2021
ANNUAL REPORT

奥威控股有限公司
AOWEI HOLDING LIMITED

(Incorporated in the British Virgin Islands and continued in the Cayman Islands with limited liability)
(formerly known as Hengshi Mining Investments Limited 恒實礦業投資有限公司)
Stock Code: 1370

CORE VALUE

CREATE
Wealth for the Society

CREATE
Value for Our Shareholders

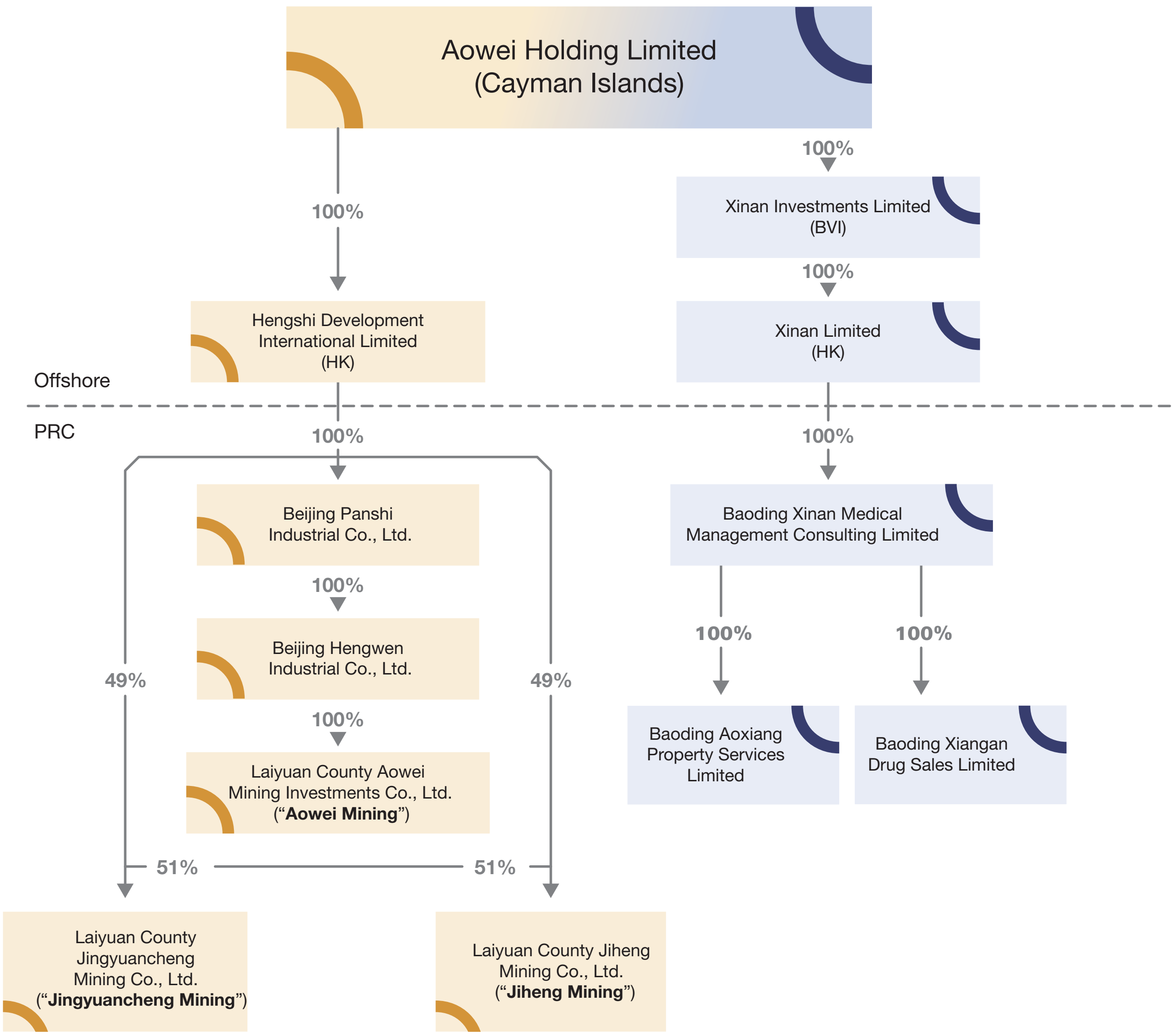
CREATE
Prospects for Our Employees

CONTENTS

CORPORATE INFORMATION

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

The Company and its subsidiaries (collectively, the "**Group**" or "**we**" or "**our**") are principally engaged in (i) the exploration, mining, processing and trading of iron ore products and major products including iron ores, preliminary concentrates and iron ore concentrates; (ii) the provision of hospital management services; (iii) in 2019, through the investment and construction of the solid waste comprehensive utilization project of Jiheng Mining, the Group recycled the tailings and solid wastes, and conducted the green construction materials construction sand and gravel materials production and sales business in the People's Republic of China (the "**PRC**" or "**China**"). The Group owns and operates three iron mines in Hebei Province, which has the largest steel production and iron ore consumption volumes in China.



CORPORATE INFORMATION

COMPANY'S STATUTORY CHINESE NAME

奧威控股有限公司

COMPANY'S STATUTORY ENGLISH NAME

Aowei Holding Limited

STOCK CODE

1370

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUTHORIZED REPRESENTATIVES

Mr. Li Yanjun
Ms. Kwong Yin Ping, Yvonne

COMPANY SECRETARY

Ms. Kwong Yin Ping, Yvonne

AUDITOR

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

HONG KONG LEGAL ADVISOR

Loong & Yeung
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Hong Kong

PRINCIPAL SHARE REGISTRAR IN THE CAYMAN ISLANDS

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Grand Cayman
KY1-1102
Cayman Islands

CORPORATE INFORMATION

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
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INVESTOR 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. Sun Jianhua *(Chief Financial Officer)*
Mr. Tu Quanping

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

FIVE-YEAR FINANCIAL SUMMARY

SUMMARY DATA OF CONDENSED CONSOLIDATED INCOME STATEMENTS

	For the year ended 31 December				
	2021 **RMB'000**	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	**1,191,741**	567,977	815,549	854,783	869,122
Cost of sales	**(774,498)**	(473,888)	(545,314)	(562,525)	(594,757)
Gross profit	**417,243**	94,089	270,235	292,258	274,365
Distribution expenses	**(8,652)**	(16,633)	(2,645)	(21,093)	(10,731)
Administrative expenses	**(102,473)**	(117,947)	(85,047)	(91,779)	(74,056)
Impairment losses, net	**(1,845)**	2,470	(259,786)	(55,876)	(449,055)
Profit (loss) from operations	**304,273**	(38,021)	(77,234)	123,510	(259,477)
Finance income	**8,034**	107	130	7,674	3,871
Finance costs	**(34,630)**	(41,556)	(43,099)	(38,269)	(45,574)
Net finance costs	**(26,596)**	(41,449)	(42,969)	(30,595)	(41,703)
Other gains (losses)	**474**	(361)	–	–	–
Gains from disposal of a subsidiary	**–**	–	5,424	–	–
Profit (loss) before tax	**278,151**	(79,831)	(114,788)	92,915	(301,180)
Income tax (expense) credit	**(75,008)**	9,260	15,817	(51,373)	(55,828)
Profit (loss) for the year	**203,143**	(70,571)	(98,971)	41,542	(357,088)
Attributable to:					
Equity shareholders of the Company	**203,143**	(70,571)	(98,971)	41,542	(357,088)
Non-controlling interests	**–**	–	–	–	–
Basic earnings (loss) per share (RMB)	**0.12**	(0.04)	(0.06)	0.03	(0.22)
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 BALANCE SHEETS

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Non-current assets	**1,957,913**	1,425,351	1,311,093	1,598,499	1,483,069
Current assets	**547,716**	904,822	1,023,242	623,256	795,749
Non-current liabilities	**(153,168)**	(328,900)	(171,388)	(223,696)	(259,119)
Current liabilities	**(898,816)**	(750,714)	(841,677)	(578,085)	(642,511)
Total equity	**1,453,645**	1,250,559	1,321,270	1,419,974	1,377,188
Non-controlling interests	**–**	–	–	–	–
Equity attributable to equity shareholders of the Company	**1,453,645**	1,250,559	1,321,270	1,419,974	1,377,188

CHAIRMAN'S STATEMENT

Dear shareholders,

2021 was a year of rapid recovery for the global economy and the first year of the 14th Five-Year Plan of the government of the PRC. With COVID-19 vaccine research and development and the increase in the scale of vaccinated population, the impact of COVID-19 on the global economy has also been reduced significantly. The fiscal and monetary policies introduced by various countries in response to COVID-19 have promoted economic recovery to varying degrees, and the economic recovery of China has been significantly improved.

CHAIRMAN'S STATEMENT

In 2021, the iron ore business of the Group benefited from the strong domestic demand for steel and the further aggravation of the contradiction between supply and demand. Under the leadership of the Board of Directors (the "**Board**"), the management and all employees of the Company have been united in their efforts and determined to carry out innovation. Through the key core strategies such as cost reduction and efficiency improvement, optimization of asset structure, in-depth research and development and expansion of the green industry chain, we have intensified our efforts to promote the upgrade of mines, maximize the value of assets, continuously improve the level of refined management and to fully seize the opportunity of the gradual recovery of the prices of bulk commodities, thus achieving a significant improvement in performance.

In 2021, the Group's financial performance increased significantly as compared to the same period last year, realizing operating revenue of approximately RMB1,191.7 million for the full year, representing an increase of approximately 109.8% year-on-year as compared to last year; net profit attributable to the parent company was approximately RMB203.1 million, with a year-on-year increase in profit of approximately RMB273.7 million building on the turnaround to profitability. Various financial indicators have been improved significantly, mainly benefiting from the rise in the price of domestic iron ore market in 2021 (the average of the iron ore Platts index of 65% was US$186 in 2021 (2020: US$122)).

While the iron ore market is recovering and rising, the Group is also continuing to promote management standard, strictly control major capital expenditure, implement the measures on budget control and cost reduction and efficiency improvement to further formalize the long-term mechanism of cost reduction and efficiency improvement. While maintaining the stable operation of the iron ore business, the Group is also actively promoting the comprehensive utilization of solid wastes and the business of green construction materials and gravel materials. As the regions such as Xiong'an New Area and Baoding, Hebei Province gradually moved into a large-scale substantial construction phase, the demand for gravel materials for construction also increased significantly. The Group fully grasped this historical opportunity to accelerate the industrial layout, expand the scale of comprehensive utilization and treatment of solid wastes by way of acquisition, further enhancing the market share of green construction materials. For the full year of 2021, the Group's gravel materials business achieved revenue of approximately RMB82.3 million.

Looking forward to 2022, it will still be a challenging year, and the global COVID-19 has not yet come to an end. Facing the grim situation of epidemic prevention and control and the complicated economic environment, the Group will continue to strengthen internal management standards, constantly implement refined management, strictly control major capital expenditure, implement the measures on budget control and cost reduction and efficiency improvement, coordinate and arrange epidemic prevention and control in accordance with the requirements of local governments to ensure the physical safety of the employees, so as to ensure the healthy and long-term operation of the Company's various businesses.

In the future, the Group will continue to adhere to the national concept of "Ecological Priority and Green Development", and the development direction of "Solid Waste Recycling, Ecological Restoration and Industrial Extension". In addition to maintaining the healthy operation of the existing iron ore business and gravel materials business, the Group will also cooperate with well-known domestic authoritative scientific research institutions to develop other derivative products through solid waste recycling, so as to build a green construction materials industrial base to achieve zero emission from mine production, and build a green and environmentally friendly ecological economic system. The overall risk tolerance and profitability of the Company will be improved, thus further creating more sustainable benefits for shareholders.

ACKNOWLEDGEMENT

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

No matter how difficult the external environment will be and how it will change, the Company will remain persistent and diligent, forge ahead resolutely, make relentless efforts to attain sustainable development of the Company, and stick to protecting the interests of shareholders and improve the returns to shareholders. I look forward to the continuous support of our shareholders!

Li Yanjun
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

IRON ORE BUSINESS

Market Review

2021 was the first year of China's 14th Five-Year Plan and the second year of the outbreak of COVID-19 pandemic. With the gradual increase in the vaccination rate of COVID-19, lockdown measures for COVID-19 pandemic have gradually been released by various countries, and the global economy has also shown a trend of further improvement. China leads the world in economic growth and its economic strength has been enhanced significantly. According to the public information from the National Bureau of Statistics, GDP in 2021 exceeded RMB11 billion, reaching RMB114.4 trillion, representing a year-on-year increase of 8.1%, and the 14th Five-Year Plan achieved a good start. In 2021, affected by the factors such as the overall improvement of the national economy and the increase in the prices of global bulk commodities, the overall operation of the iron and steel industry was in good condition. In the first half of the year, driven by domestic and overseas demand, national output of crude steel continued to grow. However, in the second half of the year, with the implementation of national control policies, the market demand was weakened, and the excessive growth of iron and steel output was also effectively curbed. According to the public information, the output of crude steel of China in 2021 was approximately 1.04 billion tons, representing a year-on-year decrease of 2.8% as compared to last year; the consumption volume of crude steel was approximately 995 million tons, representing a year-on-year decrease of 5.0% as compared to last year; the demand side of the steel market formed a strong positive feedback on iron ore prices. In 2021, the iron ore market experienced drastic fluctuation, and the prices showed a trend of rising before falling. In 2021, affected by the rising global prices of bulk commodities and the recovery of global iron and steel production capacity, the demand for iron ore was strong and the supply was relatively tight, and its price fluctuated at a high level, showing a trend of increase in both volume and price. The iron ore Platts index of 62% once exceeded the historical high of US$230.0 per ton. However, in the third quarter, with the expected implementation of compressing crude steel production, the weak demand for iron ore continued to intensify, and the price started a unilateral downward movement. The iron ore Platts index of 62% began to rebound to US$119 per ton at the end of the year after hitting the annual lowest point of US$87.0 per ton in November. In 2021, although the prices of iron ore market showed a trend of rising before falling and experienced a large volatility, the average price of the iron ore Platts index of 62% for the full year still reached US$159.5 per ton, representing an increase of 46% as compared to the average of last year. According to the statistics from General Administration of Customs, China imported approximately 1.12 billion tons of iron ore and concentrates in aggregate throughout the year, representing a year-on-year increase of 3.9%. The increase in import volume was not significant, but the accumulated import amount for the full year reached approximately RMB1,194.16 billion, representing a year-on-year increase of 39.6%.

PRINCIPAL BUSINESS RISKS

Commodity price risk

The macro business environment in which the Group operates is complex and volatile. Geopolitical environment, changes in global supply and demand, fluctuations in domestic and overseas market prices, and market downturn caused by the COVID-19 pandemic, will adversely affect the Group's turnover and consolidated revenue. In this complex business environment and during the COVID-19 pandemic period, the Group closely monitors domestic and overseas economic situation and market dynamics and proactively changes the marketing strategies to minimise the adverse impact caused by the above risks.

National policy risk

As the Chinese government continues to introduce increasingly strict environmental protection policies, the open-pit mine industry, which has a significant impact on the environment, has become one of the industries that the environmental protection regulatory authorities pay close attention to. Focusing on multiple aspects such as environmental protection, restoration and management of mines, resource development and utilisation, the Group proactively promotes the upgrading and transformation of mines, accelerates the construction of green mines, and builds a green, environmentally friendly and civilised ecological economic system, so as to minimise the impact of the Group's business operation on the environment.

Interest rate risk

The fair value interest rate risk of the Group mainly relates to bank borrowings. The management of the Group will continue to monitor the loan portfolio and interest rate risks of the Group and consider taking appropriate measures to hedge material interest rate risks when necessary.

Prepayment default risk

The establishment of Xiong'an New Area in 2017 led to a rapid growth in construction business, which in turn drove the increasing demand for transportation business. In addition, the construction transportation business in Xiong'an New Area realised higher profit and faster settlement as compared to mine transportation business. Due to the above two considerations, the transportation companies tended to return to Xiong'an New Area for development and abandon the cooperation with the Company. In view of the fact that the replacement of the original transporter would lead to a large amount of loss from production suspension, the Company discussed with the four transportation companies to formulate the prepayment policy. According to the scale and credit status of the transportation companies, we made prepayments of different sizes to the transportation companies respectively in exchange for long-term and stable services of the transportation companies, and thus obtaining preferential transportation prices. As a result, the Group accumulated certain prepayments. If the transportation companies fail to provide stable transportation services continuously, the Company may be exposed to the risk of prepayment recovery. In order to avoid the prepayment default risk, the Group has set up a special transportation management agency to manage the prepayments, discussed with the transportation companies on the arrangements for the refund and reduction of the prepayments, and entered into guarantee contracts respectively to secure the recovery of prepayments.

BUSINESS REVIEW

In 2021, benefiting from the significant increase in domestic market prices of iron ores, the performance of the Group's iron ore business enhanced significantly as compared to last year. For the year ended 31 December 2021, the Group's output of iron ore concentrates was approximately 1,121.9 Kt, representing an increase of approximately 55.0% as compared with the corresponding period last year, mainly due to recovery of the production for iron ore concentrates of Jiheng Mining. During the Reporting Period, the Group's sales of iron ore concentrates were approximately 1,127.1 Kt, representing an increase of approximately 62.0% as compared with the corresponding period last year. During the Reporting Period, average unit cash operating cost for iron ore concentrates of Jingyuancheng Mining was approximately RMB699.0 per ton, and average unit cash operating cost for iron ore concentrates of Jiheng Mining was approximately RMB464.4 per ton.

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

The table below sets out the breakdown of output and sales volume for each operating subsidiary of 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 operating costs (RMB)		
The Group	**2021**	2020	% of change	**2021**	2020	% of change	**2021**	2020	% of change	**2021**	2020	% of change
Jiheng Mining												
Iron ore concentrates	**546.8**	82.5	562.8%	**551.6**	81.7	575.2%	**961.0**	601.6	59.7%	**464.4**	(Note (3))	N/A
Jingyuancheng Mining												
Iron ore concentrates	**575.1**	641.3	(10.3%)	**575.5**	614.0	(6.3%)	**1,006.6**	711.3	41.5%	**699.0**	550.7	26.9%
Total												
Iron ore concentrates	**1,121.9**	723.8	55.0%	**1,127.1**	695.7	62.0%	**984.3**	698.4	40.9%	**584.7**	(Note (3))	N/A

Notes:

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

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

(3) The operating period of Jiheng Mining in 2020 was short, and its average unit cash operating cost was not representative, so there was no comparison.

RESOURCES AND RESERVES

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

The results of the ore reserves and resources in this report are calculated by deducting the consumption amount from 1 July 2013 to 31 December 2020 from the estimated amount of ore reserves and resources stated in the SRK's Competent Person'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 2021 are shown in the following table:

Company	Mine	Exploration approach	Reserve category	Ore reserves		
				(Kt)	TFe (%)	mFe (%)
Jiheng Mining	Zhijiazhuang	Open-pit	Probable	603	33.75	20.74
Jingyuancheng Mining	Wang'ergou	Open-pit	Probable	4,380	12.47	10.08
		Underground	Probable (graded above 12%)	18,077	15.87	8.5
	Shuanmazhuang	Open-pit	Probable	84,110	13.58	5.54
		Underground	Probable (graded above 12%)	35,723	16.00	7.11
Total		Open-pit	Probable	89,093	13.66	5.87
		Underground	Probable (graded above 12%)	53,800	15.96	7.58
		Total	Probable	142,893	14.85	6.45

The iron ore resources which complied with JORC Code (2004 Edition) in respect of each mine of the Group as of 31 December 2021 are shown in the following table:

Company	Mine	Controlled resource			Inferred resource		
		(Kt)	TFe (%)	mFe (%)	(Kt)	TFe (%)	mFe (%)
Jiheng Mining	Zhijiazhuang	603	33.75	20.74	441	29.42	25.06
Jingyuancheng Mining	Wang'ergou	48,708	13.99	6.74	14,037	12.31	6.41
	Shuanmazhuang	147,889	14.01	5.74	70,406	12.78	4.89
Total		197,200	14.07	6.03	84,884	12.79	5.25

Mines in Operation

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

Zhijiazhuang Mine

Zhijiazhuang Mine, which is wholly-owned and operated by Jiheng Mining, is located in Yangjiazhuang Town, Laiyuan County. The area covered by the mining license for Zhijiazhuang Mine is 0.3337 sq.km. Zhijiazhuang Mine has comprehensive basic infrastructures such as water, electricity, highway and railway. As of 31 December 2021, the annual mining capacity of Zhijiazhuang Mine was 2.4 Mtpa, and the dry processing capacity and the wet processing capacity were 4.2 Mtpa and 1.8 Mtpa, respectively.

