitiveness. The Board will continue to spare no effort in leading the Group to break through the difficulties and obstacles and make steady progress towards higher goals.

ACKNOWLEDGEMENT

I would like to express my sincere gratitude to the Board for their professional guidance and valuable advice. I would also like to extend my sincerest gratitude to the management team and all employees for their joint efforts with the Company to forge ahead and strive in adversity. Last but not least, I also thank our shareholders and business partners for their trust, patience and support.

Li Yanjun

Chairman of the Board

An aerial photograph of a massive open-pit mine. The mine is characterized by deep, terraced levels of rock and soil, with winding roads and tracks crisscrossing the landscape. The colors range from light grey and tan to dark grey and black, indicating different geological layers and possibly waste material. A few small vehicles are visible on the roads, emphasizing the scale of the operation. The title text is overlaid on a semi-transparent orange rectangle in the upper left portion of the image.

MANAGEMENT DISCUSSION AND ANALYSIS





MANAGEMENT DISCUSSION AND ANALYSIS

IRON ORE BUSINESS

Market Review

In 2024, the international environment was intricate and complex, particularly with the intensification of geopolitical conflicts and the rise of trade protectionism, among various adverse factors, all of which had negative impact on global economic development. The year 2024 was a critical year for the Chinese government to achieve the goals and tasks of the “14th Five-Year” Plan. In response to the adverse impacts from the external environment, the central government strengthened macroeconomic regulation and implemented comprehensive policies to ensure the stable operation of the domestic economy and promote high-quality development.

In 2024, against the backdrop of slowing global economic growth momentum and changes in the domestic effective demand structure, especially influenced by the deep adjustment of the real estate market, steel consumption had significantly declined. According to relevant data, the apparent consumption of crude steel nationwide in 2024 was 892 million tons, representing a decrease of approximately 4.4% as compared with the same period of last year. The annual decline in crude steel consumption far exceeded the annual production volume. According to the latest data from the National Bureau of Statistics, China’s crude steel production volume in 2024 was 1,005 million tons, representing a decrease of approximately 1.7% as compared with the same period of last year. The steel market faced a strong supply and weak demand dilemma, and the supply-demand pattern of iron ore continued to weaken accordingly, with weak demand suppressing ore prices, showing a trend of fluctuating weakness. In 2024, the 62% iron ore Platts Index declined to the range of US\$90 to US\$110 per ton (the average price in 2023 was approximately US\$120 per ton).

PRINCIPAL BUSINESS RISKS AND UNCERTAINTIES

The risks and uncertainties involved in the Group’s business operations may affect the Group’s financial condition or development prospects. The Group aims to understand and respond to stakeholders’ concerns, and is committed to controlling these risks and uncertainties.

The main risks and uncertainties affecting the Group include various risks of the volatile macroeconomic environment, market price fluctuations, changes in regulatory policies, and credit financing. Inappropriate market competition strategies may lead to the Company’s inability to fully and accurately understand the potential risks of market trends and customer preferences.

These factors are neither exhaustive nor comprehensive, and apart from those indicated above, there may be other risks that are unknown to the Group or not currently significant but may become significant in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2024, the Group was affected by the factors such as the global economic downturn and the depletion of open-pit mining reserves of Zhijiazhuang Mine of Jiheng Mining, resulting in a decrease in the output of the Group's iron ore concentrates. For the year ended 31 December 2024, the Group's output of iron ore concentrates was approximately 721.8 Kt, representing a decrease of approximately 0.6% as compared with the corresponding period of last year. During the Reporting Period, the Group's sales of iron ore concentrates were approximately 739.1 Kt, representing an increase of approximately 2.8% as compared with the corresponding period of last year, and the average sales price of iron ore concentrates was approximately RMB798.1 per ton, representing a decrease of approximately 1.7% 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 RMB662.2 per ton, representing a decrease of approximately 5.3% as compared with the corresponding period of last year.

As of 31 December 2024, the Group recorded the revenue of approximately RMB589.8 million for iron ore business, representing an increase of approximately 1.0% as compared with the corresponding period of last year.

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)			For the year ended 31 December Sales volume (Kt)			For the year ended 31 December Average sales price (RMB)			For the year ended 31 December Average unit cash (RMB)		
	2024	2023	% of change	2024	2023	% of change	2024	2023	% of change	2024	2023	% of change
Jiheng Mining												
Iron ore concentrates ¹	46.0	130.3	-64.7%	50.5	132.8	-62.0%	583.9	774.7	-24.6%	(Note 1)	527.3	-100%
Jingyuancheng Mining												
Iron ore concentrates ²	675.8	595.9	13.4%	688.6	586.3	17.4	813.8	820.7	-0.8%	662.2	699.0	-5.3%
Total												
Iron ore concentrates	721.8	726.2	-0.6%	739.1	719.1	2.8%	798.1	812.2	-1.7%	662.2	668.2	-0.9%

Notes:

- (1) Jiheng Mining has suspended mining due to the depletion of open-pit iron mining resources. During the Reporting Period, its output of iron ore concentrates was primarily achieved by grinding the preliminary concentrates screened from Jiheng Mining's solid waste comprehensive utilization project. The TFe grade of iron ore concentrates sold was 63%.
- (2) The TFe grade of iron ore concentrates sold by Jingyuancheng Mining was 66%.

MANAGEMENT DISCUSSION AND ANALYSIS

RESOURCES AND RESERVES

During the Reporting Period, the Group did not conduct any production exploration and did not incur any additional exploration expenses.

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 2024 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 2024 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	4,902	14.03	6.91
		Underground	Probable (graded above 12%)	18,077	15.87	8.50
	Shuanmazhuang	Open-pit	Probable	79,495	13.62	5.57
		Underground	Probable (graded above 12%)	35,723	16.00	7.11
Total		Open-pit	Probable	84,863	13.64	5.65
		Underground	Probable (graded above 12%)	53,800	15.96	7.58
		Total	Probable	138,663	14.61	6.44

MANAGEMENT DISCUSSION AND ANALYSIS

The iron ore resources which complied with JORC Code (2004 Edition) in respect of each mine of the Group as of 31 December 2024 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	42,310	14.15	6.90	10,871	12.32	6.75
	Shuanmazhuang	143,572	13.62	5.57	68,625	12.80	4.90
Total		186,348	13.74	5.87	79,873	12.73	5.15

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.

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 2024, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Iron ore concentrates

Unit: RMB per ton of iron ore concentrates	For the year ended 31 December		
	2024	2023	% of change
Mining costs	304.9	344.1	-11.4%
Dry processing costs	105.2	134.8	-22.0%
Wet processing costs	126.7	112.7	12.4%
Administrative expenses	91.2	72.3	26.1%
Sales costs	0.0	0.8	-100%
Taxation	34.2	34.3	-0.3%
Total	662.2	699.0	-5.3%

During the Reporting Period, the average unit cash operating cost of iron ore concentrates at Wang'ergou Mine and Shuanmazhuang Mine was lower than that of last year, which was mainly attributable to the lower stripping ratio in the mining process, the lower drying ratio in the dry processing leading to the lower mining expenses, material consumption and electricity costs as compared with the same period last year, as well as the combined effect of the increase in the safety production costs and management costs in the wet processing, and the loss of stoppage of work as compared with that of the same period last year.

Zhijiazhuang Mine

Zhijiazhuang Mine has been mined year by year and the open-pit mining thereof has been basically completed. Taking into account the more stringent requirements for safe production of underground mining, as well as the particularity, the upfront investment in construction and the economic of underground mining and other factors, the Company has temporarily suspended the underground mining operation of Zhijiazhuang Mine and sought other strategic alternatives. For details, please refer to the inside information announcement dated 15 March 2024 published by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

GREEN CONSTRUCTION MATERIALS BUSINESS

As of 31 December 2024, 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 3.70 Mtpa; the treatment capacity of solid waste comprehensive utilisation project of Jingyuancheng Mining was 2.70 Mtpa.

During the Reporting Period, the decrease in the production volume and sales volume of sand and gravel materials of the Group was mainly attributable to the continuous rainstorms at the end of July 2023, which resulted in impurities mixing into the finished sand and gravel materials products stocked by Jingyuancheng Mining, leading to the inventory backlog; and the partial suspension of production of the sand and gravel materials business due to the reconstruction of road facilities in Jiheng Mining as a result of rainstorms, in combination with the downturn of the economic situation, the market price of sand and gravel materials was deeply impacted. For the year ended 31 December 2024, the production volume of sand and gravel materials of the Group was approximately 1,402.0 kt, representing a decrease of approximately 49.3% as compared to the same period of last year. During the Reporting Period, the sales volume of sand and gravel materials was approximately 1,758.2 kt, representing a decrease of approximately 24.7% as compared to the same period of last year. The average sales price of sand and gravel materials of the Group was approximately RMB28.9 per ton during the Reporting Period.

As of 31 December 2024, the Group's sand and gravel materials business recorded revenue of approximately RMB55.9 million, representing a decrease of approximately 33.0% as compared to the corresponding period of last year.

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

The Group	As of 31 December			As of 31 December			As of 31 December			As of 31 December		
	Output			Sales volume			Average sales price			Average unit cash operating costs		
	(Kt)			(Kt)			(RMB)			(RMB)		
	2024	2023	% of change	2024	2023	% of change	2024	2023	% of change	2024	2023	% of change
Construction gravel	790.5	1,357.6	-41.8%	778.1	1,396.8	-44.3%	29.3	30.9	-5.2%	17.0	17.9	-5.0%
Mechanism sand	611.5	1,406.1	-56.5%	980.1	937.6	4.5%	28.6	38.9	-26.5%	31.6	29.0	9.0%
Total	1,402.0	2,763.7	-49.3%	1,758.2	2,334.4	-24.7%	28.9	34.1	-15.2%	23.3	23.6	-1.3%

During the Reporting Period, the average unit cash operating costs of sand and gravel materials of the Group was insignificantly changed as compared with last year. Among them, the lower average unit cash operating costs of gravel was due to the lower material and labour costs, while the higher average unit cash operating costs of mechanism sand was due to the increase in the costs of raw materials and electricity consumption.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2024, the Group had 759 full-time employees in total (31 December 2023: 861 employees). During the Reporting Period, expenses of employees’ benefit (including salaries, wages, pension plan contributions and other benefits) of the Group were approximately RMB74.5 million (2023: RMB78.9 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 RMB645.7 million, representing a decrease of approximately RMB21.7 million as compared to the corresponding period of last year, which was mainly attributable to the influence of the decrease in the sales volume and sales price of 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 RMB568.7 million, representing an increase of approximately RMB0.5 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 sand and gravel materials of the Group and the increase in unit cost of sales.

Gross profit and gross profit margin

The gross profit of the Group for the Reporting Period was approximately RMB76.9 million, representing a decrease of approximately RMB22.3 million or 22.4% as compared to the corresponding period of last year, which was mainly attributable to the decrease in revenue and gross profit margin as compared to the corresponding period of last year; the Group’s gross profit margin also decreased during the Reporting Period from 14.9% to 11.9% as compared to the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Distribution expenses

The Group's distribution expenses for the Reporting Period were approximately RMB3.3 million, representing an increase of approximately RMB0.2 million as compared to the corresponding period of last year.

Administrative expenses

The Group's administrative expenses for the Reporting Period were approximately RMB112.8 million, representing a decrease of approximately RMB19.6 million as compared to RMB132.4 million in the corresponding period of last year, which was mainly attributable to the decrease in depreciation expenses, intermediary agency fees and salary expenses.

Impairment losses

The Group recorded an impairment loss of approximately RMB201.1 million during the Reporting Period. The calculation of impairment loss on property, plant and equipment, construction in progress and its intangible assets 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' non-current assets, so as to determine the recoverable amount of the assets. As of 31 December 2024, an impairment loss on property, plant and equipment, construction in progress and its intangible assets of approximately RMB177.0 million. In addition, the provision of impairment under expected credit loss model of the Group was approximately RMB24.1 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

Due to the decrease in iron ore resources of Jiheng Mining and the business losses of Jingyuancheng Mining, the Group, in order to properly assess the relevant valuation of the assets as at the end of 2024, has appointed an independent valuer to review the carrying value of Jiheng Mining and Jingyuancheng Mining's property, plant and equipment, construction in progress and its intangible assets on then valuation date (i.e. 31 December 2024), so as to determine the recoverable amount of assets in accordance with IAS 36 Impairment of Assets. As of 31 December 2024, Jiheng Mining provided for an impairment loss on assets of approximately RMB171.1 million, in which property, plant and equipment recorded the impairment loss of approximately RMB106.9 million and construction in progress recorded the impairment losses of approximately RMB64.2 million; Jingyuancheng Mining provided for an impairment loss on assets of approximately RMB5.9 million, in which property, plant and equipment recorded the impairment loss of approximately RMB5.3 million, construction in progress recorded the impairment losses of approximately RMB0.3 million and intangible assets recorded the impairment losses of approximately RMB0.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Details in relation to independent valuation of asset impairment:

(a) Basis and assumptions adopted for valuation in 2024:

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 deviate significantly;
- It is assumed that the current applicable 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 and Jingyuancheng Mining in 2024 are as follows:

The independent valuer analyzed the relevant information provided by Jiheng Mining and Jingyuancheng Mining, and in accordance with the relevant accounting standards, determined the value in use of the assets group of Jiheng and the assets group of Jingyuancheng 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 present value of the estimated future cash flows are calculated according to the market return rates applicable to investments in business risk and crisis-like projects.

