奧威控股
AOWEI HOLDING LIMITED

AOWEI HOLDING LIMITED
奧 威 控 股 有 限 公 司

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

(Stock Code: 1370)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

The revenue of the Group for the Reporting Period was approximately RMB667.4 million, representing a decrease of approximately RMB270.4 million or 28.8% as compared to the corresponding period of last year. The Group's cost of sales for the Reporting Period was approximately RMB568.2 million, representing a decrease of approximately RMB205.9 million as compared to the corresponding period of last year. The gross profit of the Group for the Reporting Period was approximately RMB99.2 million, representing a decrease of approximately RMB64.5 million or 39.4% as compared with the corresponding period of last year.

For the Reporting Period, the a loss attributable to the equity shareholders of the Company was approximately RMB549.1 million, while the profit attributable to the equity shareholders of the Company for the corresponding period last year was approximately RMB60.8 million.

For the Reporting Period, the basic loss per share attributable to equity shareholders of the Company was RMB0.34, while the basic earnings per share for the corresponding period last year were RMB0.04.

The board (the "**Board**") of directors (the "**Directors**") of Aowei Holding Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**Reporting Period**" or the "**Year**"), along with the relevant comparable figures for the year ended 31 December 2022, which are extracted from the audited consolidated financial statements of the Group prepared in accordance with the International Financial Reporting Standards as set out in the Company's 2023 annual report (the "**2023 Annual Report**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Revenue	*4*	**667,367**	937,751
Cost of sales		**(568,191)**	(774,054)
Gross profit		**99,176**	163,697
Other income, gains and losses, net	*6*	**(59,355)**	121,189
Distribution expenses		**(3,074)**	(3,519)
Administrative expenses		**(132,397)**	(101,858)
Impairment losses under expected credit loss model, net		**(9,425)**	(315)
Impairment losses of property, plant and equipment, construction in progress and intangible assets		**(298,731)**	(54,559)
Impairment loss on deposit paid for acquisition of equity instruments		**(63,909)**	–
Finance costs	*7*	**(57,075)**	(27,727)
(Loss) profit before tax	*9*	**(524,790)**	96,908
Income tax expense	*8*	**(23,844)**	(35,382)
(Loss) profit for the year from continuing operations		**(548,634)**	61,526
Discontinued operation			
Loss for the year from discontinued operation		**(505)**	(771)
(Loss) profit for the year		**(549,139)**	60,755
Other comprehensive (expense) income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(52)**	388
Total comprehensive (expense) income for the year		**(549,191)**	61,143
(Loss) earnings per share in RMB			
From continuing and discontinued operations	*11*		
Basic		**(0.34)**	0.04
Diluted		**N/A**	N/A
From continuing operations			
Basic		**(0.34)**	0.04
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	*12*	**1,152,723**	1,202,006
Construction in progress		**173,263**	392,963
Intangible assets		**54,574**	61,680
Deposit paid for acquisition of equity instruments		**51,091**	–
Pledged bank deposit		**154,413**	–
Prepayments	*13*	**31,201**	48,006
Deferred tax assets		**166,637**	232,362
		1,783,902	1,937,017
Current assets			
Inventories		**111,646**	86,838
Trade and other receivables	*13*	**244,011**	318,023
Restricted bank balances		**26,970**	26,882
Cash and cash equivalents		**34,482**	56,086
		417,109	487,829
Current liabilities			
Trade and other payables	*14*	**238,938**	211,143
Contract liabilities		**2,830**	62,186
Lease liabilities		**1,697**	1,628
Bank borrowings		**472,000**	337,000
Tax payable		**40,830**	86,912
Deferred income		**960**	–
Provision for reclamation obligations		**631**	1,201
		757,886	700,070
Net current liabilities		**(340,777)**	(212,241)
Total assets less current liabilities		**1,443,125**	1,724,776

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amendments to IFRSs in issue but not yet effective

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

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

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

Except for the amendments to IFRSs mentioned in the consolidated financial statements, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

4. REVENUE

Disaggregation of revenue from contracts with customers by major products or service line is as follows:

	2023	2022
	RMB'000	*RMB'000*
Type of goods		
Iron ore concentrates	**584,027**	813,190
Gravel materials	**83,340**	124,561
Total	**667,367**	937,751

5. 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 segment under IFRS 8 *Operating Segments* is as follows:

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

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

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

6. OTHER INCOME, GAINS AND LOSSES, NET

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

Notes:

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

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

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

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

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

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

7. FINANCE COSTS

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

8. INCOME TAX EXPENSE

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

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

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

9. (LOSS) PROFIT BEFORE TAX

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

10. DIVIDENDS

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

11. (LOSS) EARNINGS PER SHARE

For continuing operations

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

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

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

For continuing and discontinued operation

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

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

From discontinued operation

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

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

12. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2023, the Group recognised addition of property, plant and equipment (including right-of-use assets) with a cost of approximately RMB13,136,000 (2022: approximately RMB51,506,000) and the depreciation of property, plant and equipment (including right-of-use assets) charged for the year ended 31 December 2023 was approximately RMB116,921,000 (2022: approximately RMB142,471,000).