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

Iron ore concentrates

Unit: RMB per ton of iron ore concentrates	For the year ended 31 December 2021
Mining costs	151.1
Dry processing costs	46.6
Wet processing costs	166.3
Administrative expenses	60.2
Sales costs	3.2
Taxation	37.0
Total	464.4

The operating period of Jiheng Mining in 2020 was short, and its average unit cash operating cost was not representative, so there was no comparison.

Wang'ergou Mine and Shuanmazhuang Mine

Wang'ergou Mine and Shuanmazhuang Mine, which are both wholly-owned and operated by our wholly-owned subsidiary, Jingyuancheng Mining, are located in Zoumayi Town, Laiyuan County. The areas covered by the mining licenses for Wang'ergou Mine and Shuanmazhuang Mine are 1.5287 sq.km and 2.1871 sq.km, respectively. Wang'ergou and Shuanmazhuang have comprehensive basic infrastructures such as water, electricity and highway. As of 31 December 2021, the aggregate annual mining capacity of Wang'ergou Mine and Shuanmazhuang Mine was 14.0 Mtpa, and the dry processing capacity and wet processing capacity were 17.6 Mtpa and 3.5 Mtpa, respectively.

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

Iron ore concentrates

	For the year ended 31 December		
Unit: RMB per ton of iron ore concentrates	**2021**	2020	% of change
Mining costs	**363.8**	312.2	16.5%
Dry processing costs	**145.8**	86.2	69.1%
Wet processing costs	**92.6**	71.7	29.1%
Administrative expenses	**48.3**	46.6	3.6%
Sales costs	**3.8**	3.6	5.6%
Taxation	**44.7**	30.4	47.0%
Total	**699.0**	550.7	26.9%

During the Reporting Period, the average unit cash operating cost for iron ore concentrates of Wang'ergou Mine and Shuanmazhuang Mine increased compared with the same period last year, mainly because the stripping ratio in the mining process increased, and the material consumables, electricity and wage costs in the dry processing and wet processing increased, and the resource taxes in taxation increased compared with the same period last year.

GREEN CONSTRUCTION MATERIALS BUSINESS

The Company practiced the concept of ecological priority and green development. While ensuring the stable operation of the iron ore business, it also actively promoted solid waste comprehensive utilisation and expanded the production and sales business of mechanism sand and gravel materials for construction. With advanced equipment, high-quality products and the State's support for solid waste recycling, green mining, environmental protection and other policies, the Group has successfully been shortlisted as a qualified supplier of sand and gravel materials in Xiong'an New Area. In 2021, Jiheng Mining, a subsidiary of the Group, was awarded as a demonstration backbone enterprise for comprehensive utilisation of bulk solid waste by the National Development and Reform Commission. This is an important positive milestone for the Company and the green construction materials solid waste comprehensive utilisation project.

With the country's in-depth promotion of the comprehensive utilisation of bulk solid waste, the high-quality development of mechanism sand and gravel, and the acceleration of the construction of waste-free cities, the implementation plan and preferential policies for the comprehensive utilisation of bulk solid waste in Hebei Province's 14th Five-Year Plan have been introduced. With the large-scale development and construction in Xiong'an, Baoding and other regions, the Group seized the opportunity to speed up the industrial layout, and expanded the scale of solid waste comprehensive utilisation and treatment through acquisition to further increase the market share of green construction materials.

As of 31 December 2021, the total treatment capability of solid waste comprehensive utilisation project of the Group was approximately 6.40 Mtpa, of which the treatment capacity of solid waste comprehensive utilisation project of Jiheng Mining was approximately 3.70 Mtpa; the treatment capacity of solid waste comprehensive utilisation project of Jingyuancheng Mining was approximately 2.70 Mtpa.

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

		For the year ended 31 December 2021			
Subsidiary	**Product**	**Output** (Kt)	**Sales volume** (Kt)	**Average sales price** (RMB)	**Average unit cash operating costs** (RMB)
Jiheng Mining	Construction gravel	699.8	745.6	31.7	4.4
	Mechanism sand	734.5	731.0	41.6	9.1
Jingyuancheng Mining	Construction gravel	352.7	309.1	32.5	9.5
	Mechanism sand	528.5	347.9	39.0	13.6
Total		2,315.5	2,133.6	36.4	8.8

During the Reporting Period, the output, sales and cost data of the Group's sand and gravel materials were not compared with those of the same period last year, mainly due to the suspension of operations of Jiheng Mining in 2020 and the continuous suspension of production focusing on the construction of green mines (for details, please refer to the Company's inside information and business update announcements issued on 17 June 2020 and 27 November 2020), which resulted in the failure of the Jiheng Mining solid waste comprehensive utilisation project to formally reach output. The comparative data was not for reference. In addition, Jingyuancheng Mining acquired sand and gravel materials production line from an independent third-party on 25 June 2021 (for details, please refer to the Company's inside information and announcement on the acquisition of target assets in a discloseable transaction issued on 25 June 2021) before launching the production and sales business of sand and gravel materials. Therefore, Jingyuancheng Mining has no comparable data.

SAFETY AND ENVIRONMENTAL PROTECTION

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

Domestic environmental protection policies and supervision became increasingly stricter, especially for the industrial and mining industry in which the Group operated. The Group strictly complied with relevant provisions of national environmental protection policies. With adhering to ecological priority and practicing the concept of green development, and for the purpose of the construction of green mines, the Group strove to build modern ecological mines by taking measures for environmental protection and recovery, and to achieve energy conservation, emission reduction and clean production by means of recycling and technology upgrading, so as to relieve the impacts of production activities on the environment.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2021, the Group had 1,030 full-time employees in total (31 December 2020: 907 employees). For the year ended 31 December 2021, expenses of employees' benefit (including salaries, wages, pension plan contributions and other benefits) were approximately RMB88.5 million (2020: RMB57.5 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 RMB1,191.7 million, representing an increase of approximately RMB623.7 million as compared to the corresponding period of last year, which was mainly attributable to the combined influence of the increase in sales volume and average sales price of iron ore concentrates of the Group during the Reporting Period as compared to the corresponding period of last year.

Cost of sales

The Group's cost of sales for the Reporting Period was approximately RMB774.5 million, representing an increase of approximately RMB300.6 million as compared to the corresponding period of last year, which was mainly attributable to the influence of the increase in sales volume of iron ore concentrates.

Gross profit and gross profit margin

The gross profit of the Group for the Reporting Period was approximately RMB417.2 million, representing an increase of approximately RMB323.2 million or 343.5% as compared to the corresponding period of last year, which was mainly attributable to the increase in revenue as compared to the corresponding period of last year; the Group's gross profit margin also increased during the Reporting Period from 16.6% to 35.0% as compared to the corresponding period of last year.

Sales and distribution expenses

The Group's sales and distribution expenses for the Reporting Period were approximately RMB8.7 million, representing a decrease of approximately RMB7.9 million or 47.6% as compared to the corresponding period of last year, which was mainly due to the decrease in the total sales volume of the products, of which the Group were responsible for the delivery to customers and the related transportation cost as compared to the corresponding period of last year. Sales and distribution expenses included transportation expenses, labour cost and other expenses.

Administrative expenses

The Group's administrative expenses for the Reporting Period were approximately RMB102.5 million, representing a decrease of approximately RMB15.4 million or 13.1% as compared to RMB117.9 million in the corresponding period of last year. The decrease in administrative expenses was mainly due to no amount of loss on work stoppage as the Group suspended operations in the Reporting Period.

Impairment losses

The Group recorded an impairment loss of approximately RMB1.8 million during the Reporting Period, and such impairment loss was mainly the amount of the impairment under the expected credit loss model of the Group.

Trade receivables and expected credit loss

Based on the management assessment of credit losses and impairment of assets according to IFRS 9 Financial Instruments, management has estimated the impairment loss of trade receivables by reference to historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions. The provision, net of reversal, amounted to RMB0.5 million.

Finance costs

The Group's finance costs for the Reporting Period were approximately RMB34.6 million, representing an increase of approximately RMB7.0 million or 16.8% as compared to the corresponding period of last year. Finance costs included interest expenses of bank borrowings, discounted expenses, other finance expenses and the amortisation of discounted expenses of long-term payables.

Income tax (expenses) credit

The Group's income tax expenses for the Reporting Period were approximately RMB75.0 million, while the income tax credit for the corresponding period of last year were approximately RMB9.2 million, which was mainly due to the increase in profit before taxation of the Group. The income tax expenses comprised the sum of current tax expense of approximately RMB97.8 million, underprovision of income tax in prior year approximately RMB2.9 million, offset by deferred tax credit of approximately RMB25.7 million.

Profit (loss) for the year and total comprehensive income (expense) for the year

The Group recorded a profit after tax during the Reporting Period of approximately RMB203.1 million, which was mainly due to the increase in gross profit of the Group.

Property, plant and equipment

The net value of the property, plant and equipment of the Group as of 31 December 2021 was approximately RMB1,314.9 million, representing an increase of approximately RMB303.1 million or 30.0% as compared to the corresponding period of last year. The change was mainly due to the combined influence of the Group's acquisition of sand and gravel materials production line during the Reporting Period, and provision for depreciation.

Intangible assets

As of 31 December 2021, the net intangible assets of the Group were approximately RMB70.9 million, representing a decrease of approximately RMB6.3 million as compared to the corresponding period of last year, which was mainly due to the influence of the amortisation of intangible assets of the Group.

Inventories

As of 31 December 2021, inventories of the Group amounted to approximately RMB121.4 million, representing a decrease of approximately RMB10.4 million or 7.9% as compared to the corresponding period of last year which was mainly due to increase of gravel materials and consumables and supplies, offset by decrease of iron ore raw materials.

Trade and other receivables

As of 31 December 2021, trade receivables of the Group amounted to approximately RMB85.2 million, representing a decrease of approximately RMB2.6 million as compared to RMB87.8 million in the corresponding period of last year, and the changes in trade receivables were relatively stable. As of 31 December 2021, other receivables of the Group amounted to approximately RMB237.0 million, representing a decrease of approximately RMB128.0 million as compared to RMB365.0 million in the corresponding period of last year. Other receivables mainly included prepayments to suppliers and deposits paid.

Trade and other payables

As of 31 December 2021, trade payables of the Group amounted to approximately RMB106.5 million, representing an increase of approximately RMB37.0 million as compared to RMB69.5 million in the corresponding period of last year. The increase was mainly attributable to the increase in trade payables to main suppliers.

As of 31 December 2021, other payables of the Group amounted to approximately RMB139.9 million, representing a decrease of approximately RMB28.7 million as compared to RMB168.6 million in the corresponding period of last year. The decrease was mainly due to the settlement of payables for construction projects and equipment purchases.

Cash and borrowings

As of 31 December 2021, the balance of cash and cash equivalents of the Group amounted to approximately RMB104.1 million, representing an increase of approximately RMB83.9 million or 415.3% as compared to the corresponding period of last year.

As of 31 December 2021, bank loans of the Group were RMB557.0 million, representing a decrease of RMB51 million or 8.4% as compared to the end of last year.

The interest rates of the borrowings as of 31 December 2021 ranged from 3.8% to 9.23% per annum. The borrowings of RMB557 million were accounted for as current liabilities of the Group (as of 31 December 2020: RMB430.0 million). The above borrowings were denominated in RMB.

Save as disclosed above, the Group has no outstanding mortgages, pledges, bonds or other loan capital (issued or agreed to be issued), bank overdrafts, borrowings, acceptance liabilities or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that there was no material change in the liabilities and contingent liabilities of the Group since 31 December 2021 and up to the date of this report. As of 31 December 2021, the overall financial status of the Group remained in a good condition.

Restricted deposits

Restricted deposits of the Group generally represent the bank deposits, deposits pledged as guarantee for bills payable and other deposits within one year. As of 31 December 2021, the Group had no restricted deposits.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing ratio

The gearing ratio of the Group as of 31 December 2021 was approximately 22.2%, representing a decrease of approximately 3.9% 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 RMB672.5 million, which consisted of installments for mining right costs, technical transformation of dry-processing plant and other sporadic projects.

Capital commitment

At at 31 December 2021, the total capital commitments of the Group amounted to approximately RMB81.6 million (2020: approximately RMB41.5 million).

Interest rate risk and foreign currency risk

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

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

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

As of 31 December 2021, the Group's bank loans of RMB260 million, RMB120 million and RMB177 million were secured by the Group's mining right, right-of-use assets (land use rights), properties and equipment, the land use rights and properties of a related party of the Group, and collectively secured by land use rights and properties of third parties and a related party, respectively.

The carrying amounts of the Group's mining rights, right-of-use assets (land use rights) and properties pledged for bank loans were approximately RMB55,000, RMB9.8 million and RMB24.4 million respectively as of 31 December 2021. The Group had no material contingent liabilities as of 31 December 2021.

Significant investments held

There were no significant investments held by the Company as at 31 December 2021.

MANAGEMENT'S VIEW AND POSITION ON THE DISCLAIMER OF OPINION

As mentioned in the "Independent Auditor's Report" in this report, the disclaimer of opinion expressed by Asian Alliance (HK) CPA Limited (the "**Auditors**") was due to the lack of supporting documentations or evidence for the commercial substances and business rationale of (i) the prepayments as at 31 December 2020; (ii) upfront payments during both years ended 31 December 2020 and 31 December 2021 and (iii) refunds during both years ended 31 December 2020 and 31 December 2021.

The Company's view and position are as follows:

Commercial substance and business rationale of the Prepayments

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

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

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

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

5) The Prepayments made by the Group with the Transportation Service Providers were mainly for the purpose of exchanging for their long-term and stable services, and the Transportation Service Providers were able to enhance their fixed assets such as replacing transportation vehicles to ensure the safety of the transportation business cooperation between them and the Group and to stabilise the operations of other businesses of the Transportation Service Providers.

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

The management of the Company noted that the Auditors were of the view that it needed more information to satisfy itself with the above confirmed transaction arrangements.

The Company has tried its best endeavour to meet the requirements of the Auditors and communicated with relevant parties accordingly. The management of the Company is of the view that the Group has a prepayment approval process in place, but the personnel responsible for the operation only focuses on the actual operation but overlooked the importance of supporting documentations and due diligence, including detailed financial information, has been conducted.

Commercial substance and business rationale of the Upfront Payments

The Upfront Payments made by the Group were mainly based on the actual operation situation which may alter from time to time and the Auditors understand this circumstance. However, the change of the needs of Transportation Services, such as revised budget according to the change, credit reassessment and prepayment control were not properly documented and presented to the Auditors.

The principal business of the major operation subsidiaries of the Group is mining, processing and sale of iron ore products and gravel materials. The Transportation Service Providers mainly provide the transportation services in mining area where transportation conditions are poor with changing road conditions and the operation level staff may sometimes overlook the importance of detailed documentation. As expressed in the opinion of the audit modification by the Auditors, no documentary payment orders were received from the Transportation Service Providers when making the Upfront Payments and lack of supporting documents accompanied with the payment request to support the amount of the Upfront Payments.

As disclosed in the 2020 annual report of the Company, the Chinese government has become more stringent in aspects of environmental protection and restoration of mines, and resource exploration and utilisation, green mines acceptance work has been included in the scope of the processing and renewal of mining licenses nationwide. The Baoding Municipal Government of Hebei Province requires all mining companies within its jurisdiction to complete green mines acceptance work in 2023, and companies that do not meet the standards cannot renew their licenses. Therefore, the construction of green mines was urgent. In accordance with the national green mines industry policy and the requirements of provincial, municipal and county authorities, the Group suspended production of Jiheng Mining on 17 June 2020 to commence green mine construction.

In 2019, the Company expected the production would continuously increase in 2020. At that time, the Upfront Payments were made to cater for the expected growth of the operation of the Group and to ensure the transportation capacity and stabilities can meet the production of the Group. However, in early 2020, the sudden outbreak of the COVID-19 and the execution of the stringent environmental policies of the mining industry unexpectedly and significantly affected the business activities of the Group. It caused a significant deviation between the Upfront Payments and the actual utilisation of the Transportation Service Fees.

In the aspect of operation, the Company regarded the management, and the operation team has spared no effort in contributing the revenue and profit growth to the Group. However, the hard work and emphasis placed on the actual operation situation caused the deficiency in the internal control, especially on the procedures and documentations.

The Company is now fully aware of the importance of the stringent implementation of the improved internal control procedures as well as the preparation and record of relevant documentations. It is equally important to the business development and operation of the Company.

Commercial substance and business rationale of the Refunds

The making of the Refunds was mainly due to the fact that the Group had funding needs at that time and the Prepayments made were still sufficient to cover the transportation expenses of the short-term budget and thus requested the Transportation Service Providers to make the Refunds.

The funding needs of the abovementioned are mainly to cater for the bank loans (including revolving loans, short-term loans and other bank facilities). The operation of the Group requires the financing from banks. If a new request of facilities was made to the banks, the Group would also need to make certain repayment to certain previous loans. In light of this situation, the Group, if necessary, request the Transportation Service Providers to make the Refunds to the Group for repayment of certain bank loans or facilities.

The banks also from time to time review the financial position of the Group to ascertain the repayment abilities for the purpose of granting future loans or credit facilities. The banks usually conduct periodic reviews on the Group, among others, at the half year end and the year end. In order to strengthen the financial position, the Group has requested the Refunds from the Transportation Service Providers around these review periods.

Due to the abovementioned situation, it, on the surface, appeared that the Refunds were made in a short period of time after Upfront Payments or vice versa. However, the Company was not able to provide any documents for the Auditors to demonstrate the above requests from the banks as the discussions between the Company and the banks are mainly verbal. However, the Company has provided the bank statements to the Auditors for these repayments and bank balances.

During the audit process, the Company was unable to provide the Auditors with the supporting documents, documentation of calculations, and basis of each of the Refunds. As explained above, the Refunds were based on the actual operation needs of the Group. The Company was also of the view that the Refunds meant getting back funds which, in any event, is good for the Company and was not aware of the importance of detailed documentation to demonstrate the rationale and commercial substance of the Refunds.

ACTIONS OF THE COMPANY TO ADDRESS THE DISCLAIMER OF OPINION

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

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

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

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

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

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

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

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

AUDITORS' VIEW ON THE ACTIONS

The Auditors have also conducted a preliminary review of the updated financial information and the relevant documentations in relation to the Upfront Payments and Refunds in 2022. The Company has also demonstrated to the Auditors that the enhancement of the internal control system assisted the Group to have more effective estimation and control on the Prepayments.

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

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

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

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

OUTLOOK AND STRATEGY

2022 is the crucial year for China to implement the 14th Five-Year Plan and China's economy has entered a stage of high-quality development, which is also a critical period of "stable growth" for the Chinese economy. In the context of the dual carbon target, relevant national ministries and commissions are continuously improving policies to promote industrial energy conservation, environmental protection and green development. In the future, the profitability, capacity expansion and development capacity of industrial enterprises will all depend on low-carbon and green development capabilities, which is undoubtedly a difficult challenge for the mining industry. There are also opportunities in challenges.

MANAGEMENT DISCUSSION AND ANALYSIS

It is estimated that in 2022, affected by the continuation of the COVID-19 pandemic and the escalation of global political situation, both the supply and demand sides of the steel industry will operate at a low level, and the prices of steel and iron ore will be affected by production contraction and weak demand. In this turbulent period, the Group will maintain a prudent business and strategic management policy. In terms of pandemic prevention and control, the Company will coordinate and arrange pandemic prevention and control according to the requirements of the local government to ensure health and safety of the employees; in terms of business management, the Company will continue to strengthen the level of refined management, strictly control major capital expenditure, implement the measures on budget control and cost reduction and efficiency increase, and improve the production processes and product quality through technical means to ensure the stable and long-term operation of the Company's various businesses; at the same time, the Group will also make full use of the opportunity of mineral resources integration to improve the production capacity of iron ore business through acquisition, so as to ensure the high-quality and high-volume production of the Group's iron ore business. The Company will also pay close attention to market dynamics and adjust marketing strategies in time to achieve higher economic benefits.