MANAGEMENT DISCUSSION AND ANALYSIS

Jiheng Mining took into account the risk-free rate, market risk premium, Beta value and cost of equity capital, the independent valuer 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 9.0%, and the WACC (before tax) was estimated to be approximately 9.7%. 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 2024 valuation report is from 2025 to 2033. There were no material changes in the relevant basis, assumptions and valuation methods adopted by Jiheng Mining in 2024 as compared with historical periods.

Jingyuancheng Mining took into account the risk-free rate, market risk premium, Beta value and cost of equity capital, the independent valuer adopted the WACC as the discount rate. Based on the capital cost structure of Jingyuancheng, the WACC (after tax) of Jingyuancheng was estimated to be approximately 9.0%, and the WACC (before tax) was estimated to be approximately 12.1%. 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 2024 valuation report is from 2025 to 2038. There were no material changes in the relevant basis, assumptions and valuation methods adopted by Jingyuancheng Mining in 2024 as compared with historical periods.

Valuation of the value of equity interests held by Jiheng Mining in Cangzhou Bank Co., Ltd.

The Group engaged an independent valuer to conduct a valuation for the value of equity interests held by Jiheng Mining in Bank of Cangzhou for the purpose of properly evaluating the fair value of the assets as at the end of 2024. As of 31 December 2024, the fair value gain change of Jiheng Mining's value of equity interests amounted to approximately RMB11.7 million.

Details of the independent valuation of equity interests held by Jiheng Mining in Cangzhou Bank Co., Ltd. are as follows:

(a) Valuation methods adopted by Jiheng Mining in 2024:

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 independent valuer 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 priced 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).

MANAGEMENT DISCUSSION AND ANALYSIS

(b) Basic Assumptions for Valuation of Equity Interests in Jiheng Mining in 2024

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 independent valuer 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 0.58.

When calculating the value of the equity interests of the Target Company, the independent valuer 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 2024, we selected 15.6% 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. Such investment 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

The Group's finance cost for the Reporting Period was approximately RMB61.1 million, representing an increase of approximately RMB4.0 million or 7.1% as compared to the corresponding period of last year. The increase in finance costs was mainly due to the increase in duration of fund utilization for 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 bills, other finance expenses and the amortisation of reclamation obligations.

Income tax credit

The Group's income tax credit for the Reporting Period were approximately RMB7.0 million, while the income tax expenses for the corresponding period of last year were approximately RMB23.8 million, which was mainly due to the decrease in deferred tax of the Group. Income tax credit comprised of the sum of tax overprovision in prior year and deferred tax.

Loss for the year

The Group recorded a loss after tax during the Reporting Period of approximately RMB289.6 million, as compared to a loss after tax of approximately RMB549.1 million for the same period last year, which was mainly due to the combined influence of the decrease in the Group's asset impairment and income tax expenses.

Property, plant and equipment

The net value of the property, plant and equipment of the Group as of 31 December 2024 was approximately RMB939.6 million, representing a decrease of approximately RMB213.1 million or 18.5% as compared to the corresponding period of last year. The change was mainly due to the combined influence of the Group's provision for depreciation and impairment during the Reporting Period.

Intangible assets

As of 31 December 2024, the net intangible assets of the Group were approximately RMB45.0 million, representing a decrease of approximately RMB9.6 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 2024, inventories of the Group amounted to approximately RMB111.1 million, representing a decrease of approximately RMB0.6 million or 0.5% as compared to the corresponding period of last year.

Trade and other receivables

As of 31 December 2024, trade and bills receivables of the Group amounted to approximately RMB110.1 million, representing an increase of approximately RMB0.5 million as compared to RMB109.6 million in the corresponding period of last year. As of 31 December 2024, other receivables of the Group amounted to approximately RMB91.7 million, representing a decrease of approximately RMB73.9 million as compared to RMB165.6 million in the corresponding period of last year, which was mainly due to the decrease in prepayments and deposits and value-added tax recoverable.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and other payables

As of 31 December 2024, trade payables and bills payables of the Group amounted to approximately RMB126.9 million, representing an increase of approximately RMB32.6 million as compared to RMB94.3 million in the corresponding period of last year. The changes in trade payables and bills payables were mainly due to the increase in bills payables.

As of 31 December 2024, other payables of the Group amounted to approximately RMB78.4 million, representing a decrease of approximately RMB66.2 million as compared to RMB144.6 million in the corresponding period of last year, which was mainly due to the decrease in payables for construction projects and equipment purchases.

Cash and borrowings

As of 31 December 2024, the balance of cash and cash equivalents of the Group amounted to approximately RMB34.6 million, representing an increase of approximately RMB0.1 million as compared to the corresponding period of last year.

As of 31 December 2024, bank loans of the Group were RMB872.0 million, representing a decrease of RMB40 million or 4.4% as compared to the end of last year. The interest rates of the borrowings as of 31 December 2024 ranged from 2.8% to 9.23% per annum. The borrowings of RMB633.0 million were recorded as current liabilities of the Group (as of 31 December 2023: RMB472.0 million) and RMB239.0 million were recorded as non-current liabilities of the Group (as of 31 December 2023: RMB440 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 2024 and up to the date of this report. As of 31 December 2024, the overall financial status of the Group remained in a good condition.

Gearing ratio

The gearing ratio of the Group as of 31 December 2024 was approximately 46.9%, representing an increase of approximately 5.5% 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 RMB19.1 million, which consisted of purchase of property, plant and equipment, construction in progress and intangible assets.

Capital commitment

As at 31 December 2024, the total capital commitments of the Group amounted to approximately RMB18.1 million (31 December 2023: approximately RMB19.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

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 2024, the Group's bank loans of RMB872.0 million were secured by the Group's pledged bank deposit, mining right, right-of-use assets (land use rights), tailings rock, 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, two of directors of the Company, and related parties.

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 RMB178.9 million, RMB45.0 million, RMB9.9 million and RMB39.5 million respectively as of 31 December 2024. The Group had no material contingent liabilities as of 31 December 2024.

Significant investments held

Save as disclosed specifically in this report, there were no significant investments held by the Company as at 31 December 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND STRATEGY

2025 is the final year of China's "14th Five-Year" Plan and also an important year for comprehensive deepening of reform. However, the current external environment is complex and severe, and the domestic economy is facing challenges such as insufficient effective demand. Focusing on expanding domestic demand has become a strategic measure to effectively counter external shocks, with domestic demand relying on infrastructure and manufacturing upgrades. We believe that the central government will continue to exert efforts, implementing more proactive macro policies and reform measures, as well as more active fiscal policies and moderately loose monetary policies, so as to drive economic growth. In 2025, under the influence of a series of national policies promoting the healthy development of the real estate market, the decline in the development investment ratio of the real estate industry may narrow. Investment in infrastructure industry is expected to continue its growth trend, which is anticipated to have a positive impact on steel demand. However, there is relatively high uncertainty regarding the demand for steel in the manufacturing sector. With the intensification of global trade protectionism, overseas tariff policies may suppress the export of China's industrial products, potentially leading to a slowdown in the growth rate of steel demand. Against the backdrop mentioned above, it is expected that in 2025, steel demand as well as prices will continue to weaken or will narrow steadily. Regarding iron ore, with the gradual release of the global iron ore supply increase and the limited growth potential of domestic demand, iron ore may continue to experience an oversupply situation, which will exert a certain suppressive effect on iron ore prices.

In light of the complex and severe economic environment and market conditions, as well as various adverse factors such as the near depletion of exploitable reserves at Jiheng Mining's open-pit iron mine, the Group will further deepen its cost reduction and efficiency enhancement mechanisms. The Group will adopt effective refined management measures, optimize production methods and improve production processes, enhance production efficiency, reduce operating costs, and improve product quality to boost the profitability of the Group's iron ore business and sand and gravel materials business. We will also closely monitor market dynamics, fully seize trading opportunities arising from rising commodity prices, and timely adjust marketing strategies to achieve higher economic benefits. Additionally, we will continue to focus on national favorable policies, strengthen good communication and cooperation with banks and financial institutions to secure financial support from them. Meanwhile, we will also strengthen the efforts in customer payment collection, conduct real-time assessment of the credit and risk of customers with outstanding debts, to ensure the secure and timely recovery of funds. In view of the depletion of Jiheng Mining's open-pit iron mine and the uneconomical nature of underground mining, we may consider seeking suitable opportunities to dispose of Jiheng Mining's iron ore business, with the aim of improving financial performance.

Moreover, to continuously improve profitability and reduce the impact of the risk of the mineral resources business of Jiheng Mining, the Group will effectively grasp the construction opportunities in Xiong'an New Area, actively promote the layout of the sand and gravel materials industry, and 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. At the same time, we will actively expand the effective sales coverage, ensuring the supply to existing customers of the sand and gravel materials business, we will develop other markets outside the Xiong'an New Area to expand the sales of its sand and gravel materials business, with a view to achieving growth in sales of sand and gravel materials and enhance collection efforts, thereby creating more economic value and long-term benefits for the Group and its shareholders.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHIES OF EXECUTIVE DIRECTORS

Mr. Li Yanjun (李豔軍), aged 60, 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. (涞源縣奧宇鋼鐵有限公司) (“**Aoyu Steel**”) and the Group. Mr. Li has extensive 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 37, 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 extensive 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 46, is our executive Director and chief financial officer and is responsible for the accounting and financial management of the Group. Mr. Zuo has extensive 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 42, is our executive Director and is responsible for the project planning, safe production, health, environmental protection, procurement and supply, corporate management and other management affairs of the Group. He has extensive 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 project planning of Aowei Mining and concurrently managing safe production, health, environmental protection, procurement and supply, corporate management and other affairs. He was also appointed as directors of Beijing Panshi Industrial Co., Ltd and Beijing Hengwen Industrial Co., Ltd in September 2022. 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. 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 and 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.

Ms. Chen Lixian (陳立仙), aged 45, was appointed as our executive Director on 28 November 2024. She is primarily responsible for assisting in the Group's operation and internal audit of internal control. Ms. Chen has extensive experience in operations and financial management. She served as the head of the comprehensive department of Aowei Group from January 2005 to June 2007. From June 2007 to May 2010, she was the fund accountant of the finance department of Aowei Group. From June 2010 to February 2014, she successively served as an accountant and manager in the finance department of the Beijing Sales Branch of Aowei Group. From February 2014 to May 2024, she served as the deputy manager of the finance department and the deputy manager of the operations department of Beijing Branch, respectively. In June 2024, she assumed the position of manager at the Beijing Branch.

Ms. Chen obtained an undergraduate diploma in law from Shijiazhuang College of Economics in June 2004, and was awarded the qualification of intermediate accountant by the Title Reform Leading Group Office of Baoding City (保定市職稱改革領導小組辦公室) in February 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wong Sze Lok (黃思樂), aged 52, is our independent non-executive Director and is primarily responsible for providing independent advice and guidance to the Board.

Dr. Wong has extensive experience in auditing and corporate governance. Dr. 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Dr. 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. Dr. 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).

Dr. 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, a certificate of higher education in Law from the University of Essex in December 2021 and a degree of executive doctor of business administration from Sabi University in December 2024. Dr. 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.

Mr. Meng Likun (孟立坤), aged 63, is our independent non-executive Director, primarily responsible for providing independent advice and guidance to the Board. Mr. Meng serves as the Executive Director and General Manager of Guojie Investments Holding Ltd. (國傑投資控股有限公司). 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 extensive 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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.

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 extensive 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 39, is the general manager of Jiheng Mining and is responsible for the general and daily management of Jiheng Mining. Mr. Zhao has extensive 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 senior 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.

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 2024.

PRINCIPAL ACTIVITIES

The Company acts as 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 42 to the consolidated financial statements.

BUSINESS REVIEW

After careful deliberation, the Directors have reviewed the Group's business and made an analysis of the Group's performance 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 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 70 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 2024 (2023: Nil).