With the state's in-depth promotion of comprehensive utilisation of bulk solid waste, the high-quality development of the machine-processed sand and gravel, and the acceleration of the construction of zero-waste cities, the introduction of the implementation plan and preferential policies for the comprehensive utilisation of bulk solid waste in Hebei Province for the 14th Five-Year Plan, and the large-scale development and construction in regions such as Xiong'an, Baoding, the Company will continue to adhere to the national concept of "Ecological Priority and Green Development" and actively promote solid waste comprehensive utilisation projects to accelerate the layout of green construction materials industry in accordance with the principle of "Reduction, Reuse and Recycling of Solid Waste", and seize the construction opportunities in the regions such as Xiong'an New Area and Baoding to further increase the market share of green construction materials through acquisition or new construction. In order to achieve the goal of zero discharge of solid waste, the Company will also cooperate with domestic authoritative scientific research institutions in the future to develop other green construction materials through the recycling of solid waste to achieve zero discharge of mine production, so as to build the Group into a green and environmentally friendly eco-economic system, provide guarantee of green construction materials for the construction of Beijing-Tianjin-Hebei and Xiong'an New Area, and create more and more sustainable economic benefits for shareholders.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHIES OF EXECUTIVE DIRECTORS

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

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

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

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

Mr. Wong has extensive experience in auditing and corporate governance. Mr. Wong was 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).

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

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

SENIOR MANAGEMENT

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

Mr. Zuo Yuehui（左月輝）, aged 44, is the deputy general manager of Aowei Mining and is responsible for the financial and accounting affairs of Aowei Mining. Mr. Zuo has over 17 years of experience in accounting and financial management. From November 2004 to May 2012, he served as an accountant in the finance department of Aoyu Steel. He joined our Group in 2012 and successively served as the deputy chief of the finance section and the chief of the finance section of Jingyuancheng Mining from May 2012 to September 2022. He was appointed as the deputy general manager of Aowei Mining in March 2022. Mr. Zuo obtained a junior college diploma in computer accounting from Hebei Vocational College of Engineering and Technology（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 40, is the deputy general manager of Aowei Mining. He is responsible for formulating the strategic development planning, project establishment and management of the procurement and supply department of Aowei Mining. Mr. Sun has over 17 years of experience in corporate management. From March 2005 to February 2013, he successively served as the head and chief of the procurement and supply department of Aoyu Steel. He joined the Group in 2013 and served as the head of the operation and planning department of Aowei Mining from February 2013 to March 2016. From March 2016 to February 2020, he served as the deputy general manager of Beijing Jianke Cloud Technology Co., Ltd.（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 the Shenzhen branch. Mr. Sun re-joined the Group in February 2020 and was appointed as the deputy general manager of Aowei Mining. On 28 March 2021, 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. Mr. Sun graduated from Hebei Agricultural University with a bachelor's degree in economics in July 2005, and he obtained the qualification of purchaser from the Vocational Appraisal Centre of the Ministry of Labour and Social Security（勞動社會保障部職業鑒定中心）in August 2007.

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

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

COMPANY SECRETARY

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

REPORT OF THE DIRECTORS

The Directors wish to present the report of the Directors together with the audited financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company acts an investment holding company. The activities of principal subsidiaries are the exploration, mining and processing of iron ore, sales of iron ores, preliminary concentrates and iron ore concentrates, production and sales of construction sand and gravel. Details of the principal subsidiaries of the Company are set out in Note 40 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.

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

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 98 of this annual report.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2021 (2020: Nil).

ANNUAL GENERAL MEETING

The 2022 annual general meeting of the Company (the "**2022 AGM**") will be held at 10:00 a.m. on 24 November 2022 at Meeting Room, Ritan Club, Building 1, Ritan East Road, Chaoyang District, Beijing, PRC.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 21 November 2022 to Thursday, 24 November 2022 (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 2022 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 Friday, 18 November 2022.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 December 2021 in the Group's property, plant and equipment are set out in Note 18 to the consolidated financial statements.

SHARE CAPITAL

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

RESERVES

Details of the movements during the year ended 31 December 2021 in the reserves of the Group are set out in the consolidated statement of changes in equity on page 102 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution to the Shareholders in accordance with the Articles were RMB873 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 29 to the consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The sale and purchase from the Group's major customers and suppliers as percentages of the Group's total sales and purchase for the years ended 31 December 2021 and 2020 are set out as follows:

	2021 % of the Group's total		2020 % of the Group's total	
	Sale	Purchase	Sale	Purchase
Largest customer	54.3%	–	37.7%	–
Total of five largest customers	95.8%	–	88.2%	–
Largest supplier	–	9.6%	–	14.8%
Total of five largest suppliers	–	35.4%	–	47.8%

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

For the year ended 31 December 2021, 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.

REPORT OF THE DIRECTORS

DIRECTORS AND SENIOR MANAGEMENT

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

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

Biographical details of the current Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 29 to 32 of this annual report.

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

CHANGE IN DIRECTORS' INFORMATION

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

SERVICE CONTRACTS OF THE DIRECTORS

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

On 24 March 2021, Mr. Kong Chi Mo resigned as an Independent Non-Executive Director of the Company and the service contract of the director was terminated;

On 8 April 2021, Mr. Wong Sze Lok and the Company entered into a director service contract with a term of three years;

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

REMUNERATION FOR THE DIRECTORS AND TOP FIVE HIGHEST PAID INDIVIDUALS

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

None of the Directors has agreed to waive any remuneration for the year ended 31 December 2021. The remuneration for the Directors was proposed by the remuneration committee of the Company (the "**Remuneration Committee**"), which would take into account remuneration paid by similar companies, conditions of employment, responsibilities and individual performance when proposing the remuneration.

EMOLUMENT POLICIES

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at 31 December 2021, 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:

Interests in the Shares:

Name of Directors	Capacity/nature of interest	Number of Shares (long position)	Approximate percentage of issued Shares
Mr. Li Ziwei	Founder of a discretionary trust[(2) (3)]	1,221,877,000[(L)]	74.72%
Mr. Li Yanjun	Interests held jointly with another person[(2) (3)]	1,221,877,000[(L)]	74.72%

Notes:

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

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

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

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

As of 31 December 2021 and so far as is known to the Directors, the interests or short positions of the substantial shareholders, other than the Directors or the chief executives of the Company whose interests and short positions in the shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, who had 5% or more interests or short positions in the Shares and underlying Shares as recorded in the register required to be maintained by the Company under Section 336 of the SFO, were as follows:

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

Notes:

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

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

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

(4) Fresh Idea Ventures Limited acquired security interest in an aggregate of 1,089,630,000 Shares. Fresh Idea Ventures Limited is 100% controlled by Linewear Assets Limited, which in turn is 100% controlled by Huarong International Financial Holdings Limited. Huarong International Financial Holdings Limited is thus deemed to be interested in the aforesaid 1,089,630,000 Shares. Huarong International Financial Holdings Limited is controlled by Camellia Pacific Investment Holding Limited as to 51%, which in turn is 100% controlled by China Huarong International Holdings Limited. China Huarong International Holdings Limited is controlled by China Huarong Asset Management Co., Ltd., Huarong Industrial Investment & Management Co. Ltd., and Huarong Zhiyuan Investment & Management Co., Ltd. as to 84.84%, 13.36%, and 1.80%, respectively. Each of Huarong Industrial Investment & Management Co. Ltd., and Huarong Zhiyuan Investment & Management Co., Ltd. is 100% controlled by China Huarong Asset Management Co., Ltd.. China Huarong Asset Management Co., Ltd. is thus deemed to be interested in the aforesaid 1,089,630,000 Shares.

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

Save as disclosed above, so far as is known by or otherwise notified to the Directors, no other person or entity (other than the Director(s) or chief executive(s) of the Company) had interests or short positions in the Shares or underlying Shares representing 5% or more of the issued share capital of the Company as of 31 December 2021.

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

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

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

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

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

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

In order to effectively reduce cash operating costs, on 28 September 2021 after trading hours, Laiyuan County Aowei Mining Investments Co., Ltd. entered into the Termination Agreement with Aowei Group to early terminate the Beijing Tenancy Agreement entered into with Aowei Group on 30 December 2019 with effect from 1 October 2021, and the surrender of the premises situated at 17th Floor, Tower C, Central World Trade Center, No. 6A Jianguomenwai Avenue, Beijing, to Aowei Group on 1 October 2021. All rights and obligations under the Beijing Tenancy Agreement ceased on the Termination Effective Date. Please refer to the announcement dated on 28 September 2021 for details.

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

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

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

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

The connected transactions as defined in Chapter 14A of the Listing Rules which also constitute related party transactions were disclosed in Note 39 to the consolidated financial statements. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules for the year ended 31 December 2021.

SIGNIFICANT CONTRACTS

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

COMPLIANCE OF DEED OF NON-COMPETITION

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

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

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2021, 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.

ACQUISITION OF THE TARGET ASSETS

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

ADVANCE/FINANCIAL ASSISTANCE TO AN ENTITY

Provision of Deposit Pledge

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

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

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

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

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

Provision of Loan

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

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

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

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

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

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

SIGNIFICANT SUBSEQUENT EVENTS

Reference is made to (i) the announcement of the Company dated 29 March 2021 in relation to the delay in publication of the 2020 Annual Results, postponement of Board meeting and suspension of trading in the shares of the Company; (ii) the announcements of the Company dated 30 April 2021 and 10 May 2021 in relation to, the publication of the unaudited management accounts of the Company for the year ended 31 December 2020, the Initial Resumption Guidance for the Company and the establishment of the Independent Investigation Committee by the Company; (iii) the announcement of the Company dated 13 May 2021 in relation to the resignation of the auditor of the Company; (iv) the announcement of the Company dated 21 May 2021 in relation to the appointment of the Independent Investigator and the appointment of the new auditor of the Company; (v) the announcements of the Company dated 29 June 2021, 29 September 2021, 15 October 2021, 29 December 2021, 29 March 2022, 29 June 2022 and 29 September 2022 in relation to, among other things, the quarterly update on the suspension of trading; (vi) the announcements of the Company dated 8 December 2021 and 4 March 2022 in relation to the key findings of the Independent Investigation; (vii) the announcement of the Company dated 16 December 2021 in relation to the Additional Resumption Guidance; (viii) the announcement of the Company dated 27 January 2022 in relation to the appointment of the Internal Control Consultant; (ix) the announcement of the Company dated 29 August 2022 in relation to delay in publication of the 2022 Interim Results and update on progress of resumption of the Company; (x) the announcement of the Company dated 9 September 2022 in relation to the key findings of the supplementary independent investigation; (xi) the announcement of the Company dated 9 September 2022 in relation to the provision of Deposit Pledge and provision of Loan to an entity; (xii) the announcement of the Company dated 20 September 2022 in relation to the publication of the 2020 Annual Results; and (xiii) the announcement of the Company dated 21 September 2022 in relation to results of the internal control review (collectively, the "**Announcements**").

Save as disclosed specifically in the Announcements and this annual report, there were no significant subsequent events affecting the Group which occurred since 1 January 2022 and up to the date of this annual report.

AUDIT COMMITTEE

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

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

The audit committee currently comprises three independent non-executive Directors, namely Mr. Wong Sze Lok (Chairman), Mr. Meng Likun and Mr. Ge Xinjian (Mr. Kong Chi Mo resigned on 24 March 2021). During the year ended 31 December 2021, the audit committee (i) considered and discussed the establishment of the Independent Investigation Committee and the subsequent resumption audit; and (ii) reviewed the unaudited management accounts and announcement of the Group for the year ended 31 December 2020.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2021.

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

Throughout the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

- **Customers and Suppliers**

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

  The Group's customers mainly consist of iron and steel plants, processing plants and trading companies that purchase iron ore as raw materials. During the Reporting Period, no incidents that will adversely affect the Group's accounts receivable have occurred. If the customer's debt repayment ability is affected and the term of borrowing is extended as a result, the Group will safeguard its own legal rights and interests through various means to reduce the risk of bad debts.

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

RETIREMENT AND EMPLOYEES' BENEFIT PLAN

Detailed information on the retirement and employees' benefit plan of the Company is provided in Note 34 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

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

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

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2021, 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.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 29 March 2021 and will remain suspended until further notice.

AUDITOR

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

By order of the Board

Mr. Li Yanjun
Chairman of the Board

24 October 2022

CORPORATE GOVERNANCE REPORT

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

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

On 24 March 2021, Mr. Kong Chi Mo resigned as an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee. Following the resignation of Mr. Kong Chi Mo, the Board comprises six members, including four executive Directors and two independent non-executive Directors. The Company failed to comply with Rules 3.10, 3.10A and 3.21 of the Listing Rules and the code provision A.5.1 of the CG Code.

On 8 April 2021, Mr. Wong Sze Lok was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee of the Company. On the same date, Mr. Ge Xinjian, an existing independent non-executive Director, was re-designated from the chairman of the Audit Committee to a member of the Audit Committee.

Following the appointment of Mr. Wong Sze Lok, the Company has complied with Rules 3.10, 3.10A and 3.21 of the Listing Rules and the code provision A.5.1of the CG Code from 8 April 2021 to the end of the Reporting Period.

For details, please refer to the announcements of the Company dated 24 March 2021 and 8 April 2021.

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

Set out below is the detailed discussion of the corporate governance practices adopted and observed by the Company during the year ended 31 December 2021 (the "**Reporting Period**").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2021.

BOARD OF DIRECTORS

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

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

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

Note:

C : Chairman
M : Member

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

On 24 March 2021, Mr. Kong Chi Mo resigned as an independent non-executive Director of the Company due to the need to devote more time for his other business commitments. On 8 April 2021, Mr. Wong Sze Lok was appointed as an independent non-executive Director of the Company.

As of 31 December 2021, the Board consisted of seven Directors including four executive Directors and three independent non-executive Directors. Save as disclosed above, the number of independent non-executive Directors complied with the requirement of Rule 3.10(A) of the Listing Rules. Each independent non-executive Director has given an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Non-executive Directors (including independent non-executive Directors) are appointed for a specific term (no more than three years) and subject to retirement by rotation. None of the independent non-executive Directors has served the Company for more than nine years.

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

The key roles of the Board are:

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

During the year, the Company held four regular and eleven special Board meetings for reviewing and approving the financial and operating performance and considering the overall strategies and policies of the Group and appointment of executive director, etc. Sufficient notice (at least 14 days notice 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 Board also enabled the Directors to seek independent professional advice at the Company's expense in appropriate circumstances. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The Company Secretary was responsible for keeping minutes for the Board meetings.

During the Reporting Period, the following is the attendance record of the meetings held by the Board, audit committee, remuneration committee, nomination committee and the general meeting for the year ended 31 December 2021:

	Number of meeting attended/Number of meeting held				
Name of Directors	**Board meeting**	**Audit committee meeting**	**Remuneration Committee meeting**	**Nomination Committee meeting**	**Annual general meeting**
Executive Directors					
Li Yanjun *(Chairman)*	15/15	–	–	1/1	–
Li Ziwei *(Chief Executive Officer)*	15/15	–	1/1	–	–
Sun Jianhua *(Chief Financial Officer)*	15/15	–	–	–	–
Tu Quanping	15/15	–	–	–	–
Independent Non-executive Directors					
Wong Sze Lok (appointed on 8 April 2021)	15/15	2/3	–	1/1	–
Ge Xinjian	15/15	3/3	1/1	–	–
Meng Likun	15/15	3/3	1/1	1/1	–
Kong Chi Mo (resigned on 24 March 2021)	–	–	–	–	–

DIRECTORS' TRAINING

According to code provision A.6.5 of the CG Code, all Directors should participate in a continuous professional development course to develop and refresh their knowledge and skills to ensure that they continue to contribute to the Board with comprehensive information and where necessary.

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

Directors 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.

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	B
Li Ziwei	Executive Director and Chief Executive Officer	B
Sun Jianhua	Executive Director and Chief Financial Officer	B
Tu Quanping	Executive Director	B
Wong Sze Lok (appointed on 8 April 2021)	Independent non-executive Director	A,B
Ge Xinjian	Independent non-executive Director	B
Meng Likun	Independent non-executive Director	B
Kong Chi Mo (resigned on 24 March 2021)	Independent non-executive Director	–

Notes:

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

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

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

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

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

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

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

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

COMPANY SECRETARY

For the year ended 31 December 2021, Ms. Kwong Yin Ping, Yvonne is the Company Secretary of the Company. Ms. Kwong Yin Ping, Yvonne has taken no less than 15 hours of relevant professional training. The main contact of Ms. Kwong in the Company is Mr. Li Ziwei.

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

SPECIALIZED COMMITTEES UNDER THE BOARD

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

AUDIT COMMITTEE

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

The audit committee held three physical meetings during the year ended 31 December 2021. At these three meetings, the audit committee discussed and reviewed, among other things, (i) the unaudited management accounts for the twelve months ended 31 December 2020; (ii) the resumption and follow-up audit work, the establishment of the Independent Investigation Committee; and (iii) the proposed appointment of the auditor.

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

During the year ended 31 December 2021, 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 63 to 64 of this report.

REMUNERATION COMMITTEE

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

Under the remuneration policy of our Company, the Remuneration Committee will make recommendations to the Board on the amount of remuneration payable to Directors and the senior management, by reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities, tenure, commitment, responsibilities and performance of Directors and the senior management. The Remuneration Committee held one physical meeting during the year ended 31 December 2021. At the meeting, the Remuneration Committee discussed and reviewed the remuneration of new Directors appointed by the Company, the remuneration policy and structure for all Directors.

The remuneration payable to the Directors during the year ended 31 December 2021 by band is set out below:

Name of Director	Remuneration Band	Director's Fee	Salaries, allowances and benefits in kind	Pension Scheme contributions	Total
	RMB	%	%	%	%
Executive Directors					
Mr. Li Yanjun	1,000,000-1,500,000	–	100	–	100
Mr. Li Ziwei	500,000-1,000,000	–	98.2	1.8	100
Mr. Sun Jianhua	0-500,000	–	87.3	12.7	100
Mr. Tu Quanping	0-500,000	–	95.2	4.8	100
Independent non-executive Directors					
Mr. Wong Sze Lok (appointed on 8 April 2021)	0-500,000	100	–	–	100
Mr. Ge Xinjian	0-500,000	100	–	–	100
Mr. Meng Likun	0-500,000	100	–	–	100
Mr. Kong Chi Mo (resigned on 24 March 2021)	0-500,000	100	–	–	100

NOMINATION COMMITTEE

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

The nomination committee held one physical meeting during the year ended 31 December 2021. At the meeting, the nomination committee discussed and reviewed, among other things, 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.

DUTIES AND FUNCTIONS

The duties of the Committee are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

DECISION-MAKING PROCEDURES

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

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

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

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

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

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

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

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

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

DIRECTOR NOMINATION POLICY AND BOARD DIVERSITY POLICY MEASURES

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

MEASURABLE OBJECTIVES OF BOARD DIVERSITY POLICY

Selection of candidates for Board membership is based on a range of diversity perspectives, and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. As of 31 December 2021, the Board comprised seven Directors, and all of them are male. There were two Directors at the age range of 31-40, one Director at the range of 41-50, two Directors at the range of 51-60, and two Directors at the age range of 61-65, of which five Directors are from Mainland China and two from Hong Kong. Of all Directors, one has obtained doctorate degree, one has obtained master degree and three have obtained bachelor degree. The Directors have rich experiences in enterprise operation and management and risk management and control, mine development, processing and operation, financial, investment and financing and constantly enhance their professional skills through continuous learning and training. The Nomination Committee has reviewed the members, structure and composition of the Board, and was of the opinion that the extensive experiences and skills of the Directors in various fields and the rational structure of the Board and accord with Board diversity policy arrangements may enable the Company to maintain high standard operation.

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

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

REMUNERATION OF AUDITOR

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

During the year ended 31 December 2021, the total fees paid/payable in respect of audit services and non-audit services provided by Asian Alliance and subsidiaries' auditors are set out below:

	Fee paid/payable RMB'000
Audit Services:	
2021 annual audit	
– Asian Alliance	3,000
2021 statutory audit for subsidiaries of the Company	25
Non-audit services:	
Perform agreed-upon procedures on interim financial information	
– Asian Alliance	500

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

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

The Directors acknowledged their responsibilities for preparing the financial statements for the year ended 31 December 2021, which gave a true and fair view of the state of affairs, the results and cash flows of the Group for that year. The Company allocated sufficient resources to prepare the audited accounts. Senior management was required to present and explain the financial reporting and matters that materially affected or may have material impact on the financial performance and operations of the Company to the Audit Committee and the Board and to respond to the queries and concerns raised by the Audit Committee and the Board to their trust. The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the financial statements included appropriate disclosure made in accordance with the Listing Rules and the Companies Ordinance. The responsibility of the external auditor of the Company for preparing the financial statements of the Group was set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the 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. The results were reported to the Board. The Board had conducted an annual review on the risk management and internal control systems of the Group including financial, operational and compliance controls and risk management and is of the view that the existing risk management and internal control systems of the Group are effective and adequate. The Board has also reviewed the adequacy of resources, qualifications and experience of staff of the internal audit, accounting and financial reporting functions, training and budget.

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

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

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

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

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

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

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

- The legal advisors of the Company regularly provide relevant trainings to the Board and the senior management. The Group has established the Information Disclosure Management System, the Administrative Rules Governing Related Party Transactions, and the Inside Information Disclosure System for processing the inside information. Before inside information is disclosed to the public, the Board ensures that such inside information is kept confidential. The Board regularly evaluates the effectiveness of internal control.

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

SIGNIFICANT CHANGE TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

For the year ended 31 December 2021, the Company did not make any significant changes to the Memorandum and Articles of the Company.

THE RIGHTS OF SHAREHOLDERS

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

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

Procedures for Shareholders to Put Enquiries to the Board

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

Dividend Policy

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

In 2021, the Company continued to communicate with Shareholders, investors and analysts in a honest manner. Comprehensive corporation information has been disclosed in due course and necessary data for valuation purpose has been fully provided by the Company so as to help capital market to understand its investment value. The main communication channels with the Shareholders include:

ANNUAL GENERAL MEETINGS

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

ANNUAL REPORTS, INTERIM REPORTS, ANNOUNCEMENTS AND CIRCULARS

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

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

THE COMPANY'S WEBSITE

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

INVESTOR CONTACTS AND ENQUIRIES

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Aowei Holding Limited hereby presents its ESG report to its stakeholders, which describes the Company's concept, management approach, measures and related performance in sustainable development in 2021.

REPORTING CYCLE AND SCOPE

The time range of the Report, is the financial year 2021, from 1 January 2020 to 31 December 2020 (the "Reporting Period"), and is consistent with that of the annual report of the Group. The subject scope of the Report set out in the shareholding structure diagram in the Corporate Information.

REPORTING GUIDE

The Report has been formulated in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the key performance indicators are fully disclosed. The information disclosed in this Report is mainly derived from the Group's internal documents and public information. While we have not sought external assurance for this ESG Report, we have monitored and verified it based on internal data to ensure its accuracy. We may seek external assurance for future ESG reports when necessary.

REPORTING PRINCIPLES

The Company adopts the four reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency" as the basis of preparation. The application of the three reporting principles of "Materiality", "Quantitative" and "Consistency" is presented as follows:

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

Quantitative: Quantitative KPIs are disclosed in this Report where feasible, and are used as the basis for setting relevant targets in the future. At the same time, this Report has effectively evaluated and validated the effectiveness of ESG-related policies and management systems by disclosing the performance data of the past and the Reporting Period.

Consistency: Unless otherwise stated, the disclosure statistical methods used in this Report are consistent with those used in the past to ensure comparability.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

BOARD STATEMENT

The Board of Directors (the "**Board**") of the Company makes the following statements in respect of the Group's ESG performance. The Board of the Company assumed full responsibility for the Group's ESG strategy and its reporting. The Board had confirmed that the Report does not contain any false information, misleading statements or material omissions, and individually and collectively accept responsibility for the truthfulness, accuracy and completeness of its contents. The Board confirms that the Group has complied with the "comply or explain" and the proposed disclosure provisions set out in the Environmental, Social and Governance Reporting Guide.

CORPORATE GOVERNANCE

The Group is committed to maintaining corporate governance and has established formal and highly transparent procedures to ensure that the interests of all shareholders are protected. The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The above risks include but are not limited to material ESG-related risks. Under the supervision of the Board, the management is responsible for the design, implementation and monitoring of the risk management and internal control systems of the Group, and provides confirmation to the Board on the effectiveness of the risk management and internal control systems.

SUSTAINABLE DEVELOPMENT MANAGEMENT

The Company is committed to implementing high level of corporate governance, strictly complies with the relevant guidelines set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules, and has established a corporate governance structure and system with clear authorities and high transparency to carry out corporate governance and operation management, so as to ensure the long-term development of the Group and protect the interests of the Shareholders.

The Group has established an ESG management framework to promote and implement the Group's sustainable development strategies. To ensure effective ESG management, we have established an ESG structure composed of the Board, ESG working group, various functional departments and subordinate companies to promote ESG management and disclosure. As the highest decision-making body of the Group, the Board is responsible for the Group's ESG work, guiding the direction of the Group's sustainable development, and assuming the overall responsibility for its ESG work. In the future, the Board will continue to strengthen the ESG risk management and improve the ESG working mechanism and supervision process to enhance the level of ESG governance. The ESG working group is led by the Executive Director and the Chief Executive Officer of the Company and assisted by various functional departments. The ESG working group acts as the supervision and coordination level and is responsible for implementing ESG strategies, coordinating ESG matters, preparing reports and reporting relevant work progress to the Board on a regular basis. Each subsidiary and functional department, serving on the execution level, is responsible for promoting the measures formulated by the ESG working group and reporting the relevant work progress and data.

The Group is committed to becoming a responsible enterprise and is fully aware of the importance of ESG work to sustainable development. A sound operation management system and good governance level are the cornerstones to effectively ensure the legal operation and long-term development of the Company. The Group will improve our ESG performance by maintaining good corporate governance standards, implementing environmental protection measures and responding to the expectations of stakeholders, and actively and continuously improving the operation management mechanism and measures, so as to help the Company continue to move forward on the path of sustainable development.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

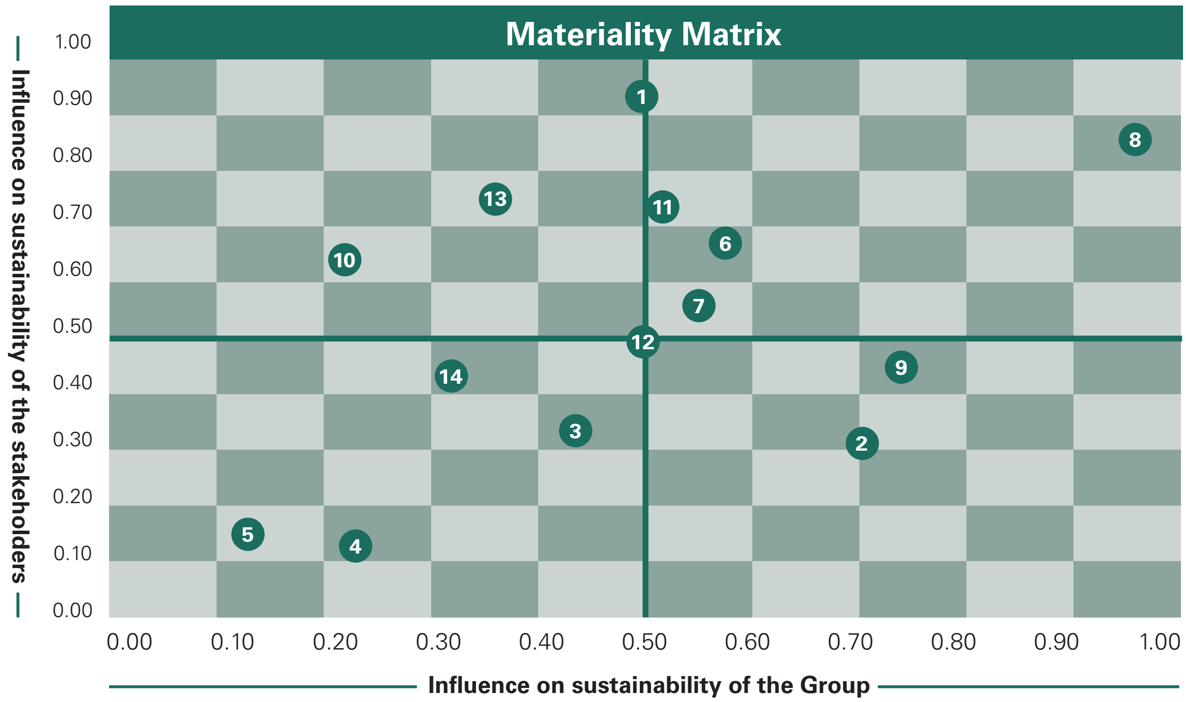
Maintaining communication with stakeholders enables the Group to better understand their expectations on our sustainability performance, which is also an important part of the Group's performance in fulfilling social responsibilities and achieving sustainable development. The Group understands and responds to the opinions and demands of stakeholders through various channels, so as to review and improve the Group's sustainable development policies and strategies, and continuously improve our corporate social responsibilities.

The Company's Stakeholders' Involvement for the year ended 31 December 2021

Stakeholders	Expectations and Demands	Communication Modes
Key Shareholders and potential investors	To operate according to laws and regulations To protect the rights and interests of shareholders To ensure robust business development To maintain sustainable operation capacity To promptly and accurately disclose the relevant information	General meetings Listing information disclosure Onsite visits Investor presentations Roadshows Analysts briefings
Governmental and regulatory authorities	To operate according to laws and regulations To promote development of local and peripheral industries To boost local economy To promote employment To promptly and accurately disclose the relevant information	Regular information submission Meeting with regulatory authorities Participation in meetings/workshops Annual environmental performance audits Information disclosure
Employees	To protect the occupational health and safety of employees To ensure fair promotion mechanism To improve remuneration and benefits To promote development of vocational skills To show humanistic care	Communication channels between employees and the management Suggestion box Employees' activities Training and learning activities
Customers	To operate according to laws and regulations To continuously provide high-quality services and products To improve quality assurance system To ensure win-win cooperation	Business communication Customer feedback Onsite visits
Banking and financial institutions	To maintain business integrity To ensure robust business development To minimize business operation risks	Business communication Onsite visits Information disclosure
Communities and the public	To improve community environment To support community welfare	Participation in community meetings Regular communication Community welfare activities
Peers	To promote industry development	Participation in the industry meetings held by governmental authorities or industry associations Study and mutual visits

MATERIALITY ASSESSMENT

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



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

ENVIRONMENTAL PROTECTION

The Group actively responds to the call of national ecological civilization construction, adheres to the principle of "ecology first", practices the concept of "green development", and takes the construction of "green mines" as our mission. The Group strictly abides by the Environmental Protection Law of the People's Republic of China and other relevant laws and regulations, and actively cooperates with the environmental protection requirements of local government departments. In addition, through the formulation and implementation of the effective Environmental Protection Management System, Emergency Plan for Sudden Environmental Accident and Green Mine Design Plan and other relevant mechanisms, the Company is committed to reducing or avoiding negative impacts on the atmosphere, soil and water during the course of business operation, striving to achieve the goal of balancing business development and environmental protection.

The Group earnestly fulfills the mine environmental recovery responsibility, implements the mine environmental protection and restoration management schemes, and adopts necessary environmental protection measures such as gradual reclamation, topsoil stripping, vegetation restoration, and reclamation monitoring to control the environmental risk of land disturbance, reclamation, closure and vegetation destruction caused by operation activities. During the Reporting Period, the Group realized a greening area of 77,248 square meters through planting trees and laying grasslands.

EMISSION MANAGEMENT

The Group's mining operation adopts physical magnetic separation techniques to produce iron ore concentrates without producing harmful substances during the production process. A certain amount of waste rock is removed and screened in the mining and dry processing, whereas tailings and waste water are mainly produced during wet processing. At the same time, crushing and mechanical operating in the dressing plant would also produce noise and dust. The Company attaches great importance to the management of waste generated during operation, strictly complies with the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Water Pollution and other relevant laws and regulations. Based on the actual situation and the requirements of the regulatory authorities, each operating subsidiary has established an environmental management self-discipline system and institutional organization under the general manager responsibility system, and has set up dedicated environmental protection management personnel, and has formulated scientific environmental impact protection and governance measures to ensure that emissions meet the discharge standards.

Waste rock discharge management

The Company enhances the sustainable development and comprehensive utilization of resources. The waste rock stripped from mining and dry processing is used to process sands and stones used in green construction materials through the solid waste comprehensive utilization project. In this way, we not only realized energy conservation and emission reduction, optimized the ecological environment, by also reduced production and operation costs, and achieved economic benefits. At the same time, the Company will also make full use of waste rocks for backfilling mining pit, paving roads, piling up dam walls, all of which can reduce or avoid the impact of large amount of waste rock accumulation on the natural environment and safety risks.

Tailings discharge management:

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

Breakdown of emissions from solid waste of the Group for the year ended 31 December 2021 are as follows:

Solid waste discharge (tons)	2021	2020	% of change
Mining stripping waste rock	**10,197.1**	8,896.1	14.6%
Dry processing sorting waste rock	**3,979.1**	4,798.6	–17.1%
Water concentration tailings	**2,341.4**	1,464.4	59.9%
Total	**16,517.6**	15,159.1	9.0%

At present, the waste rock from mining stripping and dry processing sorting of the Company can be processed into construction sand and gravel by solid waste reutilization. At the same time, the Company is also actively promoting the reutilization of water concentration tailings.

Dust management

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

In addition to strengthening labour protection, the Company has also adopted effective dust suppression measures and methods for production process. In the mining process, the Company uses wet rock drilling, where the dust generated by rock percussive by drill bits will be suppressed by water flow and precipitated in a timely manner; in terms of blasting, the Company also adopts water bladder for hole plugging to reduce the amount of dust from the source of blasting; at the same time, the Group also equipped multiple sprinklers for 24-hour sprinkling and dust suppression. In the dry processing, the Company implements dust suppression measures such as installing dust removal devices and spraying systems in the dry processing plant, and the plant and transport belt corridor are closed to prevent dust leakage. The Group is also gradually restoring green vegetation and other measures to effectively reduce the generation of dust in the dumping site. In addition, the Company also equipped with windbreak walls in dry processing preliminary concentrates sites and wet processing preliminary concentrates and ore concentrate sites, and dry processing raw ores, tailings and preliminary concentrates sites as well as wet processing preliminary concentrates and ore concentrate sites are covered and sheltered to prevent dust in the wind.

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

Test Items	Analysis Method	Applicable Standards and Standard Value	Test Concentration (mg/m³)
Organised dust	Ambient Air – Determination of Total Suspended Particulates – Gravimetric Method (GB/T15432-1995)	Emission Standard for Pollutants for Mining and Mineral Processing Industry (GB28661-2012) Special emission standard limits for air pollutants: PM≤10mg/m³	2.2-9.0
Unorganised dust	Stationary Source Emission – Determination of Mass Concentration of Particulate Matter at Low Concentration – Manual Gravimetric Method (HJ836-2017)	Emission Standard for Pollutants for Mining and Mineral Processing Industry (GB28661-2012) Unorganized emission limit: PM≤1.0mg/m³	0.188-0.368

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

Noise management

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

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

Noise reduction measures for dressing plant: The Company has given priority to the selection of low-noise and high-efficiency processing equipment. The Company has installed soundproof board, soundproof window and noise elimination equipment in the plant, and sealed the noise producing equipment. In addition to the noise-reducing facilities, the Company also carries out green planting around the plant. Through such effective natural noise reduction measures, the noise reduction effect is achieved and the negative impact of noise on the surrounding environment is reduced.

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

Test Items	Analysis Method	Applicable Standards and Standard Value	Test value (db(A))
Industrial enterprises noise at boundary – day	Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008)	Category III standard:≤65db (A) Category II standard:≤60db (A)	51.6-57.4 51.3-59.2
Industrial enterprises noise at boundary – night	Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008)	Category III standard:≤55db (A) Category II standard:≤50db (A)	46.1-52.8 45.7-49.1

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

Recycling waste water

The Company will produce a certain amount of waste water during the dressing process. Thanks to the effective water filtration and circulation system of the Company, the waste water will be discharged into the tailings storage facilities with the tailings slurry. After the precipitation at tailings storage facilities and filtration, clean water will flow to the recycling water pump station, where it will be pumped back to the dressing plant for recycling. As such, the waste water generated by dressing plant achieves closed-loop recycling and reuse through the tailings storage facilities without being discharged to the surroundings. At the same time, the domestic sewage in the factory, after being treated in the septic tank, together with rainwater, is also discharged into the tailings storage facilities and recycled by processing plants after being cleaned up, achieving zero discharge of domestic sewage and rainwater. Tailings storage facilities and water pump stations are equipped with dedicated personnel to strictly observe the facilities 24 hours a day. During the Reporting Period, the Group did not have any incident of wastewater leakage and pollution.

Waste gas emission management

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

For the year ended 31 December 2021, the air pollutants generated by the Group's motor vehicles are quantified as follows:

Air pollutants emission (kg)	2021	2020	% of change
Nitrogen oxides (NO_X)	**35.4**	28.9	22.5%
Sulfur oxides (SO_X)	**1.4**	1.1	27.3%
Suspended particulate matter (PM)	**2.0**	1.7	17.6%

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

During the Reporting Period, the increase in air pollutants as compared with the same period of last year was mainly due to the suspension of operation of the green mine constructed by Jiheng Mining in 2020, the normal operation of Jiheng Mining throughout the year in 2021, the increase in the mileage of motor vehicles as compared with the same period of last year, and the increase in fuel consumption. In the future, the Group will continue to advocate environmental protection and energy conservation policies, rationally use fuel equipment, and reduce exhaust emissions.

GHG emissions

The Group attaches great importance to the impact of greenhouse gases on the atmospheric environment. It advocates green office, encourages the use of telephone conference, reasonably arranges the use of travel vehicles; promotes paperless office, encourages employees to save paper and reduce the use of photocopiers; and adopts energy-efficient facilities to replace the energy-intensive facilities, in order to realize the continuous reduction of greenhouse gas emissions. At the same time, in order to effectively reduce greenhouse gas emissions, the Group planted approximately 3,010 new trees during the Reporting Period.

Details of GHG emissions resulting from the Group's operations for the year ended 31 December 2021 are as follows:

GHG Emissions (tons)		2021	2020	% of change
Direct GHG emissions (scope 1)	Gasoline and diesel	**7,900.3**	4,058.3	94.7%
Indirect Emissions (scope 2)	Electricity purchased	**141,532.2**	73,195.3	93.4%
Other indirect GHG emissions (scope 3)	Waste paper	**0.6**	0.7	−14.3%
	Business air travel	**13.5**	13.6	−0.7%
Total		**149,446.6**	77,267.9	93.4%

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

During the Reporting Period, GHG emissions increased significantly as compared with the same period of last year, mainly due to the suspension of operation of the green mine constructed by Jiheng Mining in 2020 and the normal operation of Jiheng Mining in 2021.

Recycling of waste and used materials

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

Domestic waste control

The perishable domestic waste in the living area is discharged into the septic tank for disposal and burial. Non-corruptible domestic waste is transported to the garbage disposal station for disposal. The Company encourages waste sorting and prohibits the random disposal or incineration of domestic waste. The Group will collect it centrally and send it to landfill at the location designated by the local sanitation department.

Management of resources

Mineral resources

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

Water resources

The Group strictly abides by the Water Law of the People's Republic of China, and has been adhering to the concept of "cherish water resources and improve water resources utilization efficiency". During the production and operation period, the Company will implement the recycling of production water through the tailings storage facilities, water pump stations, reservoir and water network pipelines, etc, without discharging water resources. In order to prevent the leakage and waste of water resources, the Company also strengthens daily inspection and maintenance of water network pipelines and storage facilities. In addition, the Company also advocates the awareness of water conservation in the daily life of employees. By Posting a variety of water conservation propaganda slogans on water use points, and holding meetings to strengthen the importance and urgency of water conservation, the Company has cultivated the good habit of water conservation among employees.

Water consumption for production by the Group during the year ended 31 December 2021:

Water consumption (tons)	**2021**	2020	% of change
Underground water	**262,810**	426,501	–38.4%
Municipal water supply	**–**	26,600	–
Total	**262,810**	453,101	–42.0%

Management of energy

Energy is the main source of energy for the production and operation of industrial and mining enterprises, the Group's energy consumption was mainly related to electricity, diesel and gasoline. The Group understands the importance of efficient use of energy and is committed to operation through technological renovation and equipment upgrading, optimizing the production process, adopting advanced low energy production technology and equipment, eliminating backward technology and equipment of high energy consumption, and reducing energy consumption. The Group actively carries out energy conservation awareness and skills training for employees, promotes the concept of green and low-carbon energy conservation, and also encourages employees to achieve the goal of energy conservation through reward and assessment mechanism.

Provide energy conservation measures.

The use of energy by the Group for the year ended 31 December 2021 is as follows:

Energy consumption	Unit	2021	2020	% of change
Electricity	0000'KWh	**16,005.0**	8,277.2	93.4%
Diesel	Tons	**2,454.0**	1,227.0	100.0%
Gasoline	0000'Litres	**10.7**	8.3	28.9%

During the Reporting Period, the significant increase in energy consumption as compared with the corresponding period of last year was mainly attributable to the suspension of operation of the green mine constructed by Jiheng Mining in 2020, and the increase in energy consumption of Jiheng Mining in 2021 as a result of its normal operation throughout the year.