ANNUAL GENERAL MEETING

The 2025 annual general meeting of the Company (the **"2025 AGM"**) will be held at 10:00 a.m. on 23 May 2025 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 19 May 2025 to 23 May 2025 (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 2025 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 16 May 2025.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 December 2024 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 35 to the consolidated financial statements of this annual report.

REPORT OF THE DIRECTORS

RESERVES

Details of the movements during the year ended 31 December 2024 in the reserves of the Group are set out in the consolidated statement of changes in equity on page 74 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution to the Shareholders in accordance with the Articles were RMB687.5 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 31 to the consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended 31 December 2024 and 2023, sales to the five largest customers of the Group accounted for 87.0% and 90.1% of the Group's total revenue respectively, and sales to the largest customer accounted for 73.3% and 52.2% respectively.

REPORT OF THE DIRECTORS

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 2024 and 2023, purchases from the five largest suppliers of the Group accounted for 89.8% and 36.6% of the Group's total purchases respectively, and purchases from the largest supplier accounted for 25.1% and 10.8% respectively.

For the year ended 31 December 2024, 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. Zuo Yuehui

Mr. Sun Tao

Ms. Chen Lixian (appointed on 28 November 2024)

Independent Non-executive Directors

Dr. 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 26 to 29 of this annual report.

In accordance with the article 16.18 of the Articles, Mr. Li Yanjun, Mr. Sun Tao and Mr. Ge Xinjian will retire at the 2025 AGM, and being eligible, will offer themselves for re-election at the 2025 AGM.

In accordance with the article 16.2 of the Articles, Ms. Chen Lixian will retire at the 2025 AGM, and being eligible, will offer herself for re-election at the 2025 AGM.

REPORT OF THE DIRECTORS

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, Dr. 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. 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, each of Mr. Zuo Yuehui and Mr. Sun Tao entered into a director service contract with the Company for a term of three years; on 8 April 2024, Dr. Wong Sze Lok entered into a director service contract with the Company for a term of three years; and on 28 November 2024, Ms. Chen Lixian 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 2024. 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.

REPORT OF THE DIRECTORS

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 2024, 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
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 Trident Trust Company (HK) 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 Trident Trust Company (HK) Limited, and is the settlor, protector and a beneficiary of the Seven Trust with Trident Trust Company (HK) Limited as the trustee which holds the entire issued share capital of Aowei International Developments Limited through Trident Trust Company (HK) 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.

REPORT OF THE DIRECTORS

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

As of 31 December 2024 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	Approximate percentage of issued Shares
Aowei International Developments Limited	Beneficial owner ⁽²⁾⁽³⁾	1,181,480,000 ^(L)	72.25%
Trident Trust Company (HK) 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%
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. Aowei International Developments Limited holds 33,750,000 Shares as a beneficial owner.

Mr. Li Ziwei and Mr. Li Yanjun are the ultimate controlling shareholders of Hengshi Holdings Limited, Hengshi International Investments Limited and Aowei International Developments Limited. Therefore, Hengshi Holdings Limited, Hengshi International Investments 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.

(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 Trident Trust Company (HK) Limited and Hengshi Holdings 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.

REPORT OF THE DIRECTORS

- (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.

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 2024.

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

At no time during the year ended 31 December 2024 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.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

On 1 October 2024, Laiyuan County Aowei Mining Investments Co., Ltd. entered into the Property Lease Agreement (the **"2024 Property Lease Agreement"**) with Beijing Tongchan Ritan Club Co., Ltd. (**"Ritan Club"**), a subsidiary of Hebei Aowei Industrial Group Co., Ltd. (**"Aowei Group"**), to renew the lease of the property.

The Beijing Branch of Laiyuan County Aowei Mining Investments Co., Ltd. rented a property in Beijing as office from Ritan Club from 1 October 2024 to 30 September 2025 (both days inclusive) at the rent of RMB1,720,000.00 per annum with a term of one year. Please refer to the announcement dated on 1 October 2024 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 2024 Property Lease Agreement constitute connected transactions.

In accordance with IFRS 16, Leases, 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.

All related party transactions were disclosed in Note 41 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 2024.

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



REPORT OF THE DIRECTORS

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 2024, 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.

REPORT OF THE DIRECTORS

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 2024.

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

Throughout the year ended 31 December 2024, 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 that maintaining good relationships with employees, suppliers and customers is a core motivity and key to the sustainable development of the Group's business.

- **Employees**

With the ever-changing business environment, employees, as an important component of the enterprise, directly influence the development of an enterprise with their abilities. Outstanding employees are capable of bringing innovative thinking, efficient execution and exceptional contribution to the enterprise. Therefore, we are highly concerned about the career development planning of our employees and are committed to creating a fair, respectful, diversified, cooperative and friendly corporate culture and working environment for them. We provide employees with training courses, promotion opportunities and welfare benefits to support them grow and innovate, thus achieving win-win development together with employees.

- **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, reputation and ESG performance, to ensure the safety of supply chain. In terms of customers, the Group has established good relationships with its customers through product quality and reputation, with a view to achieving mutual benefits and common development.



REPORT OF THE DIRECTORS

During the year ended 31 December 2024, 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 36 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

We are committed to protecting our environment, practicing the concept of green development, and strictly complying with the laws and regulations of the Chinese government regarding environmental protection and climate; we actively review and assess the environmental risks brought by our business operations, and through establishing a comprehensive environmental management system, we actively take multiple measures to minimize or avoid adverse impacts on the environment caused by our daily operations. In addition, we deeply implement the concept of green and low-carbon environmental protection, advocate for green and low-carbon environmental education, enhance employee awareness, and strive to integrate the concept of green and low-carbon environmental protection into all aspects of production operations and employees' lives. This aims to achieve green and low-carbon energy-saving development, making the Company build a new type of modern mine according to the standards of green mine construction. For more details, please refer to the Environmental, Social and Governance Report of the Company.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2024, 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

KPMG resigned as the auditor of the Company on 13 May 2021. The Company engaged Asian Alliance (HK) CPA Limited as the auditor of the Company on 21 May 2021, to fill the casual vacancy following the resignation of KPMG. Save for the aforementioned, there has been no other change in the auditors of the Company in the past three years.

Asian Alliance (HK) CPA Limited shall retire in the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-appointment. A resolution will be submitted to the annual general meeting to re-appoint Asian Alliance (HK) CPA Limited as auditors of the Company.

By order of the Board

Mr. Li Yanjun

Chairman of the Board

27 March 2025

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**”) of Aowei Holding Limited (the “**Company**”) recognizes that good corporate governance is a crucial cornerstone for achieving success and sustainable development of an enterprise. The Group is committed to maintaining the highest standards of corporate governance to promote business development and enhance performance to a great extent, thereby safeguarding the interests of shareholders, customers, employees and other stakeholders related to the Group. 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 2024 to 31 December 2024, 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 for the year ended 31 December 2024.

BOARD OF DIRECTORS

The Board is collectively responsible for leading and overseeing the Group’s business in the interests of the Group. 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.

CORPORATE GOVERNANCE REPORT

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 (<i>Chairman</i>)	–	–	C
Li Ziwei (<i>Chief Executive Officer</i>)	–	M	–
Zuo Yuehui (<i>Chief Financial Officer</i>)	–	–	–
Sun Tao	–	–	–
Chen Lixian (appointed on 28 November 2024)	–	–	–
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 2024, the Board consisted of eight Directors including five 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. Ge Xinjian shall retire by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting. Mr. Ge Xinjian 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. Ge Xinjian 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. Ge Xinjian 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. Ge Xinjian, and the Board considers that he is and will continue to be independent of the Company notwithstanding, even though Mr. Ge Xinjian has been serving the Company for more than nine years. In addition, Mr. Ge Xinjian has sufficient time to perform his duties. Mr. Ge Xinjian is a senior engineer in ore dressing. During the review period, Mr. Ge Xinjian attended all general meetings, Board meetings, Audit Committee and Remuneration Committee meetings organized by the Company and provided effective independent opinions on the operation management and business development of the Company with his extensive experience in ore dressing research, engineering design and technical management. Mr. Ge Xinjian 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. Ge Xinjian 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.

CORPORATE GOVERNANCE REPORT

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 2024 are set out below:

Name of Directors	Number of meeting attended/Number of meeting held				
	Board meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	Annual general meeting
Executive Directors					
Li Yanjun (<i>Chairman</i>)	6/6	–	–	2/2	1/1
Li Ziwei (<i>Chief Executive Officer</i>)	6/6	–	2/2	–	1/1
Zuo Yuehui (<i>Chief Financial Officer</i>)	5/6	–	–	–	1/1
Sun Tao	6/6	–	–	–	1/1
Chen Lixian (appointed on 28 November 2024)	0/6	–	–	–	0/1
Independent Non-executive Directors					
Wong Sze Lok	6/6	2/2	–	2/2	1/1
Ge Xinjian	6/6	2/2	2/2	–	1/1
Meng Likun	6/6	2/2	2/2	2/2	1/1

CORPORATE GOVERNANCE REPORT

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 and relevant cases, to ensure their compliance and enhance their awareness of good corporate governance practices.

On the first occasion of a Director's appointment, the Company has arranged a comprehensive induction to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under the Listing Rules and other relevant statutory requirements. Ms. Chen Lixian confirmed that she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on 27 November 2024, and (ii) understood her obligations as a Director of the Company.

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 2024, 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
Zuo Yuehui	Executive Director and Chief Financial Officer	A, B
Sun Tao	Executive Director	A, B
Chen Lixian (appointed on 28 November 2024)	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.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

To ensure the balanced distribution of responsibilities, powers and authority between the chairman of the Board and the chief executive officer of the Company, for the year ended 31 December 2024, Mr. Li Yanjun and Mr. Li Ziwei served as the chairman of the Board and the chief executive officer of the Company, respectively, of which: 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, pursuant to Rule C2.7 of Appendix C1 to the Listing Rules, the chairman of the Board held one meeting with the independent non-executive Directors without the presence of the other Directors.

The chairman of the Board chairs the Board meetings and briefs the Board members on the issues discussed at the Board meetings. The chairman of the Board 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 and in line with the Board Diversity Policy.

COMPANY SECRETARY

For the year ended 31 December 2024, 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. Guo Song, the manager of the Investor Relations Department of the Company.

CORPORATE GOVERNANCE REPORT

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, Dr. 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 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 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 2024. 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 2023; (ii) the unaudited management accounts for the six months ended 30 June 2024; 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 2024, 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 54 to 56 of this report.

CORPORATE GOVERNANCE 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 two physical meetings during the year ended 31 December 2024. At the meetings, 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 2023; (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 Ms. Chen Lixian as an executive Director of the Company.

The remuneration payable to the Directors and Senior Management during the year ended 31 December 2024 by band is set out below:

Name of Director	Remuneration Band RMB	Director's Fee %	Salaries, Allowances and Benefits in Kind %	Pension Scheme Contributions %	Total %
Executive Directors					
Mr. Li Yanjun	1,000,000-1,500,000	–	100	–	100
Mr. Li Ziwei	1,000,000-1,500,000	–	98.5	1.5	100
Mr. Zuo Yuehui	0-500,000	–	93.0	7.0	100
Mr. Sun Tao	0-500,000	–	91.4	8.6	100
Ms. Chen Lixian (appointed on 28 November 2024)	0-500,000	–	91.0	9.0	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

CORPORATE GOVERNANCE REPORT

Name of Senior Management	Remuneration Band RMB	Director's Fee %	Salaries, Allowances and Benefits in Kind %	Pension Scheme Contributions %	Total %
Mr. Du Liming	0-500,000	–	100	–	100
Mr. Zhao Bin	0-500,000	–	94.2	5.8	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 Dr. Wong Sze Lok. 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 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 two physical meetings during the year ended 31 December 2024. At the meetings, 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 Ms. Chen Lixian, and proposed to be nominated as executive Director 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;

CORPORATE GOVERNANCE REPORT

- (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.

CORPORATE GOVERNANCE REPORT

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 2024, eight Directors of the Board have various professional experience and qualifications, such as steel, mining, mineral processing industry, financial management, investment and financing, compliance, accounting, and internal audit. In addition, on 28 November 2024, Ms. Chen Lixian was appointed as an executive Director of the Company, achieving the objective set by the Board for gender diversity among Board members. The Board will continue to identify female candidates with suitable skills, qualifications, and experience to join the Board in order to enhance gender diversity at the Board level. The Nomination Committee has reviewed the members, gender, structure and composition of the Board, and was of the opinion that the extensive experiences and skills of the Directors in various fields, the rational structure of the Board are in accord with Board diversity policy arrangements, which enable the Company to maintain high standard operation.

As of 31 December 2024, the total number of employees (including senior management) was 759, of which 730 were male employees, accounting for approximately 96.2% of the total number of employees; 29 were female employees, accounting for approximately 3.8% 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.



CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF AUDITOR

During the year ended 31 December 2024, 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:	
2024 annual audit	2,300

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 2024, 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.



CORPORATE GOVERNANCE REPORT

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 formulated and implemented effectively. 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. During the year, the Board considered that the Company's risk management and internal control systems were designed appropriately and effectively.

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 control 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 internal control report and plan are approved by the Audit Committee;

CORPORATE GOVERNANCE REPORT

- 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 2024, 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.



CORPORATE GOVERNANCE REPORT

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 year ended 31 December 2024, there was no significant change to the Memorandum and Articles of Association of the Company.

THE RIGHTS OF SHAREHOLDERS

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

In accordance with Article 12.3 of the Articles of 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 one 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 and the resolutions to be added to the agenda 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 voting rights, on a one vote per share basis, in the share 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 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 voting rights, on a one vote per share basis, in the share 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.

CORPORATE GOVERNANCE REPORT

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 2024, the Company continued to communicate with Shareholders, investors and analysts in an 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:



CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

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 2024 by way of discussions with the management of the Group and considered the policy is effective.

INDEPENDENT AUDITOR'S REPORT



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 70 to 170, which comprise the consolidated statement of financial position as at 31 December 2024, 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 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (“**IASB**”) and have been properly prepared in compliance with 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.

INDEPENDENT AUDITOR'S REPORT

Material Uncertainty Related to Going Concern

We draw attention to Note 3.1 to the consolidated financial statements, the Group incurred a net loss from continuing operations of approximately RMB289,621,000 for the year ended 31 December 2024 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB534,867,000 and the Group's borrowings due within one year amounted to approximately RMB632,992,000 and has capital commitments of approximately RMB18,114,000 while its cash and cash equivalents amounted to approximately RMB34,646,000 only. These events and conditions, along with other matters as set forth in Note 3.1 to the consolidated financial statements, indicate that the existence of material uncertainties which 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.

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
<i>Impairment assessment of property, plant and equipment, construction in progress and intangible assets</i>	
As disclosed in Notes 19, 20 and 21 to the consolidated financial statements, as at 31 December 2024, the carrying amounts of property, plant and equipment, construction in progress and intangible assets of the Group were approximately RMB939,560,000, RMB115,655,000 and RMB44,973,000 (net of accumulated impairment loss of approximately RMB592,835,000, RMB178,031,000 and RMB184,929,000), respectively.	Our procedures in relation to the impairment assessment on property, plant and equipment, construction in progress and intangible assets included: <ul style="list-style-type: none">– 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;
Impairment loss of approximately RMB112,202,000, RMB64,510,000 and RMB294,000 in respect of property, plant and equipment, construction in progress and intangible assets, respectively was recognised during the year ended 31 December 2024.	<ul style="list-style-type: none">– 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;

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of property, plant and equipment, construction in progress and intangible assets (continued)</i></p> <p>As at 31 December 2024, 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").</p> <p>During the year ended 31 December 2024, the management of the Group concluded that there was impairment indicator appeared in the two CGUs located in the mining areas and conducted impairment assessment on property, plant and equipment, construction in progress and intangible assets.</p> <p>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 input adopted in the underlying cash flows.</p>	<ul style="list-style-type: none"> – 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 us; – 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;

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of property, plant and equipment, construction in progress and intangible assets (continued)</i></p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> – 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; – reviewing the sensitivity analyses performed by the management 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 of property, plant and equipment, construction in progress and intangible assets with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of trade receivables, bills receivables and other receivables</i></p> <p>As disclosed in Note 26 to the consolidated financial statements, as at 31 December 2024, the Group's gross trade receivables, bills receivables and other receivables amounted to approximately RMB138,887,000, RMB1,300,000 and RMB20,009,000, respectively, and allowance for credit losses of approximately RMB30,052,000, nil and RMB5,301,000, respectively, were included in the Group's consolidated statement of financial position.</p> <p>The impairment losses, net of reversal, on trade receivables and other receivables, included in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024 amounted to approximately RMB22,223,000 and RMB1,832,000 respectively.</p> <p>Base on the average loss rates, the impairment loss on bills receivables are considered to be insignificant and therefore no loss allowance was recognised.</p> <p>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 IFRS 9: Financial Instruments' Expected Credit Loss (the "ECL") Model.</p>	<p>Our audit procedures in relation to the management's assessment on allowance for credit losses of trade receivables, bills receivables and other receivables included:</p> <ul style="list-style-type: none"> – understanding key controls on how the management estimates the ECL allowance on trade receivables, bills receivables 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; – evaluating the competence, capabilities, objectivity and independence of the independent professional 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 2024, on a sample basis, by comparing individual items in the analysis with the relevant sale invoices and other supporting documents;

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<i>Impairment assessment of trade receivables, bills receivables and other receivables (continued)</i>	
<p>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.</p> <p>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.</p> <p>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 receivables, bills receivables and other receivables.</p>	<ul style="list-style-type: none"> – challenging management's basis and judgement in determining credit loss allowance on trade receivables and bills receivables as at 31 December 2024, 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 – assessing the disclosures in the consolidated financial statements regarding the impairment assessment of trade receivables, bills receivables and other receivables with reference to the requirements of IFRS 9.

INDEPENDENT AUDITOR'S REPORT

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.

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

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as 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 HKSAAs 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.

INDEPENDENT AUDITOR'S REPORT

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

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.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

INDEPENDENT AUDITOR'S REPORT

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

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

27 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	7	645,659	667,367
Cost of sales		(568,741)	(568,191)
Gross profit		76,918	99,176
Other income, gains and losses, net	9	4,682	(59,355)
Distribution expenses		(3,268)	(3,074)
Administrative expenses		(112,775)	(132,397)
Impairment losses under expected credit loss model, net	11(a)	(24,055)	(9,425)
Impairment losses of property, plant and equipment, construction in progress and intangible assets	11(b)	(177,006)	(298,731)
Impairment loss on deposit paid for acquisition of equity instruments	24	–	(63,909)
Finance costs	10	(61,109)	(57,075)
Loss before tax	14	(296,613)	(524,790)
Income tax credit (expense)	12	6,992	(23,844)
Loss for the year from continued operations		(289,621)	(548,634)
Discontinued operation			
Loss for the year from discontinued operation	13	–	(505)
Loss for the year		(289,621)	(549,139)
Other comprehensive income (expense)			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Fair value gain on investments in equity instruments at fair value through other comprehensive income		11,740	–
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(102)	(52)
Other comprehensive income (expense) for the year, net of income tax		11,638	(52)
Total comprehensive expense for the year		(277,983)	(549,191)
Loss per share in RMB	18		
From continued and discontinued operations			
Basic		(0.18)	(0.34)
Diluted		N/A	N/A
From continued operations			
Basic		(0.18)	(0.34)
Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	19	939,560	1,152,723
Construction in progress	20	115,655	173,263
Intangible assets	21	44,973	54,574
Equity instrument at fair value through other comprehensive income ("FVTOCI")	23	62,831	–
Deposit paid for acquisition of equity instrument	24	–	51,091
Pledged bank deposits	27	158,913	154,413
Prepayments	26	22,824	31,201
Deferred tax assets	32	147,263	166,637
		1,492,019	1,783,902
Current assets			
Inventories	25	111,083	111,646
Trade and other receivables	26	179,007	244,011
Pledged bank deposits	27	20,000	–
Restricted bank balances	27	21,043	26,970
Cash and cash equivalents	27	34,646	34,482
		365,779	417,109
Current liabilities			
Trade and other payables	28	205,308	238,938
Contract liabilities	29	40,004	2,830
Lease liabilities	30	–	1,697
Bank borrowings	31	632,992	472,000
Tax payable		14,689	40,830
Deferred income	33	960	960
Provision for reclamation obligations	34	6,693	631
		900,646	757,886
Net current liabilities		(534,867)	(340,777)
Total assets less current liabilities		957,152	1,443,125

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

		2024	2023
	Notes	RMB'000	RMB'000
Non-current liabilities			
Bank borrowings	31	239,000	440,000
Deferred income	33	10,080	11,040
Provision for reclamation obligations	34	20,458	26,488
		269,538	477,528
Net assets		687,614	965,597
Capital and reserves			
Share capital	35	131	131
Reserves		687,483	965,466
Total equity		687,614	965,597

The consolidated financial statements on pages 70 to 170 were approved and authorised for issue by the board of directors on 27 March 2025 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 2024

	Attributable to equity shareholders of the Company							Total equity RMB'000
	Share capital	Share premium	Statutory surplus reserve	Specific reserve	Exchange reserve	Other reserve	Retained profits (accumulated losses)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
		Note (a)	Note (b)	Note (c)	Note (d)	Note (e)		
At 1 January 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, net of income tax								
<i>Item that may be reclassified subsequently to profit or loss:</i>								
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 2024

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Statutory surplus reserve	Specific reserve	Exchange reserve	Other reserve	FVTOCI reserve	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note (a)	Note (b)	Note (c)	Note (d)	Note (e)	Note (f)		
At 1 January 2024	131	1,142,640	84,556	30,971	(12)	(126,229)	–	(166,460)	965,597
Loss for the year	–	–	–	–	–	–	–	(289,621)	(289,621)
Other comprehensive income (expense)									
<i>Item that will not be reclassified subsequently to profit or loss:</i>									
Fair value gain on equity instrument at FVTOCI	–	–	–	–	–	–	11,740	–	11,740
<i>Item that may be reclassified subsequently to profit or loss:</i>									
Exchange differences arising on translation of foreign operations	–	–	–	–	(102)	–	–	–	(102)
Other comprehensive (expense) income for the year, net of income tax	–	–	–	–	(102)	–	11,740	–	11,638
Total comprehensive expense for the year	–	–	–	–	(102)	–	11,740	(289,621)	(277,983)
Transfer to specific reserve, net of utilisation	–	–	–	3,367	–	–	–	(3,367)	–
At 31 December 2024	131	1,142,640	84,556	34,338	(114)	(126,229)	11,740	(459,448)	687,614

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

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.

(f) *FVTOCI reserve*

The FVTOCI reserve represents cumulative gains and losses arising from revaluation of equity instrument at FVTOCI that have been recognised in other comprehensive income, net of amounts reclassified to retained profits/accumulated losses when those equity instrument at FVTOCI are disposed of. Gains and losses arising from revaluation of equity instrument at FVTOCI will not be reclassified to profit or loss in subsequent periods.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
OPERATING ACTIVITIES		
Loss before tax		
– from continuing operations	(296,613)	(524,790)
– from discontinued operation	–	(505)
Adjustments for:		
Depreciation	23,459	30,942
Interest income	(4,592)	(4,648)
Interest expenses	61,109	57,075
Written-off of property, plant and equipment	152	64,230
Loss (gain) on disposal of property, plant and equipment	718	(227)
Other income	(960)	–
Write-down of inventories included in cost of sales	3,677	–
Impairment losses under expected credit loss model, net	24,055	9,425
Impairment losses of property, plant and equipment, construction in progress and intangible assets	177,006	298,731
Impairment loss on deposit paid for subscription of equity instruments	–	63,909
Remeasurement of provision for reclamation obligations	–	(7,006)
Operating cash flows before movements in working capital	(11,989)	(12,864)
Decrease in inventories	93,744	68,829
Decrease in trade and other receivables	80,949	64,527
Decrease in trade and other payables	(44,148)	(1,459)
Increase (decrease) in contract liabilities	37,174	(59,356)
Decrease in provision for reclamation obligation	(1,733)	(2,043)
Decrease (increase) in restricted bank balances	5,927	(88)
Cash generated from operations	159,924	57,546
Income tax refund (paid)	225	(4,201)
NET CASH FROM OPERATING ACTIVITIES	160,149	53,345

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and construction in progress	(40,337)	(152,841)
Placement of pledged bank deposit	(20,000)	(150,000)
Deposit paid for acquisition of equity instrument	–	(115,000)
Purchase of intangible assets	–	(552)
Proceeds on disposals of property, plant and equipment	1,288	533
Interest received	92	235
NET CASH USED IN INVESTING ACTIVITIES	(58,957)	(417,625)
FINANCING ACTIVITIES		
New bank borrowings raised	437,000	914,500
Repayment of bank borrowings	(477,008)	(515,500)
Interest paid	(59,198)	(54,123)
Repayment of lease liabilities	(1,720)	(2,150)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(100,926)	342,727
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	266	(21,553)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	34,482	56,086
Effect of foreign exchange rate changes	(102)	(51)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	34,646	34,482

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 2024, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. Application of new and amendments to IFRS Accounting Standards and changes in other accounting policies

Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (the “IASB”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Lease liability in a Sales and leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

Except as described below, the application of the amendments to IFRS Accounting Standards 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 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 Group has applied the amendments for the first time in the current year.

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:

- 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 classification should not be affected by management intentions or expectations to settle the liability within 12 months.
- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity’s own equity instruments to the counterparty. 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*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. Application of new and amendments to IFRS Accounting Standards and changes in other accounting policies *(Continued)*

Amendments to IFRS Accounting Standards that are mandatorily effective for the current year *(Continued)*

Impacts on application of 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 2022 Amendments specifically clarify that only covenants that 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, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

In accordance with the transition provision, the Group has applied the new accounting policy to the classification of liability as current or non-current retrospectively. The application of the amendments in the current year had no material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. Application of new and amendments to IFRS Accounting Standards and changes in other accounting policies *(Continued)*

New and Amendments to IFRS Accounting Standards in issue but not yet effective

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

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
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 Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 ³
Amendments to IAS 21	Lack of Exchangeability ²
IFRS 18	Presentation and Disclosure in Financial Statements ⁴

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 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

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

Amendments to IFRS 9 and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments

The amendments to IFRS 9 clarify the recognition and derecognition for financial asset and financial liability and add an exception which permits an entity to deem a financial liability to be discharged before the settlement date if it is settled in cash using an electronic payment system if, and only if certain conditions are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. Application of new and amendments to IFRS Accounting Standards and changes in other accounting policies *(Continued)*

New and Amendments to IFRS Accounting Standards in issue but not yet effective *(Continued)*

Amendments to IFRS 9 and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments *(Continued)*

The amendments also provide guidance on the assessment of whether the contractual cash flows of a financial asset are consistent with a basic lending arrangement. The amendments specify that an entity should focus on what an entity is being compensated for rather than the compensation amount. Contractual cash flows are inconsistent with a basic lending arrangement if they are indexed to a variable that is not a basic lending risk or cost. The amendments state that, in some cases, a contingent feature may give rise to contractual cash flows that are consistent with a basic lending arrangement both before and after the change in contractual cash flows, but the nature of the contingent event itself does not relate directly to changes in basic lending risks and costs. Furthermore, the description of the term “non-recourse” is enhanced and the characteristics of “contractually linked instruments” are clarified in the amendments.

The disclosure requirements in IFRS 7 in respect of investments in equity instruments designated at fair value through other comprehensive income are amended. In particular, entities are required to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period. An entity is also required to disclose any transfers of the cumulative gain or loss within equity related to the investments derecognised during the reporting period. In addition, the amendments introduce the requirements of qualitative and quantitative disclosure of contractual terms that could affect the contractual cash flow based on a contingent event not directly relating to basic lending risks and cost.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. Application of new and amendments to IFRS Accounting Standards and changes in other accounting policies *(Continued)*

New and Amendments to IFRS Accounting Standards in issue but not yet effective *(Continued)*

IFRS 18 *Presentation and Disclosure in Financial Statements* *(Continued)*

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

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

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

As stated in the consolidated financial statements, the Group incurred a net loss from continuing operation of approximately RMB289,621,000 for the year ended 31 December 2024 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB534,867,000, and the Group's borrowings due within one year amounted to approximately RMB632,992,000 and has capital commitments of approximately RMB18,114,000, while its cash and cash equivalents amounted to approximately RMB34,646,000 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 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 RMB230,000,000 from a bank in the PRC to settle the existing borrowings. Pursuant to the loan agreements, those new borrowings carried interest rate at 7.5% per annum and repayable in mid-February 2026. Also the Group successfully obtained a cooperation agreement from a bank in the PRC, in which the bank has intention to renew the existing borrowings of RMB296,000,000 which are repayable within 1 year when these borrowings are matured.
- (2) The Group is expected to record a net operating cash inflow for the year ending 31 December 2025;
- (3) To pledge the non-current assets for new banking facilities, 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 who is also the chief executive officer and ultimate controlling party of the Company 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, these two directors will use their unsecured shares of the Company to provide the financial support to the Group.

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 2024 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 2024. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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)*

Existence of significant financing component

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

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

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 used 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 any accumulated 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 which the Group must incur to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 collecting contractual cash flows and selling the financial assets; 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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.

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instruments, and is transferred to retained profits/accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income, gains and losses, net" line item in profit or loss.

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 deposits and bank balances) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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)

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.

(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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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)*

- 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.

Despite the foregoing, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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)

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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)*

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

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

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

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

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

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 profits/accumulated losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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

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 Group are recognised at the proceeds received, net of direct issue costs.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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

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 material uncertainties 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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

Critical judgements in applying accounting policies (Continued)

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

Key sources of estimation uncertainty

The followings 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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

Key sources of estimation uncertainty (Continued)

Iron ore reserves (Continued)

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 life of property, plant and equipment

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

Estimated impairment of property, plant and equipment, 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. Furthermore, the cash flows projections, growth rate and discount rate are subject to greater uncertainties due to uncertainty on how the commodity markets may progress and evolve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 (Continued)

As at 31 December 2024, the carrying amounts of property, plant and equipment, construction in progress and intangible assets subject to impairment assessment were approximately RMB939,560,000, RMB115,655,000 and RMB44,973,000 (2023: RMB1,152,723,000, RMB173,263,000 and RMB54,574,000) (net of accumulated impairment loss of approximately RMB592,835,000, RMB178,031,000 and RMB184,929,000 (2023: RMB480,633,000, RMB113,521,000 and RMB184,635,000), respectively. During the year ended 31 December 2024, impairment loss amounted RMB177,006,000 (2023: RMB298,731,000) 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.

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 26 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 26 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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

Key sources of estimation uncertainty (Continued)

Obligations for reclamation

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

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 2024, deferred tax asset of approximately RMB147,263,000 (2023: approximately RMB166,637,000) has been recognised relating to certain temporary differences and no deferred tax asset has been recognised relating to certain temporary differences approximately RMB2,411,000 and tax losses of approximately RMB382,370,000 (2023: approximately RMB994,000 and approximately RMB288,158,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient taxable profits will be available in the future or taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary differences, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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

Key sources of estimation uncertainty (Continued)

Fair value measurement of equity instrument at FVTOCI

As at 31 December 2024, the Group's unquoted equity instrument at FVTOCI amounting to approximately RMB62,831,000 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.

Net realisable value of inventories

As described in Note 3.2 to the consolidated financial statement, net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling the products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior periods and affect the Group's net assets value. Management reassesses these estimates at the end of each reporting period to ensure inventories are shown at the lower of cost and net realisable value.

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 2024 was 46.94% (2023: 41.44%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. Financial instruments

(a) Categories of financial instruments

	2024 RMB'000	2023 RMB'000
Financial assets		
Equity instrument at FVTOCI	62,831	–
At amortised cost:		
– Pledged bank deposits	178,913	154,413
– Trade and other receivables	124,843	137,711
– Restricted bank balances	21,043	26,970
– Cash and cash equivalents	34,646	34,482
	359,445	353,576
	422,276	353,576
Financial liabilities		
At amortised cost:		
– Trade and other payables	194,089	220,095
– Lease liabilities	–	1,697
– Bank borrowings	871,992	912,000
	1,066,081	1,133,792

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity instrument at FVTOCI, trade receivables, bills receivables and other receivables, pledged bank deposits, 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, other price 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 deposits, bills payables, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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:

	2024 RMB'000	2023 RMB'000
Financial assets at amortised cost	4,592	4,648

Interest expense on financial liabilities not measured at FVTPL:

	2024 RMB'000	2023 RMB'000
Financial liabilities at amortised cost	59,344	54,813

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

During the year ended 31 December 2024, 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 largest (2023: three) customer(s) accounted for approximately RMB473,462,000 or 73.3% (2023: approximately RMB573,347,000 or 85.9%) of the Group's total revenue for the year ended 31 December 2024. The Directors will continue closely monitoring the performance and financial position of these major customers to avoid any adverse impact on the Group's financial position.

Other price risk

The Group invested in an unquoted equity securities for investees operating in banking industry sector for long term strategic purposes which had been designated as FVTOCI. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. Financial instruments *(Continued)*

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

Other price risk *(Continued)*

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. Sensitivity analyses for unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in Note 6(c).

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 exposures are primarily attributable to trade receivables, bills receivables, other receivables and 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 2024, trade receivables from the five largest customers amounting to approximately RMB2,716,000 (2023: approximately RMB48,830,000), representing approximately 2.0% (2023: 42.29%) of the total gross trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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)*

At 31 December 2024, the Group's concentration of credit risk by geographical location is in the PRC, which accounted for 100% (2023: 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 RMB22,223,000 (2023: RMB7,816,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

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 deposits

Except for the bank balances and the pledged bank deposits of approximately RMB19,549,000 and RMB178,913,000, respectively (2023: bank balances and pledged bank deposits of approximately RMB34,401,000 and RMB154,413,000, respectively) was placed in banks with high credit ratings assigned by international credit agencies, the remaining bank balances and restricted bank balances of approximately RMB15,046,000 and RMB21,043,000, respectively (2023: bank balances of approximately RMB29,000 and RMB26,970,000, respectively) was placed in a local bank which does not have external credit rating as at 31 December 2024. 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 published by external credit rating agencies. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. Financial instruments *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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 the other receivables of approximately RMB1,832,000 (2023: RMB1,609,000) is recognised during the year ended 31 December 2024.

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	Amount is past due more than 30 days or there have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	Amount is past due more than 90 days or 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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	2024		2023	
					Gross carrying amount		Gross carrying amount	
					RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised costs								
Pledged bank deposits	27	AA+	N/A	12m ECL		178,913		154,413
Bank balances	27	AA+	N/A	12m ECL	19,549		34,401	
		N/A	Low risk	12m ECL	15,046	34,595	29	34,430
Restricted bank balances	27	N/A	Low risk	12m ECL		21,043		26,970
Trade receivables	26	N/A	(Note 2)	Lifetime ECL (Provision matrix)		138,887		115,477
Bills receivables	26	N/A	(Note 3)	Lifetime ECL (Provision matrix)		1,300		2,950
Other receivables and deposits	26	N/A	(Note 1)	12m ECL	2,912		21,706	
				Lifetime ECL (credit-impaired)	17,097	20,009	9,896	31,602

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
2024			
Other receivables and deposits	17,097	2,912	20,009
2023			
Other receivables and deposits	9,896	21,706	31,602

- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 2024

	Trade receivables					Total RMB'000
	Current	1-90 days past due	91-180 days past due	181-365 days past due	More than 1 year past due	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Gross carrying amount	56,603	14,528	12,741	28,145	26,870	138,887
Average loss rate	14.46%	17.41%	18.54%	24.25%	37.77%	
Expected credit loss	8,185	2,530	2,362	6,825	10,150	30,052

31 December 2023

	Trade receivables					Total RMB'000
	Current	1-90 days past due	91-180 days past due	181-365 days past due	More than 1 year past due	
	RMB'000	RMB'000	RMB'000	RMB'000	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

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.

As at 31 December 2024, the Group provided approximately RMB30,052,000 (2023: approximately RMB8,849,000) impairment allowance for trade receivables, based on the provision matrix.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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:

	2024 RMB'000	2023 RMB'000
Beginning balance	8,849	1,211
Loss allowance recognised (reversed), net	22,223	7,816
Write-offs	(1,020)	(178)
Closing balance	30,052	8,849

As at 31 December 2024, included in the above balance was approximately RMB10,150,000 (2023: approximately RMB1,840,000) related to the loss allowance recognised for credit-impaired trade receivables. During the year ended 31 December 2024, loss allowance on credit-impaired balance of approximately RMB1,020,000 (2023: approximately RMB178,000) was written off.

The contractual amounts outstanding on trade receivables that were written off during the period but are still subject to enforcement activities was approximately RMB1,020,000 (2023: approximately RMB178,000).

The changes in the loss allowance for the trade receivables are mainly due to further impairment of approximately RMB15,147,000 (2023: RMB5,703,000) made for the credit risk increased trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 2023	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
Changes due to financial instruments recognised as at 1 January 2024:			
– Transfer to lifetime ECL (credit-impaired)	(32)	32	–
– Impairment losses recognised	–	2,391	2,391
– Impairment losses reversed	(143)	(422)	(565)
New financial assets originated	6	–	6
At 31 December 2024	18	5,283	5,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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:

	2024 Increase
	Lifetime ECL (credit-impaired) RMB'000
Further impairment made for the credit risk increased other receivables and deposits	2,391

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. Financial instruments (Continued)

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

Liquidity risk

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

Subsequent to the end of the reporting date, the Group successfully obtained new borrowings in total of RMB230,000,000 from certain banks in the PRC to settle the existing borrowings. Also the Group successfully obtained a cooperation agreement from a bank in PRC in which the bank has intention to renew the existing borrowings of RMB296,000,000, which are repayable within 1 year when these borrowings are matured. The Group is considering alternative sources of financing as well, the Directors are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period.