EMPLOYMENT AND LABOUR PRACTICES

The Group strictly complies with relevant laws and regulations such as the Labour Law of the People's Republic of China and the Regulations on the Paid Annual Leave of Employee. The Group upholds the people-oriented principle, adopts a sustainable strategy and mechanisms in the management of its human resources, and creates a positive, fair and equitable, safe and healthy working environment for employees, so as to promote the common sustainable development of employees and the Group.

Policy and Welfare

The Group earnestly considers the legitimate rights and interests of employees, and has formulated policies and mechanisms such as the Labour Employment Management System, the Measures on Payroll Accounting Management, Attendance and Vacation Management System and the Measures on Performance Appraisal Management to protect the legitimate rights and interests of employees. The Group encourages employees to strike a balance between work and rest, strictly complies with the working hours and holiday arrangements stipulated by laws, and eliminates forced labour practises. The Company's remuneration policy is based on the principle of fairness, which ensures that the remuneration level is no lower than the minimum wage requirements of the local community. We also refer to the peer remuneration level to provide attractive remuneration, and legally provide staff members with retirement protection plans as stipulated by laws and regulations. The Group is committed to perfecting the staff performance appraisal mechanism for employees, and considers the personal work performance of employees as the basis for the adjustment of salary and rank to stimulate the enthusiasm of employees and encourage them to realize their self-worth. Meanwhile, the Group establishes different channels to understand and collect employees' comments and suggestions on our policies, working environment, and development strategies so as to safeguard the sustainable development of the Group.

The Group welcomes the diversity of its employees. Regardless of the race, religion, gender or age, all the staff receive equal employment opportunity, including employment decisions such as recruitment, development, promotion, training, etc. During the Reporting Period, the Group did not receive any complaints about unequal employment. The Group does not allow child labour in any form. The Group adopts various methods to verify the identity of candidates to prevent the employment of child labour. The Group adhere to the principles of "freedom in job choosing" and "two-way choice", and use our labour with no traces of treats, suppression, oppression, abduction, or fraud. During the Reporting Period, there had been no circumstances of any violation of the legislation and regulation such as child labour or forced labour.

As of 31 December 2021, the Group had a total of 1,030 employees, which included the total number of employees of the subsidiaries covered in the Report. The relevant data of the Group's employees is as follows:

By region

Region	Number of employees	Percentage of total workforce	Number of staff turnover	Turnover rate[2]
Aborigines[1]	738	73.4%	41	4.2%
Non-aborigines	292	29.0%	21	2.2%

By gender and age

Gender and Age	Number of employees at the end of the year	Percentage of total workforce at the end of the year	Number of staff turnover	Turnover rate(2)
Male				
35 and under	163	15.8%	29	2.9%
35-50	446	43.3%	18	1.8%
50 and above	384	37.3%	12	1.2%
Sub-total	993	96.4%	59	6.1%
Female				
35 and under	7	0.7%	–	–
35-50	17	1.7%	2	0.2%
50 and above	13	1.3%	1	0.1%
Sub-total	37	3.6%	3	0.3%
Total	1,030		62	6.4%

By employment category

Employment category	Number of employees at the end of the year	Percentage of total workforce at the end of the year	Number of staff turnover	Turnover rate(2)
Functional management	241	23.4%	31	3.2%
Mining production	129	12.5%	6	0.6%
Dry processing production	471	45.7%	14	1.4%
Water concentration production	125	12.1%	2	0.2%
Other	64	6.2%	9	0.7%
Total	1,030		62	6.4%

Notes:

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

(2) Turnover rate = number of staff turnover (i.e. the number of regular employees voluntarily resigned) ÷ annual average workforce of the Company (969)

DEVELOPMENT AND TRAINING

The Group attaches great importance to the development and training of employees. The selection criteria and guidelines are set out in the clear promotion mechanism such as the Measures on Promotion and Management of the Employees and the Measures on Assessment of Skill Level to provide employees with development opportunities and explore career opportunities. At the same time, the Group has also formulated the Measures on Training and Management of the Employees to improve the comprehensive quality and professional skills of employees through the training. Only further strengthening and implementing the new established business philosophy and values can enterprises adapt to market competition and keep up with the development of the times.

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

Trainings for employees during the year ended 31 December 2021 (by training content)

Name/ Type of courses	Brief of course content	Average hours	Cumulative number of participants	Percentage of cumulative number of participants to annual average number of employees
Safety officer training	laws and regulations/safety knowledge	48	2	0.21%
Safety management personnel training	laws and regulations/safety knowledge	48	17	1.75%
Occupational disease management training	laws and regulations/ occupational disease prevention knowledge	8	14	1.44%
Special operation personnel training	laws and regulations/ professional knowledge	16	48	4.95%
Other training	regulations system/emergency rescue/safe operation rules	48	860	88.75%
Total		144	941	97.10%

Trainings for employees during the year ended 31 December 2021 (by employee category)

Employee category	Number of employees trained	Average training hours	Percentage of participants to the annual average number of employees
Senior management	6	16	0.6%
Middle management	29	24	3.0%
General staff	895	64	92.4%
Total	930	104	96.0%

Note: The average number of employees of the Group was 969 during the year ended 31 December 2021.

HEALTH AND SAFETY

As a mining company, the Group attaches great importance to health and safety management, and takes the safe production as the lifeline of the Company. The Group strictly complies with the relevant requirements of laws and regulations such as the Law of the People's Republic of China on Work Safety and the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, and resolutely implements the policy of "safety first, prevention-oriented, and comprehensive governance" to earnestly perform the primary responsibility. The Group has established a sound corporate safety management system and operating procedures to strengthen safety awareness and lay a solid foundation for health and safety management through various means such as fund guarantee, technology upgrading and supervision and assessment.

Management Measures

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

The Group strictly complies with the requirements of relevant laws and regulations, regularly conducts occupational health examinations for employees, and sets up occupational health archives for employees. At the same time, the Company also selects qualified institutions to regularly conduct occupational health monitoring in the work site, carry out hidden danger investigation and management, improve occupational health protection facilities, and equip employees with labour protection equipment that meets the requirements to protect the physical and mental health of employees. The Group also pays special attention to the management of contractors' health, safety and environmental protection. It requires contractors to establish health, safety and environmental protection management systems, and strictly implement industry norms and standards. The Group strictly enforces the system of occupational health, safety inspection and reward and punishment, and regularly carries out occupational hazards, safety production inspection and hidden danger investigation on the work site. During the Reporting Period, the Group has conducted a total of 177 health and safety inspections, achieving a rate of safety risk ratification and safety instruction implementation of 100%. The Group paid RMB0.46 million as safety assessment reward, with no fine imposed against behaviors violating the health and safety regulations throughout the year.

During the Reporting Period, the Group had completed occupational health and safety education training for 620 employees in order to enhance the employee's safety protection skill and improve the employees' awareness of occupational health and safety protection. For the purpose of improving the emergency rescue level, emergency response capability and the operability of emergency plans of employees, the Group organized a total of 4 emergency response drills during the Reporting Period.

Emergency response drill of the Group during the year ended 31 December 2021

Mines	Names of drills	Number of participants
Jiheng Mining	Mine slope landslide emergency plan drill	45
	Tailing pond overtopping emergency plan drill	30
Jingyuancheng Mining	Mine landslide, debris flow emergency plan drill	50
	Tailings pond flood overtopping emergency plan drill	40

Safety Fund Insurance

The Group continues to ensure the fund investment in health and safety and sets aside safety measure fees each year exclusively for health and safety protection purpose. During the Reporting Period, the actual investment in safety measures fees amounted to approximately RMB1.8 million.

Safety Accidents and Targets

For the year ended 31 December 2021, the Group continued to enhance the risk management and control over the occupational health and safety in production, and achieved the annual target of zero death with the relevant accident rate keeping at a reasonable level, and did not cause any loss of working days. The targets on the occupational health and safety of the Group for 2021 are: the rate for minor injury≦3%, and the rate for serious injuries, fatal accidents, fire accidents, collective food poisoning accidents, major accidents in equipment and facilities, and incidence of occupational diseases is zero.

SUPPLY CHAIN MANAGEMENT

The Group attaches great importance to the cooperation and communication with suppliers. Adhering to the concept of "Working and Growing Hand in Hand", the Group is committed to the procurement principles of open and fair, and cooperates with suppliers and contractors to jointly improve the performance of sustainable development.

Supply chain management is a key factor to ensure the healthy and sustainable development of the Group. Therefore, the Company has formulated a series of strict management measures in selecting suppliers and contractors, such as the the Tender Management Measures, the Procurement Management Measures and other policy mechanisms, to comprehensively evaluate the commercial and professional qualifications, quality system, productivity, product quality, pricing and service capabilities of suppliers and contractors, and to determine on a merit basis. To assure the fairness and equity of the selecting process, the legal department and audit supervision department will also participate in the supervision. At the same time, the Group will also engage an internal consultant to review whether there are defects and risks in the Group's procurement methods and evaluation procedures, and continue to improve the policy mechanism of supply chain management.

In addition, in order to ensure the safety of the supply chain, the Group also regularly evaluates the environmental and social risks of the supply chain, and explicitly requires suppliers and contractors who provide services to the Company to strictly abide by and implement the applicable laws and regulations in the places of operation. The Company eliminates the cooperation with unqualified suppliers and contractors.

During the Reporting Period, there were a total of 132 qualified suppliers and contractors providing services to the Group, including 125 suppliers providing materials and equipment supply services to the Group, 66 suppliers in Hebei Province and 59 suppliers in other provinces; there were a total of 7 contractors providing on-site operation services to the Group, including 6 contractors in Hebei Province and 1 contractor in other provinces.

PRODUCT RESPONSIBILITY

Product quality is one of the key factors for sustainable development of an enterprise and the lifeblood of an enterprise. Therefore, the Group attaches great importance to the quality of products and the reputation of the Company. In accordance with the Product Quality Law of the People's Republic of China and other relevant laws and regulations and industry standards, the Group strictly implements product quality management measures to ensure that high-quality products are offered to customers.

In order to strengthen quality control and stabilise and improve product quality, the Group requires each production unit to establish a quality inspection ledger, which sets out the objectives, frequency and scope of quality inspection, and timely adjusts the production equipment and technology according to quality inspection results to ensure product quality.

Quality objectives:

Iron ore business: to ensure that the grade of acid iron ore concentrate is not less than 66%;
to ensure that the grade of alkaline iron ore concentrate is not less than 63%;

Machine-processed sand and gravel business: to ensure that the relevant standards of machine-processed sand are in line with the national standards.

In order to ensure that the products are delivered to customers with quality and quantity, the Group has adopted a series of safeguard measures to conduct double measurement and quality inspection of the products. In case of any significant difference, the Group will also deal with it in accordance with the Customer Complaints Guidelines for Quantity and Quality. Problem that cannot be resolved will be subject to review and arbitration by third-party authoritative organization. During the Reporting Period, the Group did not have any cases of material non-compliance with laws and regulations relating to product responsibility, and did not receive any complaints about products and services.

As the iron ore concentrates and machine-processed sand and gravel materials produced by the Group are located in the upstream of the entire industrial chain and will not directly deliver the products to the end customers, the products will not directly endanger the safety and health of any person or cause environmental pollution.

ANTI-CORRUPTION

The Group strictly abides by the Criminal Law of the People's Republic of China, the Anti-corruption Law of the People's Republic of China and the Anti-money Laundering Law of the People's Republic of China, and is committed to regulating business operation management and daily work processes with extremely high ethical standards. Directors, management and employees are prohibited from using their powers to seek personal gains. The Group adopts a zero-tolerance policy for any form of bribery, extortion, fraud and money laundering.

In order to strengthen the anti-corruption approach and avoid the above-mentioned fraud or unethical behaviour, the Group has formulated and implemented relevant mechanisms such as audit, reporting and anti-money laundering, and clarified the Company's anti-corruption management disciplines and conduct requirements. At the same time, the Company also engages external auditors to conduct audit on the Company to prevent and control the Company's fraud or unethical behaviour.

The Group also provides legal education to employees through training to raise their awareness of anti-corruption. At the same time, the Company also formulated the Measures on Management of Employee's Whistle-blowing and set up various whistle-blowing channels such as telephone hotlines, email and mailbox for whistleblowing. The Company also adopts various measures to encourage staff members to proactively report acts in violation of disciplines found and strengthen the confidentiality of the identity of the whistle-blower.

During the Reporting Period, the Group did not have any legal cases regarding corrupt practises brought against the Company or its employees.

COMMUNITY PARTICIPATION

The Group adheres to the principle of mutual benefit and win-win results, and is committed to developing together with the community where it is located. Through regular communication with local communities and active participation in community activities, the Group understands their needs and fulfils its social responsibilities with practical actions.

At the beginning of 2021, the COVID-19 pandemic was still going on. The Company is well aware of the difficulties of the epidemic prevention personnel, and has made every effort to support the epidemic prevention and control work of the community where it is located, such as donating food, living and epidemic prevention materials to the quarantine station, so as to contributed its enterprise strength to the prevention and control of the epidemic.

The Group is committed to supporting the poverty alleviation work in the places where it operates, and takes targeted measures to help 60 local residents solve their employment problems through active communication with the community.

The Group is concerned about the development of the ecological environment of the communities in which it is located, and actively promotes the construction of ecological civilization in the local communities. During the Reporting Period, the Group has successively funded the construction of roads for the communities in which it is located, and adopted sprinkling for dust suppression to beautify the local ecological environment.

In 2019, the General Administration of Sport of China established the National Ski Jumping Training and Research Base in Laiyuan County, Hebei Province, where the Company's mines are located, to fully ensure that athletes are prepared for the Winter Olympics. The local government seized the opportunity of the Winter Olympics to vigorously develop the economy of the winter sports and the education and training industry. In 2021, the Group contributed to the development of local winter sports undertakings by donating RMB100,000 to the local sports industry.

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INDEPENDENT AUDITOR'S REPORT

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

TO THE MEMBERS OF AOWEI HOLDING LIMITED

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

Disclaimer of opinion

We were engaged to audit the consolidated financial statements of Aowei Holding Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 98 to 196, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for disclaimer of opinion

Limitation of scope on prepayments

As detailed in Note 24(b) to the consolidated financial statements, as at 31 December 2020 and 31 December 2021, the Company made prepayments in aggregate of approximately RMB294,626,000 and RMB179,253,000 (the "**Prepayments**") respectively to four transportation service providers (the "**Transportation Service Providers**"), which were independent of the Group and not related to any of the directors of the Company (the "**Directors**"), in relation to the provision of on-site loading services and transportation services (the "**Transportation Services**").

Basis for disclaimer of opinion *(Continued)*

Limitation of scope on prepayments *(Continued)*

During the years ended 31 December 2020 and 31 December 2021, we noted the Group has the following transactions with the Transportation Service Providers:

(i) upfront payments in aggregate of approximately RMB1,399,556,000 and RMB315,235,000 to the Transportation Service Providers (the "**Upfront Payments**"), respectively;

(ii) fees in aggregate of approximately RMB370,759,000 and RMB322,632,000 in relation to the Transportation Services provided by the Transportation Service Providers (the "**Transportation Service Fees**"), respectively; and

(iii) refunds in aggregate of approximately RMB1,289,430,000 and RMB120,000,000 from the Transportation Service Providers (the "**Refunds**"), respectively.

During our audit of the consolidated financial statements of the Group for the years ended 31 December 2020 and 31 December 2021, we have been provided with the explanations and supporting documents from the management of the Group, which are about the commercial substance and nature of the Prepayments in relation to the Transportation Services, including:

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

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

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

(iv) The Prepayments as at 31 December 2019 was approximately RMB551,365,000, representing 149% of the Transportation Service Fees for the year ended 31 December 2020 (i.e. approximately RMB370,759,000), the Prepayments as at 31 December 2020 was approximately RMB294,626,000, representing 91% of the Transportation Service Fees for the year ended 31 December 2021 (i.e. approximately RMB322,632,000);

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

Basis for disclaimer of opinion *(Continued)*

Limitation of scope on prepayments *(Continued)*

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

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

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

(ii) We are not able to justify the commercial substance and business rationale of the Upfront Payments during both years ended 31 December 2020 and 31 December 2021 since:

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

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

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

(d) there was no documentary payment orders received from the Transportation Service Providers when making the Upfront Payments and lack of supporting documents accompanied with the payment request to support the amount of the Upfront Payments;

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

Basis for disclaimer of opinion *(Continued)*

Limitation of scope on prepayments *(Continued)*

(iii) We are not able to justify the commercial substance and business rationale of the Refunds as the Group made Upfront Payments to the Transportation Service Providers again within a short period after the Refunds during both years ended 31 December 2020 and 31 December 2021.

Accordingly, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves about the concerns we expressed and there were no other alternative audit procedures that we could carry out to satisfy ourselves as to the accuracy, occurrence, commercial substance and business rationale, valuation and allocation and classification of (1) the Prepayments of approximately RMB294,626,000 as at 31 December 2020, (2) the Upfront Payments of approximately RMB1,399,556,000 and RMB315,235,000 during the years ended 31 December 2020 and 31 December 2021 respectively, and (3) the Refunds of approximately RMB1,289,430,000 and RMB120,000,000 during the years ended 31 December 2020 and 31 December 2021 respectively.

Any adjustment found to be necessary in respect of these matters might have significant consequential effects on the consolidated financial position of the Group as at 31 December 2020, and the consolidated financial performance and cash flows of the Group for the years ended 31 December 2020 and 31 December 2021, and the related disclosures in the consolidated financial statements.

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

Emphasis of matter

(a) During the year ended 31 December 2021, the Group provided a loan in cash in the amount of RMB300,000,000 to one of the Transportation Service Providers (the "**Provision of Loan**"). However, the Provision of Loan constituted a disclosable transaction of the Company and was therefore subject to the reporting and announcement requirements under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Provision of Loan was also subject to the general disclosure obligations under Rule 13.15 of the Listing Rules. Subsequently, the Company issued an announcement regarding to such notifiable transaction on 9 September 2022.

(b) We draw attention to Note 3.1 to the consolidated financial statements, as at 31 December 2021, the Group's current liabilities exceeded its current assets by approximately HK$351,100,000. This condition, along with other matters as set forth in Note 3.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. As stated in Note 3.1 to the consolidated financial statements, the Group had interest-bearing bank borrowings of RMB557,000,000 as at 31 December 2021, of which RMB177,000,000 and RMB260,000,000 have been renewed for two years and one year respectively during the year 2022.

Our opinion is not modified in respect of these matters.