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

The table includes both interest and principal cash flows.

2024	Weighted average interest rate %	On demand or less than 1 year RMB'000	1-2 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31 December 2024 RMB'000
Trade and other payables	-	194,089	-	194,089	194,089
Bank borrowings	2.80%-9.23%	665,603	242,439	908,042	871,992
		859,692	242,439	1,102,131	1,066,081

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	2.70%-9.23%	506,251	223,084	245,506	974,841	912,000
		728,066	223,084	245,506	1,196,656	1,133,792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. Financial instruments (Continued)

(c) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The Directors are responsible for determining the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

2024		Level 3 RMB'000
Equity instrument at FVTOCI		62,831

Financial asset	Fair value as at 31 December 2024	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Private equity instrument at FVTOCI				
– 0.614% equity instrument in Bank of Cangzhou Co., Ltd. which is engaged in banking activities in PRC	RMB62,831,000	Level 3	Market approach – fair value of the private equity instruments was determined by comparable companies' price to book multiple, and applying discount of lack of marketability	Comparable companies' price to book multiple of approximately 0.58 and discount of lack of marketability of approximately 15.6%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. Financial instruments *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis *(Continued)*

An increase in the comparable companies' price to book multiple used in isolation would result in an increase in the fair value measurement of the equity instrument at FVTOCI and vice versa. If the comparable companies' price to book multiple had been 0.03 higher/lower, holding all other variables constant, would increase/decrease the fair value of the equity instrument at FVTOCI by approximately RMB3,254,000 for the year ended 31 December 2024.

An increase in the discount of lack of marketability used in isolation would result in a decrease in the fair value measurement of the equity instrument at FVTOCI and vice versa. If the discount of lack of marketability of the respective equity instrument had been 1% higher/lower, would decrease/increase the fair value of the equity instrument at FVTOCI by approximately RMB743,000 for the year ended 31 December 2024.

(ii) Reconciliation of Level 3 fair value measurements

	Equity instrument at FVTOCI RMB'000
Purchase	51,091
Total gain in other comprehensive income	11,740
At 31 December 2024	62,831

Included in other comprehensive income is an amount of approximately RMB11,740,000 gain relating to unlisted equity securities classified as equity instrument at FVTOCI held at the end of the current reporting period and is reported as changes of FVTOCI.

Except the equity instrument at FVTOCI, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

7. Revenue

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2024

	Mining segment RMB'000
Type of goods	
Iron ore concentrates	589,799
Gravel materials	55,860
Total	645,659
Geographical markets	
The PRC	645,659
Timing of revenue recognition	
A point in time	645,659

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

7. Revenue (Continued)

(ii) Performance obligations for contracts with customers and revenue recognition policies

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 delivered. 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 during the year ended 31 December 2023 (“**Medical Segment**”). The segment information below does not include any amounts for this discontinued operation, which was described in more details in Note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

8. Operating segments *(Continued)*

After discontinued the operation of the Medical Segment, information reported to CODM for the purpose of resources allocation and assessment focuses on revenue analysis by types of goods. 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 2024 and 2023 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:

	2024 RMB'000	2023 RMB'000
Customer A	473,462	348,672
Customer B	—	134,281
Customer C	—*	90,394

* Less than 10%

9. Other income, gains and losses, net

	2024 RMB'000	2023 RMB'000
Continuing operations		
Loss on written-off of property, plant and equipment (Note (b))	(152)	(64,230)
(Loss) gain on disposal of property, plant and equipment	(718)	227
Bank interest income	4,592	4,648
Government grant (Note (a))	960	—
	4,682	(59,355)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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

Notes:

- (a) 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)"* (河北省發展和改革委員會關於有關下達2023年污染防治和節能降碳專項項目中央預算內投資計劃（節能降碳方向）的通知），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 the useful life of these related assets ranges from 5 to 20 years. Subsidy of RMB960,000 was recognised as other income during the year ended 31 December 2024.
- (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 aggregated 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 aggregated 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.

* For identification purpose only

10. Finance costs

	2024 RMB'000	2023 RMB'000
Continuing operations		
Interest expenses on:		
– Bank borrowings	58,916	54,640
– Lease liabilities	23	113
– Discounted bills	405	60
Unwinding interest expenses on:		
– Provision for reclamation obligations (Note 34)	1,765	2,262
	61,109	57,075

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

11. Impairment losses

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

	2024 RMB'000	2023 RMB'000
Continuing operations		
Reversal of impairment losses on:		
– Trade receivables	1,109	409
– Other receivables	565	1,121
Impairment losses on:		
– Trade receivables	(23,332)	(8,225)
– Other receivables	(2,397)	(2,730)
	(24,055)	(9,425)

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

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

	2024 RMB'000	2023 RMB'000
Continuing operations		
– Property, plant and equipment	112,202	200,040
– Construction in progress	64,510	98,691
– Intangible assets	294	–
	177,006	298,731

Details of impairment assessment are set out in Note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

12. Income tax (credit) expense

	2024 RMB'000	2023 RMB'000
Continuing operations		
Current tax:		
PRC Enterprise Income Tax ("EIT")	–	–
Overprovision in prior years:		
EIT	(26,366)	(41,881)
Deferred tax (Note 32):		
Current year	19,374	65,725
Total	(6,992)	23,844

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 2024 and 31 December 2023 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 (credit) expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 RMB'000	2023 RMB'000
Loss before tax from continuing operations	(296,613)	(524,790)
Tax at domestic income tax rate of 25% (2023: 25%)	(74,153)	(131,198)
Effect of different tax rates of subsidiaries operating in other jurisdictions	649	937
Tax effect of expenses not deductible for tax purpose	66,986	160,180
Tax effect of tax losses not recognised	24,475	34,812
Tax effect of deductible temporary differences not recognised	1,417	994
Overprovision in prior years	(26,366)	(41,881)
Income tax (credit) expense for the year	(6,992)	23,844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 Xiangnan 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.

	2023 RMB'000
Loss of Medical Segment	(505)

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

	From 1 January 2023 to 27 December 2023 RMB'000
Administrative expenses	(505)
Loss for the period	(505)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

13. Discontinued operation *(Continued)*

Cash flows from discontinued operation:

	From 1 January 2023 to 27 December 2023 RMB'000
Net cash used in operating activities	(619)

	From 1 January 2023 to 27 December 2023 RMB'000

Loss before tax from discontinued operation includes the followings:

Staff costs:

– salaries and other benefits in kind	476
– retirement benefits scheme contributions (Note 36)	29
Total staff costs	505

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14. Loss before tax

	2024 RMB'000	2023 RMB'000
Loss 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	64,174	67,669
– retirement benefits scheme contributions (Note 36)	7,258	7,304
– redundancy cost	3,072	3,935
Total staff costs	74,504	78,908
Capitalised in inventories	(39,603)	(40,662)
	34,901	38,246
Transportation service fees	144,119	144,932
Capitalised in inventories	(139,961)	(141,413)
Capitalised in construction in progress	(1,175)	(412)
	2,983	3,107
Depreciation of property, plant and equipment (exclude right-of-use assets)	100,057	105,632
Depreciation of right-of-use assets	10,953	11,289
Amortisation of intangible asset	9,307	7,658
Total depreciation and amortisation	120,317	124,579
Capitalised in inventories	(96,858)	(93,637)
	23,459	30,942
Auditor's remuneration:		
– audit services	2,300	2,500
Legal and professional fee	3,734	7,348
Write-down of inventories included in cost of sales	3,677	–
Cost of inventories recognised as an expense	560,367	563,495

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 2024

	Fees RMB'000	Salaries and other benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
<i>Executive directors</i>				
Mr. Li Yanjun (Chairman)	–	1,330	–	1,330
Mr. Li Ziwei (Vice Chairman and Chief Executive Officer)	–	1,090	17	1,107
Mr. Zuo Yuehui (Chief Financial Officer)	–	225	17	242
Mr. Sun Tao	–	181	17	198
Ms. Chen Lixian (appointed on 28 November 2024)	–	10	1	11
<i>Independent non-executive directors</i>				
Mr. Ge Xinjian	121	–	–	121
Mr. Meng Likun	121	–	–	121
Mr. Wong Sze Lok	222	–	–	222
	464	2,836	52	3,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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

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
<i>Executive directors</i>				
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
<i>Independent non-executive directors</i>				
Mr. Ge Xinjian	118	–	–	118
Mr. Meng Likun	118	–	–	118
Mr. Wong Sze Lok	217	–	–	217
	453	2,733	59	3,245

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 was no arrangement under which a director or the chief executive waived or agreed to waive any emoluments during the years ended 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

16. Five highest paid employees

The five highest paid employees of the Group during the year included two (2023: 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 (2023: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries and other benefits in kind	1,882	1,824
Retirement benefits scheme contributions	17	33
	1,899	1,857

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

	2024	2023
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 2024, nor has any dividend been proposed since the end of the reporting period (2023: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

18. Loss per share

For continuing operations

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

	2024 RMB'000	2023 RMB'000
Loss for the year attributable to owners of the Company	(289,621)	(549,139)
Add: Loss for the year from discontinued operation	–	505
Loss for the purpose of basic loss per share from continuing operations	(289,621)	(548,634)

	2024 '000	2023 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	1,635,330	1,635,330

For continuing and discontinued operations

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

	2024 RMB'000	2023 RMB'000
Loss for the year from the continuing and discontinued operations attributable to owners of the Company for the purpose of basic loss per share	(289,621)	(549,139)

From discontinued operation

For the year ended 31 December 2023, basic loss per share for the discontinued operation is RMB0.00031 per share based on the loss for the year from the discontinued operation of approximately RMB505,000 and the denominators detailed above for basic loss per share.

No diluted earnings per share for both years ended 31 December 2024 and 2023 were presented as there were no potential ordinary shares in issue for both years ended 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

19. Property, plant and equipment

	Lands, buildings and plants	Machinery and equipment	Motor vehicles	Office equipment	Mine properties	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2023	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 progress (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
Additions	–	–	1,428	12	9,772	11,212
Transferred from construction in progress (Note 20)	–	319	–	–	676	995
Written-off	–	(1,667)	–	–	–	(1,667)
Disposals	–	(497)	(6,507)	(101)	–	(7,105)
At 31 December 2024	981,348	366,381	30,938	18,460	830,999	2,228,126
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2023	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
Charge for the year	42,106	19,868	4,049	697	44,290	111,010
Written-off	–	(1,515)	–	–	–	(1,515)
Written back on disposals	–	(405)	(4,598)	(96)	–	(5,099)
Impairment loss	31,461	7,104	218	197	73,222	112,202
At 31 December 2024	503,387	275,400	21,165	15,691	472,923	1,288,566
CARRYING VALUES						
At 31 December 2024	477,961	90,981	9,773	2,769	358,076	939,560
At 31 December 2023	551,528	117,878	14,521	3,656	465,140	1,152,723

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 2024, the Group has not obtained title certificate of certain of its buildings and plants with an aggregate carrying amount of approximately RMB217,834,000 (2023: approximately RMB228,362,000). 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 2024, mine properties include capitalised stripping activity asset with a carrying amount of approximately RMB14,462,000 (2023: approximately RMB22,725,000).

As at 31 December 2024, 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 RMB39,540,000 (2023: approximately RMB50,257,000) (Note 38).

On 1 August 2023, Laiyuan County Jiheng Mining Co., Ltd.* ("**Jiheng Mining**") suffered a rain storm and certain property, plant and equipment with aggregated 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 aggregated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 2024			
Carrying amounts	65,562	171	65,733
As at 31 December 2023			
Carrying amounts	80,184	1,780	81,964
For the year ended 31 December 2024			
Depreciation charge	9,344	1,609	10,953
Impairment loss	5,278	–	5,278
For the year ended 31 December 2023			
Depreciation charge	9,258	2,031	11,289
Impairment loss	10,455	–	10,455
	2024 RMB'000	2023 RMB'000	
Expense relating to short-term leases	530	–	
Total cash outflow for leases	2,250	2,150	
Additions to right-of-use assets	–	3,627	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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.

In addition to the portfolio of short-term leases for office for its operations and land which are entered into by the Group, the Group entered into a short-term leases for an office premises and a land located in Mainland China during the year ended 31 December 2024. As at 31 December 2024, there is lease commitment of approximately RMB1,290,000 relating to the short-term leases.

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 RMB48,268,000 (2023: approximately RMB57,206,000). 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 2024, certain leasehold lands with an aggregate carrying amount of approximately RMB9,896,000 (2023: approximately RMB10,157,000) were pledged to secure a bank borrowing granted to the Group (Note 38).