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

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

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

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

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

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

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

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

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

24 October 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
Revenue	*7*	**1,191,741**	567,977
Cost of sales		**(774,498)**	(473,888)
Gross profit		**417,243**	94,089
Other income, gains and losses, net	*9*	**8,508**	(254)
Distribution expenses		**(8,652)**	(16,633)
Administrative expenses		**(102,473)**	(117,947)
(Impairment losses) reversal of impairment losses under expected credit loss model, net	*11*	**(1,845)**	2,470
Finance costs	*10*	**(34,630)**	(41,556)
Profit (loss) before tax	*13*	**278,151**	(79,831)
Income tax (expense) credit	*12*	**(75,008)**	9,260
Profit (loss) for the year		**203,143**	(70,571)
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(57)**	(140)
Total comprehensive income (expense) for the year		**203,086**	(70,711)
Earnings (loss) per share in RMB	*17*		
Basic		**0.12**	(0.04)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	*18*	**1,314,899**	1,011,763
Construction in progress	*19*	**323,786**	113,796
Intangible assets	*20*	**70,865**	77,172
Long-term receivables	*21*	**30,340**	30,340
Deferred tax assets	*30*	**218,023**	192,280
		1,957,913	1,425,351
Current assets			
Inventories	*23*	**121,423**	131,754
Trade and other receivables	*24*	**322,227**	452,856
Pledged bank deposit	*25*	**–**	300,000
Bank balances and cash	*25*	**104,066**	20,212
		547,716	904,822
Current liabilities			
Trade and other payables	*26*	**246,356**	238,131
Contract liabilities	*27*	**28,588**	1,954
Lease liabilities	*28*	**1,943**	3,669
Bank borrowings	*29*	**557,000**	430,000
Tax payable		**60,653**	50,559
Other financial liabilities	*31*	**–**	23,009
Provision for reclamation obligations	*32*	**4,276**	3,392
		898,816	750,714
Net current (liabilities) assets		**(351,100)**	154,108
Total assets less current liabilities		**1,606,813**	1,579,459

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Bank borrowings	*29*	**–**	178,000
Lease liabilities	*28*	**2,911**	–
Other financial liabilities	*31*	**117,721**	115,695
Provision for reclamation obligations	*32*	**32,536**	35,205
		153,168	328,900
Net assets		**1,453,645**	1,250,559
Capital and reserves			
Share capital	*33*	**131**	131
Reserves		**1,453,514**	1,250,428
Total equity		**1,453,645**	1,250,559

The consolidated financial statements on pages 98 to 196 were approved and authorised for issue by the board of directors on 24 October 2022 and are signed on its behalf by:

Li Yanjun	**Li Ziwei**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Attributable to equity shareholders of the Company							
	Share capital RMB'000	Share premium RMB'000 *Note (a)*	Statutory surplus reserve RMB'000 *Note (b)*	Specific reserve RMB'000 *Note (c)*	Exchange reserve RMB'000 *Note (d)*	Other reserve RMB'000 *Note (e)*	Retained earnings RMB'000	Total equity RMB'000
At 1 January 2021	131	1,142,640	84,556	51,080	(291)	(126,229)	98,672	1,250,559
Profit for the year	–	–	–	–	–	–	203,143	203,143
Other comprehensive expense for the year								
Item that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	–	–	–	–	(57)	–	–	(57)
Total comprehensive (expense) income for the year	–	–	–	–	(57)	–	203,143	203,086
Transfer back to retained earnings, net of provision	–	–	–	(27,715)	–	–	27,715	–
At 31 December 2021	131	1,142,640	84,556	23,365	(348)	(126,229)	329,530	1,453,645

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

Notes:

(a) Share premium

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

(b) Statutory surplus reserve

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

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

(c) Specific reserve

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

(d) Exchange reserve

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

(e) Other reserve

The other reserve comprises the followings:

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**278,151**	(79,831)
Adjustments for:		
Depreciation	**17,881**	26,766
Interest income	**(8,034)**	(107)
Interest expenses	**34,630**	41,556
Loss on disposal of property, plant and equipment	**487**	33
Loss on written-off of property, plant and equipment	**–**	328
Impairment losses (reversal of impairment losses) under expected credit loss model, net	**1,845**	(2,470)
Gain on early termination of a lease	**(369)**	–
Operating cash flows before movements in working capital	**324,591**	(13,725)
Increase in inventories	**129,008**	82,455
Decrease in trade and other receivables	**126,633**	228,337
Increase (decrease) in trade and other payables	**38,870**	(6,206)
Increase (decrease) in contract liabilities	**26,634**	(4,801)
Decrease in other financial liabilities	**(23,667)**	(36,914)
Decrease in provision for reclamation obligation	**(2,498)**	(1,558)
Cash generated from operations	**619,571**	247,588
Income tax paid	**(87,725)**	(33,479)
NET CASH FROM OPERATING ACTIVITIES	**531,846**	214,109

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and construction in progress	**(672,479)**	(369,416)
Proceeds on disposals property, plant and equipment	**74**	16
Interest received	**8,034**	107
Release (placement) of pledged bank deposit	**300,000**	(300,000)
Provision of loan to an entity	**(300,000)**	–
Repayment of loan from an entity	**300,000**	–
NET CASH USED IN INVESTING ACTIVITIES	**(364,371)**	(669,293)
FINANCING ACTIVITIES		
New bank borrowings raised	**400,000**	390,000
Repayment of bank borrowings	**(451,000)**	(337,000)
Repayment of lease liabilities	**(860)**	(4,230)
Interest paid	**(31,704)**	(34,622)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(83,564)**	14,148
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**83,911**	(441,036)
BANK BALANCES AND CASH AT BEGINNING OF THE YEAR	**20,212**	461,639
Effect of foreign exchange rate changes	**(57)**	(391)
BANK BALANCES AND CASH AT THE END OF THE YEAR, represented by bank balances and cash	**104,066**	20,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

1. General information

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

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

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

As at 31 December 2021, the directors of the Company (the "**Directors**") considered the immediate parent and ultimate controlling party of the Group to be Hengshi International Investments Limited, a company incorporated in the British Virgin Islands, and Mr. Li Yanjun and Mr. Li Ziwei, respectively. Hengshi International Investments Limited does not produce financial statements available for public use.

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, International Accounting Standards ("**IAS**") 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

Impacts on application of the agenda decision of the Committee — Cost necessary to sell inventories (IAS 2 *Inventories*)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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

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

New and amendments to IFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

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

Amendments to IFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "**Conceptual Framework**") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);
- add a requirement that, for transactions and other events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

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

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

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

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

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

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

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

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

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

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

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

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

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

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

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

Amendments to IAS 16 *Property, Plant and Equipment – Proceeds before Intended Use*

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with IAS 2 *Inventories*.

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

Amendments to IFRSs *Annual Improvements to IFRSs 2018-2020*

The annual improvements make amendments to the following standards.

IFRS 9 *Financial Instruments*

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

IFRS 16 *Leases*

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

IAS 41 *Agriculture*

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

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

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

3.1 Basis of preparation of consolidated financial statements

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

As stated in the consolidated financial statements, the Group's current liabilities exceeded its current assets by approximately RMB351,100,000 as at 31 December 2021. As at the same date, the Group's total borrowings amounted to approximately RMB557,000,000 and has capital commitments of approximately RMB81,559,000, while its bank balances and cash amounted to approximately RMB104,066,000 only. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

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

(1) The Group had interest-bearing bank borrowings of RMB557,000,000 as at 31 December 2021, of which RMB177,000,000 and RMB260,000,000 have been renewed for two years and one year respectively during the year 2022; and

(2) Benefit from the rebound of average sales price of iron ore concentrates in first half of 2022, the Group is expected to record a net operating cash inflow for the year ending 31 December 2022.

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 2021 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 2021. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

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

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

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

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

Output method

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

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

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers *(Continued)*

Existence of significant financing component

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

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

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

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

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of workshop, 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.

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

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

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

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

3.2 Significant accounting policies *(Continued)*

Foreign currencies

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

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

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

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

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

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

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

3.2 Significant accounting policies *(Continued)*

Borrowing costs

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

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.

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**"), state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

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

Short-term and other long-term employee benefits

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

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

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

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

3.2 Significant accounting policies *(Continued)*

Taxation

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

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

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

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

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

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

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

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

3.2 Significant accounting policies *(Continued)*

Taxation *(Continued)*

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

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

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

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

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

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

3.2 Significant accounting policies *(Continued)*

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.

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.

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

3.2 Significant accounting policies *(Continued)*

Capitalised stripping cost

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

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

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

- The costs can be measured reliably.

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

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

3.2 Significant accounting policies *(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

Intangible assets acquired separately

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

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

3.2 Significant accounting policies *(Continued)*

Intangible assets *(Continued)*

Intangible assets acquired in a business combination

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

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

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

Mining rights

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

Hospital management right

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

Both the period and method of amortisation are reviewed annually.

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

3.2 Significant accounting policies *(Continued)*

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

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

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

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

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

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

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

3.2 Significant accounting policies *(Continued)*

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

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

Inventories

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

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

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).

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

3.2 Significant accounting policies *(Continued)*

Obligation for reclamation

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

Financial instruments

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

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

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

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

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

A financial asset is held for trading if:

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

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

Amortised cost and interest income

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

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including long-term receivables, trade receivables, other receivables and deposits, pledged bank deposit 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.

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

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

The Group always recognises lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

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

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

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

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

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

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

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

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

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

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

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

(ii) Definition of default

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

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

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

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

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

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

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

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

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

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

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities *(Continued)*

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

4. Critical accounting judgement and key sources of estimation uncertainty

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

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

Critical judgements in applying accounting policies

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

Going concern and liquidity

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

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

Critical judgements in applying accounting policies *(Continued)*

Capitalised stripped cost

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

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

Key sources of estimation uncertainty

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

Iron ore reserves

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

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

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

Key sources of estimation uncertainty *(Continued)*

Useful live of property, plant and equipment

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

Estimated impairment of property, plant and equipment and intangible assets

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

As at 31 December 2021, the carrying amounts of property, plant and equipment and intangible assets subject to impairment assessment were approximately RMB979,277,000 and RMB70,810,000 (2020: approximately RMB518,363,000 and RMB55,000) respectively. During the year ended 31 December 2021, no impairment loss (2020: Nil) in respect of property, plant and equipment and intangible assets that have been recognised. Details of the impairment of property, plant and equipment, 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. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates for the years ended 31 December 2021 and 31 December 2020 as there is higher risk that a prolonged pandemic could lead to increased credit default rates. The information about the ECL and the Group's trade receivables are disclosed in Notes 6(b) and 24 respectively.

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

Key sources of estimation uncertainty *(Continued)*

Provision 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 Groups' other receivables and deposits are disclosed in Notes 6(b) and 24 respectively.

Obligations for reclamation

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

Deferred tax asset

As at 31 December 2021, no deferred tax asset has been recognised on the tax losses of approximately RMB153,792,000 (2020: approximately RMB155,935,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially the uncertainty on how the COVID-19 pandemic may progress and evolve. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

5. Capital risk management

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

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

The gearing ratio (calculated as total bank borrowings divided by total assets) of the Group as at 31 December 2021 was 22.23% (31 December 2020: 26.09%).

6. Financial instruments

(a) Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
At amortised cost:		
– Long-term receivables	**30,340**	30,340
– Trade and other receivables	**96,842**	110,937
– Pledged bank deposit	**–**	300,000
– Bank balances and cash	**104,066**	20,212
	231,248	461,489
Financial liabilities		
At amortised cost:		
– Trade and other payables	**229,861**	224,696
– Lease liabilities	**4,854**	3,669
– Bank borrowings	**557,000**	608,000
– Other financial liabilities	**117,721**	138,704
	909,436	975,069

6. Financial instruments *(Continued)*

(b) Financial risk management objectives and policies

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

Interest rate risk

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

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

	2021 **RMB'000**	2020 RMB'000
Financial assets at amortised cost	**8,034**	107

Interest expense on financial liabilities not measured at FVTPL:

	2021 **RMB'000**	2020 RMB'000
Financial liabilities at amortised cost	**34,630**	41,556

Sensitivity analysis

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

6. Financial instruments *(Continued)*

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

Operational risk assessment

During the year ended 31 December 2021, 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 two (2020: three) largest customers accounted for approximately RMB1,028,879,000 or 86.3% (2020: approximately RMB468,979,000 or 82.6%) of the Group's total revenue for the year ended 31 December 2021. The Directors will continue closely monitoring the performance and financial position of this major customer to avoid any adverse impact on the Group's financial position.

Credit risk and impairment assessment

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

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

Trade receivables arising from contracts with customers

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

At 31 December 2021, trade receivables from the five largest customers amounting to approximately RMB65,370,000 (2020: approximately RMB76,195,000), representing approximately 76.1% (2020: 86.5%) of the total gross trade receivables.

At 31 December 2021, the Group's concentration of credit risk by geographical location is in the PRC, which accounted for 100% (2020: 100%) of total gross trade receivables.

6. Financial instruments *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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

In addition, the Group performs impairment assessment under ECL model on trade receivables 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.

Long-term receivables

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

Pledged bank deposit/bank balances

Except for the bank balances of approximately RMB87,386,000 (2020: pledged bank deposit of RMB300,000,000 and bank balances of approximately RMB11,857,000) was placed in banks with high credit ratings assigned by international credit agencies, the remaining bank balances of approximately RMB16,607,000 (2020: approximately RMB8,257,000) was placed in a local bank which does not have external credit rating as at 31 December 2021. The Group has applied 12m ECL approach to assess the impairment loss on bank balances and determines the credit rating of this local bank based on the scale, the operation risk and the supervision risk of the bank. The Group assessed 12m ECL for pledged bank deposit/bank balances placed in banks with high credit ratings assigned by international credit agencies by reference to information relating to probability of default and loss given default of the respective credit rating grades. Based on the average loss rates, the 12m ECL on pledged bank deposit/bank balances is considered to be insignificant and therefore no loss allowance was recognised.

Other receivables and deposits

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

Impairment loss, net of reversal, on other receivables of approximately RMB1,345,000 (2020: approximately RMB210,000) is recognised during the year ended 31 December 2021.

6. Financial instruments *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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

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

6. Financial instruments *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2021 Gross carrying amount RMB'000	RMB'000	2020 Gross carrying amount RMB'000	RMB'000
Financial assets at amortised costs								
Bank balances	*25*	AA+	N/A	12m ECL	87,386		11,857	
		N/A	Low risk	12m ECL	16,607	103,993	8,257	20,114
Pledged bank deposit	*25*	AA+	N/A	12m ECL		–		300,000
Other receivables and deposits	*24*	N/A	(Note 1)	12m ECL	6,794		22,957	
				Lifetime ECL (credit-impaired)	6,849	13,643	782	23,739
Trade receivables	*24*	N/A	(Note 2)	Lifetime ECL (Provision matrix)		85,955		88,109
Long-term receivables	*21*	N/A	Low risk	12m ECL		30,340		30,340

Notes:

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

	Past due RMB'000	Not past due/ No fixed repayment terms RMB'000	Total RMB'000
2022			
Other receivables and deposits	**6,849**	**6,794**	**13,643**
2021			
Other receivables and deposits	782	22,957	23,739

6. Financial instruments *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Notes: (Continued)

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

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

31 December 2021

	Trade receivables		
	Current	1-90 days past due	Total
	RMB'000	RMB'000	RMB'000
Gross carrying amount	84,626	1,329	85,955
Average loss rate	0.30%	39.64%	
Expected credit loss	250	527	777

31 December 2020

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

6. Financial instruments *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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

During the year ended 31 December 2021, the Group provided approximately RMB773,000 (2020: approximately RMB277,000) impairment allowance for trade receivables, based on the provision matrix.

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

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 1 January 2020	2,957	12,117	15,074
Changes due to financial instruments recognised as at 1 January 2020:			
– Impairment losses reversed	(2,957)	–	(2,957)
– Written-off	–	(12,117)	(12,117)
New financial assets originated or purchased	277	–	277
At 31 December 2020	277	–	277
Changes due to financial instruments recognised as at 1 January 2021:			
– Impairment losses recognised	523	–	523
– Impairment losses reversed	(273)	–	(273)
New financial assets originated or purchased	250	–	250
At 31 December 2021	**777**	**–**	**777**

6. Financial instruments *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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

	2021 Increase (decrease) Lifetime ECL (not credit-impaired) RMB'000
Further impairment made for the credit risk increased trade receivables	523
Settlement in full of trade receivables with gross carrying amount of approximately RMB86,780,000	(273)
New trade receivables with gross carrying amount of approximately RMB84,626,000	250

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

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 2020	13	411	424
Changes due to financial instruments recognised as at 1 January 2020:			
– Impairment losses recognised	–	68	68
– Impairment losses reversed	(13)	(179)	(192)
New financial assets originated	334	–	334
At 31 December 2020	334	300	634
Changes due to financial instruments recognised as at 1 January 2021:			
– Transfer to lifetime ECL (credit-impaired)	(105)	105	–
– Impairment losses recognised	61	1,338	1,399
– Impairment losses reversed	(71)	–	(71)
New financial assets originated	17	–	17
At 31 December 2021	**236**	**1,743**	**1,979**

6. Financial instruments *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

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

	2021 Increase	
	12m ECL	Lifetime ECL (credit-impaired)
	RMB'000	RMB'000
Further impairment made for other receivables and deposits	61	1,338

	2020 Increase	
	12m ECL	Lifetime ECL (credit-impaired)
	RMB'000	RMB'000
Further impairment made for credit-impaired other receivables and deposits	–	68
New other receivables and deposits with gross carrying amount of approximately RMB23,244,000	334	–

Liquidity risk

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

As at the date of these financial statements, the Group renewed bank borrowings of RMB437,000,000 and the Group is considering alternative sources of financing as well, the Directors are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period.

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

6. Financial instruments *(Continued)*

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

Liquidity risk *(Continued)*

The table includes both interest and principal cash flows.

2021	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 2021 RMB'000
Trade and other payables	–	229,861	–	–	229,861	229,861
Lease liabilities	6.27-6.64	2,150	1,720	1,290	5,160	4,854
Bank borrowings	3.80-9.18	571,430	–	–	571,430	557,000
Other financial liabilities	6.55	–	123,272	–	123,272	117,721
		803,441	124,992	1,290	929,723	909,436

2020	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 2020 RMB'000
Trade and other payables	–	224,696	–	–	224,696	224,696
Lease liabilities	6.30-6.53	3,900	–	–	3,900	3,669
Bank borrowings	3.80-9.23	468,852	16,567	182,630	668,049	608,000
Other financial liabilities	6.55	24,516	–	123,272	147,788	138,704
		721,964	16,567	305,902	1,044,433	975,069

(c) Fair value measurements of financial instruments

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

7. Revenue

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2021

	Mining segment RMB'000
Type of goods	
Iron ore concentrates	1,109,360
Gravel materials	82,381
Total	1,191,741
Geographical markets	
The PRC	1,191,741
Timing of revenue recognition	
A point in time	1,191,741

7. Revenue *(Continued)*

(i) Disaggregation of revenue from contracts with customers *(Continued)*

For the year ended 31 December 2020

	Mining segment RMB'000
Type of goods	
Iron ore concentrates	485,862
Preliminary concentrates	28,319
Gravel materials	53,796
Total	567,977
Geographical markets	
The PRC	567,977
Timing of revenue recognition	
A point in time	567,977

(ii) Performance obligations for contracts with customers

Sales of iron ore concentrates, preliminary concentrates and gravel materials

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

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

7. Revenue *(Continued)*

(ii) Performance obligations for contracts with customers *(Continued)*

Sales of iron ore concentrates, preliminary concentrates and gravel materials *(Continued)*

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

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

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

8. Operating segments

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

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

– Mining segment: the mining, processing and sale of iron ore products and gravel materials; and

– Medical segment: the provision of hospital management, establishment of specialist clinics, supply of medical consumables and nursing service.

8. Operating segments *(Continued)*

(a) Segment revenues and results

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

For the year ended 31 December 2021

	Mining segment RMB'000	Medical segment RMB'000	Total RMB'000
Revenue	**1,191,741**	**–**	**1,191,741**
Segment results	**284,007**	**(748)**	**283,259**
Unallocated corporate expenses			**(5,108)**
Profit before tax			**278,151**

For the year ended 31 December 2020

	Mining segment RMB'000	Medical segment RMB'000	Total RMB'000
Revenue	567,977	–	567,977
Segment results	(74,961)	(531)	(75,492)
Unallocated corporate expenses			(4,339)
Loss before tax			(79,831)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit (loss) from each segment without allocation of certain administration costs, certain other income and certain director's emoluments. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

8. Operating segments *(Continued)*

(a) Segment revenues and results *(Continued)*

The CODM makes decisions according to operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

(b) Other segment information

Year ended 31 December 2021

Amounts included in the measure of segment result:

	Mining segment RMB'000	Medical segment RMB'000	Unallocated RMB'000	Total RMB'000
Additions of property, plant and equipment (excluded right-of-use assets)	379,074	–	–	379,074
Additions of right-of-use assets	22,122	–	–	22,122
Additions of construction in progress	247,192	–	–	247,192
Reversal of impairment loss recognised on trade receivables	273	–	–	273
Reversal of impairment loss recognised on other receivables	71	–	–	71
Impairment loss recognised on trade receivables	(773)	–	–	(773)
Impairment loss recognised on other receivables	(1,416)	–	–	(1,416)
Depreciation of property, plant and equipment (excluded right-of-use assets)	(110,760)	–	–	(110,760)
Depreciation of right-of-use assets	(19,491)	–	–	(19,491)
Amortisation of intangible assets	(6,307)	–	–	(6,307)
Loss on disposal of property, plant and equipment	(487)	–	–	(487)
Capital occupancy fee	7,740	–	–	7,740
Government grant	592	–	–	592
Gain on early termination of a lease	369	–	–	369
Finance costs	(34,630)	–	–	(34,630)

Amounts regularly provided to the CODM but not included in the measure of segment result:

	Mining segment RMB'000	Medical segment RMB'000	Unallocated RMB'000	Total RMB'000
Interest income from financial institutions	290	4	–	294

8. Operating segments *(Continued)*

(b) Other segment information *(Continued)*

Year ended 31 December 2020

Amounts included in the measure of segment result:

	Mining segment RMB'000	Medical segment RMB'000	Unallocated RMB'000	Total RMB'000
Additions of property, plant and equipment (excluded right-of-use assets)	267,133	–	–	267,133
Additions of right-of-use assets	31,956	–	–	31,956
Additions of construction in progress	150,705	–	–	150,705
Reversal of impairment loss recognised on trade receivables	2,613	344	–	2,957
Reversal of impairment loss recognised on other receivables	192	–	–	192
Impairment loss recognised on trade receivables	(277)	–	–	(277)
Impairment loss recognised on other receivables	(402)	–	–	(402)
Depreciation of property, plant and equipment (excluded right-of-use assets)	(102,126)	–	–	(102,126)
Depreciation of right-of-use assets	(18,306)	–	–	(18,306)
Amortisation of intangible assets	(7,132)	–	–	(7,132)
Written-off of property, plant and equipment	(328)	–	–	(328)
Loss on disposal of property, plant and equipment	(33)	–	–	(33)
Finance costs	(41,556)	–	–	(41,556)

Amounts regularly provided to the CODM but not included in the measure of segment result:

	Mining segment RMB'000	Medical segment RMB'000	Unallocated RMB'000	Total RMB'000
Interest income from financial institutions	101	6	–	107

8. Operating segments *(Continued)*

Geographical information

The Group's operations are located in the PRC.