20. Construction in progress

	RMB'000
At 1 January 2023	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
Additions	7,897
Transferred to property, plant and equipment (Note 19)	(995)
Impairment loss	(64,510)
At 31 December 2024	115,655

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

21. Intangible assets

Mining rights	
RMB'000	
COST	
At 1 January 2023	799,537
Addition	552
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At 31 December 2023 and at 31 December 2024	800,089
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2023	737,857
Charge for the year	7,658
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At 31 December 2023	745,515
Charge for the year	9,307
Impairment loss	294
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At 31 December 2024	755,116
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CARRYING VALUES	
At 31 December 2024	44,973
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At 31 December 2023	54,574
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Notes:

- As at 31 December 2024, the remaining useful life of the mining rights was approximately 2.3 to 7.3 years (2023: approximately 3.3 to 8.3 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.
- As at 31 December 2024, certain of the Group's bank borrowings were secured by the mining rights of Jiheng Mining and Jingyuancheng Mining (2023: Jiheng Mining and Jingyuancheng Mining) with a carrying amount of approximately RMB44,973,000 (2023: approximately RMB54,574,000) (Note 38).
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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”^{*} (《有色金属工业绿色矿山建设规范》) (DZ/T 0320-2018). As at 31 December 2024, Jingyuancheng Mining CGU incurred approximately RMB249,542,000 (2023: 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 2024 (2023: loss), 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 RMB816,481,000, RMB41,801,000 and RMB44,973,000 (2023: approximately RMB894,081,000, RMB41,011,000 and RMB54,574,000) (net of accumulated impairment loss of approximately RMB255,440,000, RMB273,000 and RMB184,912,000 (2023: 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 14-years (2023:15-years) period. The average selling price per ton of iron ore concentrates and gravel materials used for the cash flow projection is RMB895 (2023: RMB949) per ton and RMB37 (2023: RMB37) per ton, respectively. The gross margins ranged from 8.4% to 26.2% (2023: 13.7% to 26.9%). The pre-tax discount rate applied to cash flow projection is 12.1% (2023:13.3%). 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 2024, based on the result of the assessment, management of the Group determined that the recoverable amount of the Jingyuancheng Mining CGU lower than its carrying amount by approximately RMB5,888,000. Accordingly, impairment loss has been recognised amount has been allocated to each category of property, plant and equipment, construction in progress and intangible assets with finite useful life of Jingyuancheng Mining CGU such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, impairment loss of RMB5,321,000, RMB273,000 and RMB294,000 (2023: Nil, Nil and Nil) has been recognised against the carrying amount of property, plant and equipment, construction in progress and mining rights respectively within the relevant functions to which these assets relate.

^{*} For identification propose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 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.

Jiheng Mining

Since 2020, the Group has implemented the requirements in accordance with the “Code for Green Mine Construction in the Nonferrous Metals Industry”^{*} (有色金屬工業綠色礦山建設規範) (DZ/T 0320-2018). As at 31 December 2024, Jiheng Mining CGU incurred approximately RMB194,736,000 (2023: approximately RMB194,736,000) for the implementation of the green mine construction, and Jiheng Mining CGU suffer loss for the year ended 31 December 2024 (2023: loss), 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 RMB123,079,000, RMB73,854,000 and Nil (2023: approximately RMB258,642,000, RMB132,252,000 and Nil) (net of accumulated impairment loss of approximately RMB337,395,000, RMB177,758,000 and RMB17,000 (2023: 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 9-year (2023: 10-years) period. The average selling price per ton of gravel materials used for the cash flow projection is RMB38 (2023: RMB38) per ton. The gross margins ranged from 16.4% to 21.7% (2023: 18.3% to 36.0%). The pre-tax discount rate applied to cash flow projection is 9.7% (2023: 13.1%). 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 2024, 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 RMB171,118,000 (2023: approximately RMB298,731,000). Accordingly, impairment loss has been recognised amount has been allocated to each category of property, plant and equipment, construction in progress and intangible assets with finite useful life of Jiheng Mining CGU such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, impairment loss of RMB106,881,000, RMB64,237,000 and Nil (2023: RMB200,040,000, RMB98,691,000 and Nil) has been recognised against the carrying amount of property, plant and equipment, construction in progress and mining rights respectively within the relevant functions to which these assets relate.

^{*} For identification propose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

23. Equity instrument at fair value through other comprehensive income

	2024 RMB'000	2023 RMB'000
Unlisted:		
– Equity instrument (Notes)	62,831	–

Note: The acquisition of the above unlisted equity instrument, which represent 0.614% equity interest in a PRC private limited company engaging in banking business in PRC, was completed on 30 April 2024. The amount is transferred from deposit paid for acquisition of equity instrument (Note 24). The Directors have elected to designate the investment at FVTOCI as it is the Group's strategy to hold this investment for long-term purpose.

24. 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 Xiongan Equity Exchanges* (雄安股權交易所). Jiheng Mining has paid the non-refundable and unadjustable subscription monies in full on 12 September 2023 (the “**Deposit**”).

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 Group and deal with the risks of resource depletion; moreover, it can broaden its vision and expand the Group's development prospects, and also accumulate experience for the Group'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.

* For identification propose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

24. Deposit paid for acquisition of equity instrument *(Continued)*

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.

The Acquisition of the above unlisted equity instrument was completed on 30 April 2024. The amount is transferred to equity instrument at fair value through other comprehensive income (Note 23).

25. Inventories

	2024 RMB'000	2023 RMB'000
Iron ores	18,269	9,848
Preliminary concentrates	19,770	12,518
Iron ore concentrates	5,361	14,893
Gravel materials	38,974	48,260
	82,374	85,519
Consumables and supplies	28,709	26,127
	111,083	111,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

26. Trade and other receivables

	2024 RMB'000	2023 RMB'000
Trade receivables	138,887	115,477
Less: Allowance for credit losses	(30,052)	(8,849)
Total trade receivables, net (Note (a))	108,835	106,628
Bills receivables (Note (b))	1,300	2,950
Prepayments and deposits (Notes (c) to (e))	86,056	130,086
Value-added tax recoverable	–	10,000
Amounts due from directors (Notes (f))	315	–
Other receivables (Notes (g) to (h))	10,626	29,017
	96,997	169,103
Less: Allowance for credit losses	(5,301)	(3,469)
Total other receivables, net	91,696	165,634
Prepayments classified as non-current assets (Note (e))	(22,824)	(31,201)
Other receivables, net	68,872	134,433
Trade and other receivables, net, classified as current assets	179,007	244,011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

26. Trade and other receivables *(Continued)*

Notes:

- (a) As at 1 January 2023, trade receivables from contracts with customers amounted to approximately RMB90,369,000, net of allowance for credit losses of approximately RMB1,211,000.

The following is an aged analysis of trade receivables net of allowance for credit losses, presented based on the invoice date:

	2024 RMB'000	2023 RMB'000
0 to 30 days	7,008	1,585
31 to 90 days	14,489	13,236
91 to 180 days	13,039	26,803
181 to 365 days	13,882	25,692
More than 1 year	60,417	39,312
	108,835	106,628

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB60,418,000 (2023: RMB39,312,000) which are past due as at the reporting date. As at 31 December 2024, out of the past due balance, approximately RMB48,419,000 (2023: RMB25,631,000) has been past due 90 days or more is not considered as default as the management have communicated with these customers and agreed the repayment schedule in 2025 and the customers are normally have longer repayment period and the management regularly review the credit risk of these customers.

- (b) As at 31 December 2024, total bills receivable amounting to approximately RMB1,300,000 (2023: RMB2,950,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

26. Trade and other receivables (Continued)

Notes: (Continued)

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

	2024 RMB'000	2023 RMB'000
Laiyuan County Huiguang Logistics Co., Ltd.* ("Laiyuan Huiguang")	10,557	30,224
Laiyuan County Ao Tong Transportation Co., Ltd.* ("Laiyuan Aotong")	975	—
Laiyuan County Rui Tong Transportation Co., Ltd.* ("Laiyuan Ruitong")	27,590	38,606
	39,122	68,830

- (d) As at 31 December 2024, included in the Group's prepayments and deposits, an amount of approximately RMB1,860,000 (2023: approximately RMB1,860,000) represented a utility deposit.
- (e) As at 31 December 2024, included in the Group's prepayments and deposits, an amount of approximately RMB22,824,000 (2023: RMB31,201,000) represented prepayments paid to construction companies for land restoration projects.
- (f) The amounts due from directors are unsecured, interest-free and have no fixed terms of repayment.

	Maximum amount outstanding during the year 2024 RMB'000	2024 RMB'000	2023 RMB'000
Amount due from Mr. Li Yanjun	166	166	—
Amount due from Mr. Li Ziwei	149	149	—
		315	—

- (g) As at 31 December 2023, included in the Group's other receivables, an amount of approximately RMB18,920,000 represented environmental reclamation deposits placed with government in respect of the Group's reclamation obligations for the closure of mines. The deposit was fully refunded during the year ended 31 December 2024.
- (h) As at 31 December 2024, included in the Group's other receivables, an amount of approximately RMB7,340,000 (2023: approximately RMB6,603,000), net of allowance of credit loss RMB3,282,000 (2023: RMB2,860,000) 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

27. Pledged bank deposits, 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 0.35% (2023: from 0.01% to 0.39%) per annum.

Pledged bank deposits carry fixed interest rate of 0.15% to 3.00% per annum (2023: 3.00%) 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 RMB8,913,000 respectively (2023: RMB150,000,000 and RMB4,413,000) have been pledged to secure long-term bank borrowings are therefore classified as non-current assets. Deposits amounting to RMB20,000,000 (2023: Nil) have been pledged to secure bills payables (Note 28(b)) are therefore classified as 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:

	2024 RMB'000	2023 RMB'000
United State dollars ("USD")	138	74
HK\$	37	43
Singapore dollar	2	2

Included in the pledged bank deposits, cash and cash equivalents and restricted bank balances are the following amounts which are subject to foreign exchange control regulations and not freely transferable:

	2024 RMB'000	2023 RMB'000
Amounts denominated in RMB	233,779	214,894

As at 31 December 2024, bank balances that are placed in restricted bank accounts in accordance with the Contract 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 RMB21,043,000 (2023: RMB26,970,000), 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 (2023: 0.25% 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 deposits, cash and cash equivalents and restricted bank balances are set out in Note 6(b).

* For identification propose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

28. Trade and other payables

	2024 RMB'000	2023 RMB'000
Trade payables (Note (a))	86,911	94,279
Bills payables (Note (b))	40,000	—
Other taxes payables	11,219	18,843
Payables for construction work, equipment purchase and others	39,824	69,429
Interest payables	1,816	1,693
Other payables (Notes (c) to (e))	25,538	54,694
	205,308	238,938

Notes:

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

	2024 RMB'000	2023 RMB'000
0 to 30 days	33,419	36,206
31 to 90 days	8,326	17,226
91 to 180 days	8,327	5,144
181 to 365 days	4,721	5,691
Over 1 year	32,118	30,012
	86,911	94,279

As at 31 December 2024, all trade payables are due and payable on presentation or within one year.

- (b) As at 31 December 2024, these bills payables relate to prepayments in which the Group has issued bills to the transportation supplier. The suppliers can obtain the amounts from the bank on the maturity date of the bills. The Group recognise these bills payables as the Group are obliged to make payments to the relevant banks on due dates of the bills. All bills payables by the Group are with a maturity period of less than one year. The amounts was secured by bank deposits of RMB20,000,000 (Note 38).
- (c) As at 31 December 2024, included in the Group's other payables, an amount of approximately RMB2,338,000 (2023: RMB8,961,000) represented the compensation fees for land reclamation.
- (d) As at 31 December 2024, included in the Group's other payables, an amount of approximately RMB10,677,000 (2023: approximately RMB18,247,000) represented the accrued salaries.
- (e) As at 31 December 2024, included in the Group's other payables, an amount of approximately RMB7,514,000 (2023: approximately RMB5,330,000) represented the compensation charged by Laiyuan Country Zhijiazhuang Village Committee for compensation of impact from mining operation to the nearby village.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

29. Contract liabilities

	2024 RMB'000	2023 RMB'000
Sales of iron ore concentrate	35,459	16
Sales of gravel materials	4,545	2,814
	40,004	2,830

As at 1 January 2023, contract liabilities amounted to approximately RMB62,186,000.

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 2024			
Revenue recognised that was included in the contract liability balance at the beginning of the year	16	2,814	2,830

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
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

29. 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% (2023: 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 increase in contract liabilities in current year was mainly due to new contracts with existing customer were entered in December 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% (2023: 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 increase in contract liabilities in current year was mainly due to the increase in contracts with new customers for the sale of gravel material.

30. Lease liabilities

	2024 RMB'000	2023 RMB'000
Lease liabilities payable:		
Within one year	–	1,697
Within a period of more than one year but not exceeding two years	–	–
	–	1,697
Less: Amount due for settlement within 12 months shown under current liabilities	–	(1,697)
Amount due for settlement after 12 months shown under non-current liabilities	–	–

The incremental borrowing rates applied to lease liabilities is range from 6.64% to 7.70% (2023: from 6.64% to 7.70%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

31. Bank borrowings

The carrying amounts of the bank borrowings are repayable:

	2024 RMB'000	2023 RMB'000
Within one year	632,992	472,000
Within a period of more than one year but not exceeding two years	239,000	198,000
Within a period of more than two year but not exceeding five years	–	242,000
	871,992	912,000
Less: Amounts due within one year shown under current liabilities	(632,992)	(472,000)
Amounts shown under non-current liabilities	239,000	440,000

Bank borrowings comprise:

	Maturity date	Effective interest rate	2024 RMB'000	2023 RMB'000
Fixed-rate bank borrowings:				
Secured bank borrowing (Note (a))	13 January 2026	4.00%	141,000	142,000
Secured bank borrowing (Note (b))	23 February 2024	9.23%	–	120,000
Secured bank borrowing (Note (c))	26 February 2024	9.23%	–	117,000
Secured bank borrowing (Note (d))	14 March 2024	8.00%	–	30,000
Secured bank borrowing (Note (e))	19 June 2024	2.70%	–	95,000
Secured bank borrowing (Note (f))	20 July 2024	6.00%	–	110,000
Secured bank borrowing (Note (g))	20 December 2025	7.00%	196,000	198,000
Secured bank borrowing (Note (h))	20 July 2026	6.00%	29,400	30,000
Secured bank borrowing (Note (i))	20 July 2026	6.00%	68,600	70,000
Secured bank borrowing (Note (j))	19 February 2025	9.23%	120,000	–
Secured bank borrowing (Note (k))	20 February 2025	9.23%	116,992	–
Secured bank borrowing (Note (l))	4 May 2025	8.00%	10,000	–
Secured bank borrowing (Note (m))	24 June 2025	2.80%	90,000	–
Secured bank borrowing (Note (n))	18 July 2025	6.00%	100,000	–
			871,992	912,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

31. Bank borrowings (Continued)

Notes:

- (a) On 14 January 2023, the Group entered into a bank borrowing agreement with an aggregate amount of RMB142,500,000. The bank borrowing is secured by fixed bank deposit of the Group. During the year ended 31 December 2024, the Group has repaid RMB1,000,000 (2023: RMB500,000).
- (b) On 24 February 2023, the Group entered into a bank borrowing agreement with an 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, one of the Directors and independent third parties. The bank borrowing was fully repaid during the year ended 31 December 2024.
- (c) On 27 February 2023, the Group entered into a bank borrowing agreement with an 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, one of the Directors and independent third parties. The bank borrowing was fully repaid during the year ended 31 December 2024.
- (d) On 18 September 2023, the Group entered into a bank borrowing agreement with an aggregate amount of RMB30,000,000. The bank borrowing is guaranteed by certain subsidiaries of the Company and two of the Directors. The bank borrowing was fully repaid during the year ended 31 December 2024.
- (e) On 20 June 2023, the Group entered into a bank borrowing agreement with an 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 is 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. The bank borrowing was fully repaid during the year ended 31 December 2024.
- (f) On 12 September 2023, the Group entered into a bank borrowing agreement with an aggregate amount of RMB110,000,000. The bank borrowing is secured by the mining rights of the Group and guaranteed by certain subsidiaries of the Company and two of the Directors. The bank borrowing was fully repaid during the year ended 31 December 2024.
- (g) On 6 January 2023, the Group entered into a bank borrowing agreement with an aggregate amount of RMB200,000,000. The bank borrowing is secured by the properties of a related party and guaranteed by certain subsidiaries of the Company and two of the Directors. During the year ended 31 December 2024, the Group has repaid RMB2,000,000 (2023: RMB2,000,000).
- (h) On 31 August 2023, the Group entered into a bank borrowing agreement with an aggregate amount of RMB30,000,000. The bank borrowing is secured by the mining rights of the Group and guaranteed by certain subsidiaries of the Company and two of the Directors. During the year ended 31 December 2024, the Group has repaid RMB600,000 (2023: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

31. Bank borrowings *(Continued)*

Notes: (Continued)

- (i) On 31 August 2023, the Group entered into a bank borrowing agreement with an 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 certain subsidiaries of the Company and two of the Directors. During the year ended 31 December 2024, the Group has repaid RMB1,400,000 (2023: Nil).
- (j) On 20 February 2024, the Group entered into a bank borrowing agreement with an 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, one of the Directors and independent third parties.
- (k) On 21 February 2024, the Group entered into a bank borrowing agreement with an 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, one of the Directors and independent third parties. During the year ended 31 December 2024, the Group has repaid RMB8,000.
- (l) On 8 November 2024, the Group entered into a bank borrowing agreement with an aggregate amount of RMB10,000,000. The bank borrowing is secured by the tailings and solid waste of the Group and guaranteed by certain subsidiaries of the Company and two of the Directors.
- (m) On 25 June 2024, the Group entered into a bank borrowing agreement with an aggregate amount of RMB90,000,000. The bank borrowing is secured by certain property, plant and equipment of the Group. This borrowing is 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 2024, 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.
- (n) On 22 July 2024, the Group entered into a bank borrowing agreement with an aggregate amount of RMB100,000,000. The bank borrowing is secured by the mining rights of the Group and guaranteed by the subsidiaries and two of the Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

32. Deferred taxation

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2024 RMB'000	2023 RMB'000
Deferred tax assets	147,263	166,637

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 debt RMB'000	Total RMB'000
At 1 January 2023	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
Credit (charge) to profit or loss (Note 12)	(26,165)	1,472	4,261	(106)	1,164	(19,374)
At 31 December 2024	18,853	110,157	10,564	4,347	3,342	147,263

Deferred tax assets not recognised

As at 31 December 2024, the Group has unutilised tax losses and deductible temporary difference of approximately RMB382,370,000 and RMB2,411,000 respectively (2023: RMB288,158,000 and RMB994,000), available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams.

Included in unutilised tax losses as at 31 December 2024 were losses of approximately RMB245,082,000 (2023: RMB150,870,000) that would expire in five years and the remaining balance would not expire under the current tax legislation.

Deferred tax liabilities not recognised

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB289,042,000 (2023: RMB548,702,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

33. Deferred income

	2024 RMB'000	2023 RMB'000
Government subsidy	11,040	12,000
Less: current portion	(960)	(960)
	10,080	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)"* (河北省發展和改革委員會關於有關下達2023年污染防治和節能降碳專項項目中央預算內投資計劃(節能降碳方向)的通知), 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 the useful life of these related assets ranges from 5 to 20 years.

* For identification purpose only

34. Provision for reclamation obligations

	2024 RMB'000	2023 RMB'000
At 1 January	27,119	33,906
Remeasurement (Note (b))	–	(7,006)
Accretion expenses (Note 10)	1,765	2,262
Utilised during the year	(1,733)	(2,043)
At 31 December	27,151	27,119
Less: current portion	(6,693)	(631)
	20,458	26,488

Notes:

- 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.
- 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)* (國土資源部辦公廳關於做好礦山地質環境保護與土地復墾方案編報有關工作的通知(國土資規[2016]21號)), "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)* (河北省自然資源廳關於做好礦山地質環境保護與土地復墾方案編報有關工作的通知(冀自然資字[2019]103號)) and "Guidelines for the compilation of mine geological environmental protection and land reclamation plans"* (礦山地質環境保護與土地復墾方案編製指南), 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.

* For identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

35. Share capital

	Par value per share HK\$	Number of shares '000	Amount RMB'000
Ordinary shares:			
Authorised:			
At 1 January 2023, 31 December 2023 and 31 December 2024	0.0001	10,000,000	800
Issued and fully paid:			
At 1 January 2023, 31 December 2023 and 31 December 2024	0.0001	1,635,330	131

All ordinary shares rank pari passu in all respects.

36. 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 16% 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 operations and discontinued operation recognised in profit or loss of approximately RMB7,258,000 and RMBNil respectively (2023: approximately RMB7,304,000 and RMB29,000, 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 2024, there was no past due contributions in respect of the year ended 31 December 2024 (2023: no past due) had not been paid over to the plans.

At 31 December 2024 and 31 December 2023, the Group had no forfeited contribution available to reduce its contributions to the retirement benefit schemes in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities:

	Accrued interest (included in other payables) RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023	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
Changes from cash flows:				
Repayment of lease liabilities	–	–	(1,720)	(1,720)
New bank borrowings raised	–	437,000	–	437,000
Repayment of bank borrowings	–	(477,008)	–	(477,008)
Interest paid	(59,198)	–	–	(59,198)
	(59,198)	(40,008)	(1,720)	(100,926)
Non-cash changes:				
Interest expenses	59,321	–	23	59,344
At 31 December 2024	1,816	871,992	–	873,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

38. Pledge of or restrictions on assets

Pledge of assets

The Group's bank borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	2024 RMB'000	2023 RMB'000
Pledged bank deposits	178,913	154,413
Property, plant and equipment (excluded right-of-use assets) (Note 19)	39,540	50,257
Right-of-use assets (Note 19)	9,896	10,157
Intangible assets (Note 21)	44,973	54,574
	273,322	269,401

Restrictions on assets

In addition, as at 31 December 2023, 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. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

39. Commitments and contingencies

(a) Capital commitments

	2024 RMB'000	2023 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	18,114	19,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

39. 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. Jiheng Mining has obtained the title of provincial green mine in February 2021. During the year ended 31 December 2024, Jingyuancheng Mining was selected into the provincial green mine reserve and the title of provincial green mine is in progress up to the date of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

39. 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.

40. Major non-cash transactions

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.

41. 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 a director of the Company
Mr. Li Ziwei	The ultimate controller and a director of the Company
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

41. Related party transactions (Continued)

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

	Notes	2024 RMB'000	2023 RMB'000
Repayment of lease liabilities	(a)	1,290	1,720
Rent payment	(b)	430	–

Notes:

- (a) Repayment of lease liabilities represent office and car park rental expenses (2023: office and car park rental expenses) paid and payable to Ritan Club (2023: Ritan Club).
- (b) Rent payment represent office and car park rental expenses paid and payable to Ritan Club.
- (c) During the year ended 31 December 2024, the bank borrowings of RMB264,600,000 (2023: 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, two of the Directors.

During the year ended 31 December 2024, the bank borrowings of RMB236,992,000 (2023: 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.

During the year ended 31 December 2024, the bank borrowing of RMB129,400,000 (2023: RMB170,000,000) is secured by the mining right of the Group and guaranteed by Mr. Li Yanjun and Mr. Li Ziwei, two of the Directors.

During the year ended 31 December 2024, the bank borrowing of RMB10,000,000 is secured by the tailings and solid waste of the Group and guaranteed by Mr. Li Yanjun and Mr. Li Ziwei, two of the Directors.

- (d) The Directors are of the view that the terms of the above related party transactions are fair and reasonable, based on normal commercial terms where no charge over assets of the Group is created in respect of the above transactions.

Compensation of key management personnel

The remuneration for key management personnel, including amounts paid to the Directors as disclosed in Note 15 and certain of the highest paid employees as disclosed in Note 16, is as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	3,942	4,069
Retirement scheme contributions	70	145
	4,012	4,214

The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

42. Particulars of 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
			2024		2023		2024		2023		
			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.

None of the subsidiaries had issued any debt securities at the end of the year.

During the year ended 31 December 2023, the Company ceased the medical business, and three domestic subsidiaries were deregistered and liquidated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

43. Statement of financial position and reserves of the Company

	2024 RMB'000	2023 RMB'000
Non-current asset		
Investments in subsidiaries	152,834	152,834
Current assets		
Other receivables	235	–
Amounts due from subsidiaries	219,006	384,336
Cash and cash equivalents	412	134
	219,653	384,470
Current liabilities		
Other payables	3,542	2,743
Amount due to a subsidiary	959	700
	4,501	3,443
Net current assets	215,152	381,027
Net assets	367,986	533,861
Capital and reserves		
Share capital	131	131
Reserves	367,855	533,730
Total equity	367,986	533,861

The Company's statement of financial position was approved and authorised for issue by the board of directors on 27 March 2025 and are signed on its behalf by:

Li Yanjun
Director

Li Ziwei
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

43. 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 2023	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
Loss for the year	–	–	–	(116,115)	(116,115)
Other comprehensive income	–	240	–	–	240
At 31 December 2024	1,142,640	1,129	150,576	(926,490)	367,855