Information about the Group's revenue from external customers is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**1,191,741**	567,977	**1,709,550**	1,202,731

Note: Non-current assets excluded deferred tax assets and financial instruments.

Information about major customers

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

	2021	2020
	RMB'000	RMB'000
Customer A[1]	**382,259**	213,938
Customer B[1]	**–**	147,310
Customer C[1]	**646,620**	107,731

[1] Revenue from mining segment

9. Other income, gains and losses, net

	2021	2020
	RMB'000	RMB'000
Written-off of property, plant and equipment	**–**	(328)
Loss on disposal of property, plant and equipment	**(487)**	(33)
Bank interest income	**294**	107
Capital occupancy fee (Note (a))	**7,740**	–
Government grant (Note (b))	**592**	–
Gain on early termination of a lease	**369**	–
	8,508	(254)

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

Notes:

(a) During the year ended 31 December 2021, approximately RMB7,740,000 represented a capital occupancy fee from a loan of RMB300,000,000 provided to Laiyuan County Ruitong Transportation Co., Ltd.* ("**Laiyuan Ruitong**") (the "**Loan**") by Laiyuan County Jingyuancheng Mining Co., Ltd.* ("**Jingyuancheng Mining**") which (i) carried interest at 4.35% per annum, (ii) was unsecured and (iii) RMB50,000,000 should be repayable on or before 30 June 2021 and the remaining balance and the capital occupancy fee should be repayable on or before 31 December 2021. The Loan and the capital occupancy fee has been fully repaid and settled during the year ended 31 December 2021.

(b) During the year ended 31 December 2021, approximately RMB592,000 represented an incentive from Emergency Management Bureau of Laiyuan County* for maintaining good quality and upgrading of the tailings ponds of Jingyuancheng Mining.

10. Finance costs

	2021 **RMB'000**	2020 RMB'000
Interest expenses on:		
– Bank borrowings	**30,774**	35,281
– Lease liabilities	**389**	457
– Discounted bills	**70**	–
Unwinding interest expenses on:		
– Other financial liabilities	**2,684**	4,983
– Provision for reclamation obligations (Note 32)	**713**	835
	34,630	41,556

* *For identification purpose only*

11. (Impairment losses) reversal of impairment losses under expected credit loss model, net

	2021 RMB'000	2020 RMB'000
Reversal of impairment losses on:		
– Trade receivables	**273**	2,957
– Other receivables	**71**	192
Impairment losses on:		
– Trade receivables	**(773)**	(277)
– Other receivables	**(1,416)**	(402)
	(1,845)	2,470

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

12. Income tax expense (credit)

	2021 RMB'000	2020 RMB'000
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**97,819**	11,804
Underprovision in prior years:		
Hong Kong Profits Tax	**2,932**	4,272
Deferred tax (Note 30):		
Current year	**(25,743)**	(25,336)
Total	**75,008**	(9,260)

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 2021 and 31 December 2020 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.

12. Income tax expense (credit) *(Continued)*

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

	2021 **RMB'000**	2020 RMB'000
Profit (loss) before tax	**278,151**	(79,831)
Tax at domestic income tax rate of 25% (2020: 25%)	**69,538**	(19,958)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**840**	660
Tax effect of expenses not deductible for tax purpose	**3,913**	26,725
Utilisation of tax losses previously not recognised	**–**	(22,302)
Tax effect of tax losses not recognised	**285**	1,343
Underprovision in respect of prior years	**2,932**	4,272
Other	**(2,500)**	–
Income tax expense (credit) for the year	**75,008**	(9,260)

13. Profit (loss) before tax

	2021 RMB'000	2020 RMB'000
Profit (loss) before tax has been arrived at after charging:		
Staff costs (include directors' and chief executive's emoluments (Note 14)):		
– salaries and other benefits in kind	**81,964**	57,262
– retirement benefits scheme contributions (Note 34)	**6,549**	221
Total staff costs	**88,513**	57,483
Capitalised in inventories	**(54,986)**	(33,818)
	33,527	23,665
Transportation service fees	**324,629**	373,698
Capitalised in inventories	**(205,338)**	(180,820)
Capitalised in construction in progress	**(99,875)**	(107,508)
Capitalised in property, plant and equipment	**(9,610)**	(67,687)
	9,806	17,683
Depreciation of property, plant and equipment (excluded right-of-use assets)	**110,760**	102,126
Depreciation of right-of-use assets	**19,491**	18,306
Amortisation of intangible asset	**6,307**	7,132
Total depreciation and amortisation	**136,558**	127,564
Capitalised in inventories	**(118,677)**	(100,798)
	17,881	26,766
Auditor's remuneration:		
– audit services	**3,025**	5,521
– non-audit services	**500**	1,700
Legal and professional fee	**3,958**	6,244
Donation	**120**	10,501
Cost of inventories recognised as an expense	**765,272**	468,889

Note:

During the year ended 31 December 2021, the increase in retirement benefits scheme contributions was primarily due to the exemption of social insurance contributions as a result of regulatory supportive policies issued by the PRC local government in response to the outbreak of COVID-19 for the year ended 31 December 2020.

14. Directors' and chief executive's emoluments

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

For the year ended 31 December 2021

	Fees RMB'000	Salaries and other benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors				
Mr. Li Yanjun (Chairman)	–	1,195	–	1,195
Mr. Li Ziwei (Vice Chairman and Chief Executive Officer)	–	796	15	811
Mr. Tu Quanping	–	360	18	378
Mr. Sun Jianhua	–	345	50	395
Independent non-executive directors				
Mr. Ge Xinjian	109	–	–	109
Mr. Meng Likun	109	–	–	109
Mr. Kong Chi Mo (resigned on 24 March 2021)	42	–	–	42
Mr. Wong Sze Lok (appointed on 8 April 2021)	149	–	–	149
	409	2,696	83	3,188

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

For the year ended 31 December 2020

	Fees RMB'000	Salaries and other benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors				
Mr. Li Yanjun (Chairman)	–	1,280	–	1,280
Mr. Li Ziwei (Vice Chairman and Chief Executive Officer)	–	854	16	870
Mr. Tu Quanping	–	420	1	421
Mr. Sun Jianhua	–	350	3	353
Mr. Jin Jiangsheng (resigned on 7 April 2020)	–	43	1	44
Independent non-executive directors				
Mr. Ge Xinjian	116	–	–	116
Mr. Meng Likun	116	–	–	116
Mr. Kong Chi Mo	178	–	–	178
	410	2,947	21	3,378

Notes:

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

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

There were no arrangement under which a director or the chief executive waived or agreed to waive any emoluments during the years ended 31 December 2021 and 2020.

15. Five highest paid employees

The five highest paid employees of the Group during the year included two (2020: three) directors, details of whose remuneration are set out in Note 14 to the consolidated financial statements above. Details of the remuneration for the year of the remaining three (2020: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 **RMB'000**	2020 RMB'000
Salaries and other benefits in kind	**1,557**	817
Retirement benefits scheme contributions	**78**	1
	1,635	818

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

	2021	2020
Nil to RMB1,000,000	**3**	2

16. Dividends

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

17. Earnings (loss) per share

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

	2021 **RMB'000**	2020 RMB'000
Profit (loss) for the year attributable to owners of the Company for the purpose of basic earnings (loss) per share	**203,143**	(70,571)

	2021 **'000**	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**1,635,330**	1,635,330

No diluted earnings (loss) per share for both years ended 31 December 2021 and 31 December 2020 were presented as there were no potential ordinary shares in issue for both years ended 31 December 2021 and 31 December 2020.

18. Property, plant and equipment

	Lands, buildings and plants RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Mine properties RMB'000	Total RMB'000
COST						
At 1 January 2020	712,256	357,689	24,521	14,977	321,933	1,431,376
Additions	56,462	10,680	1,358	92	230,497	299,089
Transferred from construction in progress (Note 19)	–	250	–	–	38,088	38,338
Written-off	(305)	–	(1,424)	–	–	(1,729)
Disposals	–	(77)	(186)	–	–	(263)
At 31 December 2020	768,413	368,542	24,269	15,069	590,518	1,766,811
Additions	259,082	69,355	10,428	2,789	59,542	401,196
Transferred from construction in progress (Note 19)	–	2,682	–	–	34,520	37,202
Early termination of a lease	(7,120)	–	–	–	–	(7,120)
Disposals	–	(1,704)	(513)	–	–	(2,217)
At 31 December 2021	**1,020,375**	**438,875**	**34,184**	**17,858**	**684,580**	**2,195,872**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2020	228,237	196,402	18,610	8,089	184,893	636,231
Charge for the year	46,558	30,391	1,518	2,452	39,513	120,432
Written-off	(116)	–	(1,285)	–	–	(1,401)
Written back on disposals	–	(46)	(168)	–	–	(214)
At 31 December 2020	274,679	226,747	18,675	10,541	224,406	755,048
Charge for the year	52,530	32,374	1,811	1,944	41,592	130,251
Early termination of a lease	(2,670)	–	–	–	–	(2,670)
Written back on disposals	–	(1,169)	(487)	–	–	(1,656)
At 31 December 2021	**324,539**	**257,952**	**19,999**	**12,485**	**265,998**	**880,973**
NET CARRYING VALUES						
At 31 December 2021	**695,836**	**180,923**	**14,185**	**5,373**	**418,582**	**1,314,899**
At 31 December 2020	493,734	141,795	5,594	4,528	366,112	1,011,763

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

The estimated useful lives of property, plant and equipment, other than mine properties, are as follows:

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

Mine properties are depreciated using the units-of-production method based on the proven and probable mineral reserves of the relevant ore body or component of ore body.

The Group's property, plant and equipment are substantially located in the PRC. As at 31 December 2021, the Group has not obtained title certificate of certain of its buildings and plants with an aggregate carrying amount of approximately RMB248,508,000 (2020: approximately RMB15,119,000). 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 2021, mine properties include capitalised stripping activity asset with a carrying amount of approximately RMB35,659,000 (2020: approximately RMB41,205,000).

As at 31 December 2021, 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 RMB24,443,000 (2020: approximately RMB27,750,000) (Note 36).

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

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

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at 31 December 2021			
Carrying amounts	**105,330**	**5,319**	**110,649**
As at 31 December 2020			
Carrying amounts	104,678	7,790	112,468
For the year ended 31 December 2021			
Depreciation charge	**15,845**	**3,646**	**19,491**
For the year ended 31 December 2020			
Depreciation charge	14,635	3,671	18,306

	2021 RMB'000	2020 RMB'000
Expense relating to short-term leases	**1,709**	933
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**–**	37
Total cash outflow for leases	**2,569**	5,200
Additions to right-of-use assets	**22,122**	31,956
Early termination of a lease	**4,450**	–

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

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

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

Up to the issue of these consolidated financial statements, the Group is still in the process of applying for the title certificates of certain of its leasehold lands with a carrying amount of approximately RMB69,911,000 (2020: approximately RMB92,616,000). 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 2021, certain leasehold lands with an aggregate carrying amount of approximately RMB9,822,000 (2020: approximately RMB10,102,000) were pledged to secure a bank borrowing granted to the Group (Note 36).

In addition to the portfolio of short-term leases for a workshop and a stockyard which are regularly entered into by the Group, the Group entered into certain short-term lease for certain machinery during the year ended 31 December 2021.

19. Construction in progress

	Property and plant under construction/ installation RMB'000
At 1 January 2020	1,429
Additions	150,705
Transferred to property, plant and equipment (Note 18)	(38,338)
At 31 December 2020	113,796
Additions	247,192
Transferred to property, plant and equipment (Note 18)	(37,202)
At 31 December 2021	**323,786**

20. Intangible assets

	Mining rights RMB'000	Hospital management right RMB'000	Total RMB'000
COST			
At 1 January 2020	793,854	187,000	980,854
Written-off (Note (a))	–	(187,000)	(187,000)
At 31 December 2020 and 31 December 2021	**793,854**	**–**	**793,854**
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 January 2020	709,550	187,000	896,550
Charge for the year	7,132	–	7,132
Written-off (Note (a))	–	(187,000)	(187,000)
At 31 December 2020	716,682	–	716,682
Charge for the year	6,307	–	6,307
At 31 December 2021	**722,989**	**–**	**722,989**
NET CARRYING VALUES			
At 31 December 2021	**70,865**	**–**	**70,865**
At 31 December 2020	77,172	–	77,172

20. Intangible assets *(Continued)*

Notes:

(a) Intangible assets represent mining rights and the related premium paid in relation to obtaining the mining rights, and the hospital management right acquired in 2016.

As at 31 December 2021, the remaining useful life of the mining rights was approximately 0.3 to 1.1 years (2020: approximately 1.3 to 2.1 years) but is renewable every 10 years. The Directors are of the opinion that the Group would renew the mining rights and has the ability to do so. Jingyuancheng Mining has applied for the renewal of its mining rights which is still in progress up to the date of this report and Laiyuan County Jiheng Mining Co., Ltd.* ("**Jiheng Mining**") has renewed its mining right after the year ended 31 December 2021.

As at 31 December 2019, the remaining useful life of the hospital management right was 26.5 years. On 3 March 2020, the Group and Rongcheng County Hospital of Traditional Chinese Medicine (the "**Rongcheng Hospital**") terminated the hospital management agreement and such hospital management right has been written-off. As full impairment losses on the carrying value of the hospital management right have been provided for in previous years, there is no impact on the profit or loss for the year ended 31 December 2020.

(b) As at 31 December 2021, certain of the Group's bank borrowings were secured by the mining right of Jiheng Mining with a carrying amount of approximately RMB55,000 (2020: approximately RMB55,000) (Note 36).

21. Long-term receivables

	2021 **RMB'000**	2020 RMB'000
Environmental reclamation deposits (Note)	**30,340**	30,340

Note:

Environmental reclamation deposits placed with government in respect of the Group's reclamation obligations for the closure of mines and it is not expected to be refunded within the next 12 months.

22. Impairment assessment of tangible and intangible assets

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

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

Jingyuancheng Mining

During the year ended 31 December 2021, the selling price of iron ore concentrates dropped by 46.2% to approximately RMB700 per ton in December 2021 compared to the highest selling price of approximately RMB1,300 per ton in July 2021, the management of the Group concluded there was impairment indicator and conducted impairment assessment on property, plant and equipment and mining rights in Jingyuancheng Mining CGU with carrying amount of approximately RMB979,277,000 and RMB70,810,000, respectively. The Directors estimated the recoverable amount of Jingyuancheng Mining CGU with reference to a valuation carried out by Masterpiece Valuation Advisory Limited, an independent qualified valuer. The recoverable amount of the Jingyuancheng Mining CGU has been determined based on a value-in-use calculation, which uses a cash flow projection based on financial forecast approved by management covering a 14-year period. The average selling price per ton of iron ore concentrates and gravel materials used for the cash flow projection is RMB773 per ton and RMB44 per ton, respectively. The pre-tax discount rate applied to cash flow projection is 14.5%.

As at 31 December 2021, 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 by approximately RMB40,049,000. Accordingly, no impairment loss would be recognised against the carrying amount of Jingyuancheng Mining CGU.

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

For the year ended 31 December 2020, the management of the Company considered no impairment indicator for the Jingyuancheng Mining CGU.

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

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

Jiheng Mining

During the year ended 31 December 2020, the operation of Jiheng Mining was suspended to construct the green mine, the management of the Group concluded there was impairment indicator and conducted impairment assessment on property, plant and equipment and mining right in Jiheng Mining CGU with carrying amount of approximately RMB518,363,000 and RMB55,000 respectively. The Directors estimated the recoverable amount of Jiheng Mining CGU with reference to a valuation carried out by Masterpiece Valuation Advisory Limited, an independent qualified valuer. The recoverable amount of the Jiheng Mining CGU has been determined based on a value-in-use calculation, which uses a cash flow projection based on financial forecast approved by management covering a 10-year period. The average selling price per ton of iron ore concentrates and gravel materials used for the cash flow projection is RMB914 per ton and RMB37 per ton respectively. The pre-tax discount rate applied to cash flow projection is 19.6%.

As at 31 December 2020, based on the result of the assessment, management of the Group determined that the recoverable amount of the Jiheng Mining CGU exceed its carrying amount by approximately RMB20,887,000. Accordingly, no impairment loss would be recognised against the carrying amount of Jiheng Mining CGU.

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

For the year ended 31 December 2021, the management of the Company considered no impairment indicator for the Jiheng Mining CGU.

23. Inventories

	2021 RMB'000	2020 RMB'000
Iron ores	**24,245**	54,301
Preliminary concentrates	**23,766**	27,866
Iron ore concentrates	**3,458**	5,501
Gravel materials	**44,419**	27,058
	95,888	114,726
Consumables and supplies	**25,535**	17,028
	121,423	131,754

24. Trade and other receivables

	2021 RMB'000	2020 RMB'000
Trade receivables	**85,955**	88,109
Less: Allowance for credit losses	**(777)**	(277)
Total trade receivables, net (Note (a))	**85,178**	87,832
Prepayments and deposits (Notes (b) to (e))	**213,484**	337,397
Value-added tax recoverable	**14,486**	7,107
Amounts due from directors (Note (j))	**81**	25
Other receivables (Notes (f) to (i))	**10,977**	21,129
	239,028	365,658
Less: Allowance for credit losses	**(1,979)**	(634)
Total other receivables, net	**237,049**	365,024
Trade and other receivables, net	**322,227**	452,856

24. Trade and other receivables *(Continued)*

Notes:

(a) As at 1 January 2020, trade receivables from contracts with customers amounted to approximately RMB73,743,000, net of allowance for credit losses of approximately RMB15,074,000.

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

	2021 **RMB'000**	2020 RMB'000
0 to 30 days	**23,708**	30,537
31 to 90 days	**51,631**	1,899
91 to 180 days	**4,523**	10,064
181 to 365 days	**4,514**	45,332
1 to 2 years	**802**	–
	85,178	87,832

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB802,000 (2020: Nil) which are past due as at the reporting date.

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

	2021 **RMB'000**	2020 RMB'000
Laiyuan County Huiguang Logistics Co., Ltd* ("**Laiyuan Huiguang**")	**83,027**	159,686
Laiyuan County Aotong Transportation Co., Ltd.* ("**Laiyuan Aotong**")	**26,135**	96,113
Laiyuan Ruitong	**30,320**	–
Rongcheng Ronghui Logistics Co., Ltd.* ("**Rongcheng Ronghui**")	**39,771**	38,827
	179,253	294,626

(c) As at 31 December 2021, included in the Group's prepayments and deposits, an amount of approximately RMB2,585,000 (2020: approximately RMB2,585,000) represented a utility deposit.

(d) As at 31 December 2020, included in the Group's prepayments and deposits, an amount of RMB27,000,000 represented a prepayment made to a preliminary concentrates supplier. It has been fully settled through the delivery of preliminary concentrates during the year ended 31 December 2021.

(e) As at 31 December 2021, included in the Group's prepayments and deposits, an amount of approximately RMB14,085,000 (2020: Nil) represented prepayments made for several improvement projects.

* For identification purpose only

24. Trade and other receivables *(Continued)*

Notes: (Continued)

(f) As at 31 December 2021, included in the Group's other receivables, an amount of RMB2,000,000 (2020: RMB2,100,000) represented a performance security deposit paid to certain customers.

(g) As at 31 December 2021, included in the Group's other receivables, an amount of approximately RMB7,562,000 (2020: approximately RMB10,830,000) 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.

(h) As at 31 December 2020, included in the Group's other receivables, an amount of approximately RMB4,167,000 represented the prepaid rent. The lease has been terminated during the year ended 31 December 2021.

(i) As at 31 December 2020, included in the Group's other receivables, an amount of approximately RMB2,927,000 represented a payment of tax reserve certificate to the Hong Kong Inland Revenue Department (the "**HKIRD**"). The tax reserve certificate has been used for the settlement of the under provision of Hong Kong Profits Tax for prior years on 15 March 2021.

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

	Maximum amount outstanding during the year ended RMB'000	31 December 2021 RMB'000	31 December 2020 RMB'000
Amount due from Mr. Li Yanjun	42	42	25
Amount due from Mr. Li Ziwei	39	39	–
		81	25

Details of impairment assessment of trade and other receivables are set out in Note 6(b).

* For identification purpose only

25. Pledged bank deposit/bank balances and cash

Bank balances carry interest at market rates which ranged from 0.00% to 0.35% (2020: from 0.01% to 0.35%) per annum.

Included in bank balances and cash are the following amounts denominated in currencies other than the group entities' functional currencies:

	2021 **RMB'000**	2020 RMB'000
United State dollars ("**USD**")	**60**	67
HK$	**1,006**	1,027
Singapore dollar	**2**	2

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

	2021 **RMB'000**	2020 RMB'000
Amounts denominated in RMB	**102,998**	319,116

On 22 December 2020, the Group entered into a pledge agreement with Bank of Nanjing, pursuant to which the time deposit of RMB300,000,000 (the "**Pledged Deposit**") was pledged in favour of Bank of Nanjing to guarantee the obligations of the indebtedness owing by an independent third party to Bank of Nanjing for an amount of RMB300,000,000. The Pledged Deposit has been released on 4 March 2021.

Details of the Pledged Deposit are disclosed in the Company's announcements dated 8 December 2021, 4 March 2022 and 9 September 2022, respectively.

Details of impairment assessment of bank balances and pledged bank deposit are set out in Note 6(b).

26. Trade and other payables

	2021 RMB'000	2020 RMB'000
Trade payables (Note (a))	**106,475**	69,541
Other taxes payables	**16,495**	13,435
Payables for construction work, equipment purchase and others	**53,686**	83,401
Interest payables	**1,251**	2,181
Other payables (Notes (b) to (e))	**68,449**	69,573
	246,356	238,131

Notes:

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

	2021 RMB'000	2020 RMB'000
Up to 30 days	**20,618**	28,657
31 to 90 days	**24,714**	14,768
91 to 180 days	**19,788**	3,930
181 to 365 days	**12,208**	2,999
Over 1 year	**29,147**	19,187
	106,475	69,541

As at 31 December 2021, all trade payables are due and payable on presentation or within one year.

(b) As at 31 December 2021, included in the Group's other payables, an amount of approximately RMB16,465,000 (2020: approximately RMB18,661,000) represented the compensation fees for water and soil conservation.

(c) As at 31 December 2021, included in the Group's other payables, an amount of approximately RMB13,448,000 (2020: approximately RMB11,349,000) represented the compensation fees for land reclamation.

(d) As at 31 December 2021, included in the Group's other payables, an amount of approximately RMB12,375,000 (2020: approximately RMB9,935,000) represented the accrued salaries.

(e) As at 31 December 2021, included in the Group's other payables, an amount of approximately RMB7,730,000 (2020: approximately RMB7,530,000) represented the compensation charged by Laiyuan Country Zhijiazhuang Village Committee for compensation of impact from mining operation to the nearby village.

27. Contract liabilities

	2021 **RMB'000**	2020 RMB'000
Sales of iron ore concentrates	**27,663**	293
Sales of gravel materials	**925**	1,661
	28,588	1,954

As at 1 January 2020, contract liabilities amounted to approximately RMB10,283,000.

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 concentrates RMB'000	**Sales of gravel materials** RMB'000	**Total** RMB'000
For the year ended 31 December 2021			
Revenue recognised that was included in the contract liability balance at the beginning of the year	**293**	**1,661**	**1,954**
For the year ended 31 December 2020			
Revenue recognised that was included in the contract liability balance at the beginning of the year	5,460	1,069	6,529

27. 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 concentrates

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% (2020: 100%) of the sales amount on acceptance of the contract from certain customers.

The significant increase in contract liabilities in current year was mainly due to the increase in contracts with new customers for the sale of iron ore concentrates.

Deposits received from customers for sales of gravel materials

When the Group receives a deposit before the sales of gravel materials, this will give rise to contract liabilities at the start of a contract. The Group receives a deposit of 100% (2020: 100%) of the sales amount on acceptance of the contract from certain customers.

28. Lease liabilities

	2021 RMB'000	2020 RMB'000
Lease liabilities payable:		
Within one year	1,943	3,669
Within a period of more than one year but not exceeding two years	2,911	–
	4,854	3,669
Less: Amount due for settlement within 12 months shown under current liabilities	(1,943)	(3,669)
Amount due for settlement after 12 months shown under non-current liabilities	2,911	–

The incremental borrowing rates applied to lease liabilities is range from 6.27% to 6.64% (2020: from 6.30% to 6.53%).

29. Bank borrowings

The carrying amounts of the bank borrowings are repayable:

	2021 RMB'000	2020 RMB'000
Within one year	557,000	430,000
Within a period of more than one year but not exceeding two years	–	178,000
	557,000	608,000
Less: Amounts due within one year shown under current liabilities	(557,000)	(430,000)
Amounts shown under non-current liabilities	–	178,000

Bank borrowings comprise:

	Maturity date	Effective interest rate	2021 RMB'000	2020 RMB'000
Fixed-rate bank borrowings:				
Secured bank borrowing (Note (a))	17 Apr 2021	9.23%	–	290,000
Secured bank borrowing (Note (b))	12 Apr 2022	9.18%	177,000	178,000
Secured bank borrowing (Note (c))	18 Jun 2021	3.80%	–	140,000
Secured bank borrowing (Note (d))	29 Apr 2022	9.00%	260,000	–
Secured bank borrowing (Note (e))	22 Jun 2022	3.80%	120,000	–
			557,000	608,000

29. Bank borrowings *(Continued)*

Bank borrowings comprise: *(Continued)*

Notes:

(a) On 17 April 2019, the Group entered into a bank borrowing agreement with the aggregate amount of RMB300,000,000. The bank borrowing was secured by land use right and properties of a related party and independent third parties. On 16 April 2020, the Group entered into a bank borrowing extension agreement to extend the maturity date of the loan for one year to 17 April 2021. During the year ended 31 December 2021, the bank borrowing has been fully repaid and the securities were released.

(b) On 21 May 2020, the Group entered into a bank borrowing agreement with the aggregate amount of RMB180,000,000. The bank borrowing is guaranteed by the subsidiaries of the Company, a director of the Company and a director of a subsidiary, and secured by properties of a related party.

(c) On 18 June 2020, the Group entered into a bank borrowing agreement with the aggregate amount of RMB140,000,000. The bank borrowing was secured by the properties, plant and equipment and mining rights of certain subsidiaries of the Company. During the year ended 31 December 2021, the bank borrowing has been fully repaid and the securities were released.

(d) On 28 April 2021, the Group entered into a bank borrowing agreement with the aggregate amount of RMB280,000,000. The bank borrowing is secured by the land use right and properties of a related party and independent third parties and guaranteed by a related party, a director and independent third parties.

(e) On 23 June 2021, the Group entered into a bank borrowing agreement with the aggregate amount of RMB120,000,000. The bank borrowing is guaranteed by a subsidiary of the Company.

The Group's bank borrowing with carrying amount of approximately RMB120,000,000 (2020: RMB140,000,000) are subject to the fulfilment of covenants relating to Jiheng Mining's financial statement ratios (i.e. asset-liability ratio, current ratio and quick ratio). If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2021, the Group breached the covenant of a bank borrowing with carrying amount of approximately RMB120,000,000, 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.

30. Deferred taxation

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

	2021 RMB'000	2020 RMB'000
Deferred tax assets	**218,023**	192,280

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	Unwinding of interest RMB'000	Depreciation allowance RMB'000	Accrued reclamation obligations RMB'000	Provision for doubtful debt RMB'000	Total RMB'000
At 1 January 2020	31,825	106,375	5,567	12,755	6,653	3,769	166,944
Credit (charge) to profit or loss (Note 12)	28,195	–	524	244	73	(3,700)	25,336
At 31 December 2020	60,020	106,375	6,091	12,999	6,726	69	192,280
Credit (charge) to profit or loss (Note 12)	27,471	–	18	(1,905)	(434)	593	25,743
At 31 December 2021	**87,491**	**106,375**	**6,109**	**11,094**	**6,292**	**662**	**218,023**

Deferred tax assets not recognised

As at 31 December 2021, the Group has unutilised tax losses of approximately RMB153,792,000 (2020: RMB155,935,000), 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 2021 were losses of approximately RMB16,504,000 (2020: RMB18,647,000) that would expire in five years and the remaining balance would not expire under the current tax legislation.

Deferred tax liabilities not recognised

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB653,928,000 (2020: RMB522,365,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

31. Other financial liabilities

	2021 RMB'000	2020 RMB'000
Consideration payables for the acquisition of mining rights	117,721	138,704
Less: current portion	–	(23,009)
	117,721	115,695

In March 2012 and January 2013, the Group acquired the Gufen Mine, Wang'ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine from Hebei Provincial Department of Land and Resources for considerations of RMB365,545,000 in aggregate and repayable by annual instalments with original payment periods over five to seven years.

In accordance with Ji Guo Tu Zi Han No. [2015]1011 issued on 11 November 2015, Hebei Provincial Department of Land and Resources approved a revised annual instalment schedule in relation to the remaining parts of the above mining rights consideration payables and the payment periods were extended to 2022.

In 2017, the Group filed an administrative reconsideration to Ministry of Land and Resources. The result of administrative reconsideration showed that the above annual instalment schedule for Wang'ergou Mine and Shuanmazhuang Mine had been reversed. The amounts borne by the Group would be assessed by Hebei Provincial Department of Land and Resources. The Directors are of the opinion that the remaining parts of mining rights consideration payable amounting to approximately RMB79,770,000 (2020: approximately RMB78,833,000) and the outstanding interest payment of approximately RMB37,951,000 (2020: RMB36,862,000) for Wang'ergou Mine and Shuanmazhuang Mine as at 31 December 2021 would not be payable or paid within one year, in this connection, the Group reclassified the amounts originally accounted for in current portion into the non-current portion.

The Group's long-term payables were repayable as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	–	23,009
After 1 year but within 2 years	117,721	–
After 2 year but within 5 years	–	115,695
	117,721	138,704

32. Provision for reclamation obligations

	2021 RMB'000	2020 RMB'000
At 1 January	**38,597**	39,320
Accretion expenses (Note 10)	**713**	835
Utilised during the year	**(2,498)**	(1,558)
At 31 December	**36,812**	38,597
Less: current portion	**(4,276)**	(3,392)
	32,536	35,205

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.

33. Share capital

	Par value per share HK$	Number of shares '000	Amount RMB'000
Ordinary shares:			
Authorised:			
At 1 January 2020, 31 December 2020 and **31 December 2021**	**0.0001**	**10,000,000**	**800**
Issued and fully paid:			
At 1 January 2020, 31 December 2020 and **31 December 2021**	**0.0001**	**1,635,330**	**131**

All ordinary shares rank pari passu in all respects.

34. Retirement benefits scheme

The Group operates a MPF scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs capped at HK$1,500 per month to MPF scheme, in which the contribution is matched by employees.

Employees of the Group are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds at a rate of 12% of the bases determined by referencing to the prevailing average salary of Hebei Province and as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The total expense recognised in profit or loss of approximately RMB6,549,000 (2020: approximately RMB221,000) represents contributions paid and payable to these plans by the Group at rates specified in the rules of the plans.

As at 31 December 2021, contributions of approximately RMB126,000 (2020: approximately RMB2,000) due in respect of the year ended 31 December 2021 had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

At 31 December 2021 and 31 December 2020, the Group had no forfeited contribution available to reduce its contributions to the retirement benefit schemes in future years.

35. 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 2020	1,522	555,000	7,442	563,964
Changes from cash flows:				
Repayment of lease liabilities	–	–	(4,230)	(4,230)
New bank borrowings raised	–	390,000	–	390,000
Repayment of bank borrowings	–	(337,000)	–	(337,000)
Interest paid	(34,622)	–	–	(34,622)
	(34,622)	53,000	(4,230)	14,148
Non-cash changes:				
Interest expenses	35,281	–	457	35,738
At 31 December 2020	2,181	608,000	3,669	613,850
Changes from cash flows:				
Repayment of lease liabilities	**–**	**–**	**(860)**	**(860)**
New bank borrowings raised	**–**	**400,000**	**–**	**400,000**
Repayment of bank borrowings	**–**	**(451,000)**	**–**	**(451,000)**
Interest paid	**(31,704)**	**–**	**–**	**(31,704)**
	(31,704)	**(51,000)**	**(860)**	**(83,564)**
Non-cash changes:				
Interest expenses	**30,774**	**–**	**389**	**31,163**
New lease entered	**–**	**–**	**5,624**	**5,624**
Early termination of lease	**–**	**–**	**(4,819)**	**(4,819)**
Other	**–**	**–**	**851**	**851**
	30,774	**–**	**2,045**	**32,819**
At 31 December 2021	**1,251**	**557,000**	**4,854**	**563,105**

36. 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:

	2021 RMB'000	2020 RMB'000
Property, plant and equipment (excluded right-of-use assets) (Note 18)	**24,443**	27,750
Right-of-use assets (Note 18)	**9,723**	10,102
Intangible assets (Note 20)	**55**	55
Pledged bank deposit (Note 25)	**–**	300,000
	34,221	337,907

Restrictions on assets

In addition, lease liabilities of approximately RMB4,854,000 are recognised with related right-of-use assets, included in property, plant and equipment, of approximately RMB5,319,000 as at 31 December 2021 (2020: lease liabilities of approximately RMB3,669,000 and related right-of-use assets of approximately RMB7,790,000). 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.

37. Commitments and contingencies

(a) Capital commitments

	2021 RMB'000	2020 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**81,559**	41,487

37. Commitments and contingencies *(Continued)*

(b) Environmental contingencies

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. Laws and regulations protecting the environment have generally become more stringent in recent years and could become more stringent in the future. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. However, environmental laws and regulations continue to evolve. Management of the Group regularly reassesses environmental remediation for its operations. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include:

(i) the exact nature and extent of the contamination at the mines and processing plants;

(ii) the extent of required clean-up efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed for future environmental legislation cannot be reasonably estimated at present and could be material.

Since 2020, the Group has implemented the requirements in accordance with the "Code for Green Mine Construction in the Nonferrous Metals Industry" (DZ/T 0320-2018). The implementation of the green mine construction including engaging designers, consultants and environmental management companies to work with internal experts to formulate the green mine plans. The Group also strengthen the self-discipline in the mining operations, undertaking the corporate responsibility of saving resources, energy conservation and emission reduction, environmental reconstruction, land reclamation, assisting local economic and social development, increasing investment in mine environmental protection and governance. Jiheng Mining has obtained the title of provincial green mine in February 2021 and Jingyuancheng Mining is applying for the title of national/provincial green mine which is in progress up to the date of this report.

37. 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.

38. Major non-cash transactions

(a) On 1 June 2021, the Group entered into a new lease agreement for the use of office premises for 2 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of approximately RMB834,000 and RMB834,000 respectively.

(b) On 28 September 2021, the Group entered into a new lease agreement for the use of office premises and car parking lots for 3 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of approximately RMB4,790,000 and RMB4,790,000 respectively.

(c) On 28 September 2021, the Group entered into a termination agreement for the use of an office premises. Upon the effective date of the termination, i.e. 1 October 2021, the Group derecognised right-of-use assets and lease liabilities of approximately RMB4,450,000 and approximately RMB4,819,000 respectively, and a gain of approximately RMB369,000 on early termination of a lease agreement is recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2021.

39. Related party transactions

During the years presented, the Group entered into transactions with the following related parties.

Name of party	Relationship
Mr. Li Yanjun	The ultimate controller and the Director
Mr. Li Ziwei	The ultimate controller and the Director
Hebei Aowei Industrial Group Co., Ltd.* ("**Hebei Aowei**")	A company ultimately owned by Mr. Li Yanjun
Aowei International Development Limited	A company ultimately owned by Mr. Li Yanjun and Mr. Li Ziwei
Hengshi Holdings Limited	A company ultimately owned by Mr. Li Yanjun and Mr. Li Ziwei
Hengshi International Investments Limited	A company ultimately owned by Mr. Li Yanjun and Mr. Li Ziwei
Beijing Tong Da Guang Yue Trading Co., Limited* ("**Tong Da**")	A joint venture owned by Mr. Li Yanjun
Xiong'an New Area Education Development Foundation ("**Xiong'an Foundation**")	Mr. Li Yanjun is one of the directors of Xiong'an Foundation
Beijing Tongchan Ritan Club Co., Limited* ("**Ritan Club**")	A company ultimately owned by Mr. Li Yanjun

* For identification purpose only

39. Related party transactions *(Continued)*

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

	Notes	**2021 RMB'000**	2020 RMB'000
Repayment of lease liabilities	*(a)*	**430**	3,900
Donation	*(b)*	**–**	10,000

Notes:

(a) Repayment of lease liabilities represent office and car park rental (2020: office rental) paid and payable to Ritan Club (2020: Hebei Aowei).

(b) During the year ended 31 December 2020, the Group donated RMB10,000,000 to Xiong'an Foundation.

(c) As at 31 December 2020, the bank borrowing of RMB290,000,000 is secured by land use right and properties of Hebei Aowei and independent third parties. During the year ended 31 December 2021, the bank borrowing has been fully repaid and the securities were released.

As at 31 December 2021, the bank borrowing of RMB177,000,000 (2020: RMB178,000,000) is secured by the properties of Tong Da and guaranteed by certain subsidiaries of the Company, Mr. Li Yanjun and Mr. Li Mengzhe, a director of a subsidiary of the Company.

As at 31 December 2021, the bank borrowing of RMB260,000,000 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.

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

Compensation of key management personnel

The remuneration for key management personnel, including amounts paid to the Directors as disclosed in Note 14 and certain of the highest paid employees as disclosed in Note 15, is as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other benefits in kind	**3,989**	4,174
Retirement scheme contributions	**117**	22
	4,106	4,196

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

40. Particulars of principal subsidiaries of the Company

Details of the subsidiaries at the end of the reporting period are as follows:

Name of subsidiaries	Place of incorporation/ principal place of operation	Paid-up share capital/registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
			2021		2020		2021		2020		
			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
Baoding Xinan*+	PRC	RMB5,000,000	–	100	–	100	–	100	–	100	Hospital management
Baoding Aoxiang Property Services Co., Ltd.*+	PRC	RMB1,000,000	–	100	–	100	–	100	–	100	Property management
Baoding Xiang'an Pharmaceutical Sales Co., Ltd.*+	PRC	RMB4,000,000	–	100	–	100	–	100	–	100	Supply chain business

* For identification purpose only
\+ A wholly foreign owned enterprise established in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

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

41. Statement of financial position and reserves of the Company

	2021 RMB'000	2020 RMB'000
Non-current asset		
Investments in subsidiaries	152,834	152,834
Current assets		
Other receivables	42	36
Amounts due from subsidiaries	871,923	881,586
Bank balances and cash	430	825
	872,395	882,447
Current liabilities		
Other payables	3,934	3,133
Amounts due to subsidiaries	700	700
	4,634	3,833
Net current assets	867,761	878,614
Net assets	1,020,595	1,031,448
Capital and reserves		
Share capital	131	131
Reserves	1,020,464	1,031,317
Total equity	1,020,595	1,031,448

The Company's statement of financial position was approved and authorised for issue by the board of directors on 24 October 2022 and are signed on its behalf by:

LI YANJUN
Director

LI ZIWEI
Director

41. 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 2020	1,142,640	936	150,576	(37,941)	1,256,211
Loss for the year	–	–	–	(223,083)	(223,083)
Other comprehensive expense	–	(1,811)	–	–	(1,811)
At 31 December 2020	1,142,640	(875)	150,576	(261,024)	1,031,317
Loss for the year	–	–	–	(8,608)	(8,608)
Other comprehensive expense	–	(2,245)	–	–	(2,245)
At 31 December 2021	**1,142,640**	**(3,120)**	**150,576**	**(269,632)**	**1,020,464**