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

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

13. TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**115,477**	91,580
Less: Allowance for credit losses	**(8,849)**	(1,211)
Total trade receivables, net	**106,628**	90,369
Bills receivables	**2,950**	12,151
Prepayments and deposits	**130,086**	224,032
Value-added tax recoverable	**10,000**	11,139
Other receivables	**29,017**	30,198
	169,103	265,369
Less: Allowance for credit losses	**(3,469)**	(1,860)
Total other receivables, net	**165,634**	263,509
Prepayments classified as non-current assets	**(31,201)**	(48,006)
Other receivables, net	**134,433**	215,503
Trade and other receivables, net	**244,011**	318,023

Notes:

As at 1 January 2022, trade receivables from contracts with customers amounted to approximately RMB85,955,000, net of allowance for credit losses of approximately RMB777,000.

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

	2023 *RMB'000*	2022 *RMB'000*
0 to 30 days	**1,585**	28,928
31 to 90 days	**13,236**	19,232
91 to 180 days	**26,803**	31,553
181 to 365 days	**25,692**	7,926
1 to 2 years	**39,312**	2,730
	106,628	90,369

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB39,312,000 (2022: RMB2,730,000) which are past due as at the reporting date.

14. TRADE AND OTHER PAYABLES

	2023 *RMB'000*	2022 *RMB'000*
Trade payables	**94,279**	106,333
Other taxes payables	**18,843**	13,649
Payables for construction work, equipment purchase and others	**69,429**	40,692
Interest payables	**1,693**	1,176
Other payables	**54,694**	49,293
	238,938	211,143

Note:

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

	2023 *RMB'000*	2022 *RMB'000*
0 to 30 days	**36,206**	18,148
31 to 90 days	**17,226**	26,305
91 to 180 days	**5,144**	35,729
181 to 365 days	**5,691**	12,896
Over 1 year	**30,012**	13,255
	94,279	106,333

As at 31 December 2023, all trade payables are due and payable on presentation or within one year.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2023.

OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

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

The aforesaid "Note 3.1 to the consolidated financial statements" in the extract of the independent auditor's report is disclosed in Note 3 to this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

IRON ORE BUSINESS

Market Review

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

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

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

PRINCIPAL BUSINESS RISKS

Market price risk

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

Safety and environmental risk

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

Financial risk

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

BUSINESS REVIEW

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

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

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

	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	**2023**	2022	% of change	**2023**	2022	% of change	**2023**	2022	% of change	**2023**	2022	% of change
Jiheng Mining												
Iron ore concentrates	**130.3**	514.1	-74.7%	**132.8**	511.6	-74.0%	**774.7**	751.2	3.1%	**527.3**	423.5	24.5%
Jingyuancheng Mining												
Iron ore concentrates	**595.9**	538.3	10.7%	**586.3**	530.7	10.5%	**820.7**	808.2	1.5%	**699.0**	785.0	-11.0%
Total												
Iron ore concentrates	**726.2**	1,052.4	-31.0%	**719.1**	1,042.3	-31.0%	**812.2**	780.2	4.1%	**668.2**	608.4	9.8%

Notes:

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

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

RESOURCES AND RESERVES

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

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

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

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

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

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

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

Mines in Operation

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

Zhijiazhuang Mine

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

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

Iron ore concentrates

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

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

Wang'ergou Mine and Shuanmazhuang Mine

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

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

Iron ore concentrates

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

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

GREEN CONSTRUCTION MATERIALS BUSINESS

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

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

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

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

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

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

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

SAFETY AND ENVIRONMENTAL PROTECTION

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

EMPLOYEES AND REMUNERATION POLICY

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

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

FINANCIAL REVIEW

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Sales and distribution expenses

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

Administrative expenses

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

Impairment losses

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

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

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

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

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

1. Basic Assumption

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

2. Scope of the Valuation

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

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

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

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

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

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

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

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

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

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

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

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

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

i. These comparable companies are listed companies;

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

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

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

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

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

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

Finance costs

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

Income tax expenses

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

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

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

Property, plant and equipment

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

Intangible assets

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

Inventories

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

Trade and other receivables

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

Trade and other payables

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

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

Cash and borrowings

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

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

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

Gearing ratio

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

Capital expenditure

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

Capital commitment

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

Interest rate risk and foreign currency risk

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

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

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

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

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

Significant investments held

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

OUTLOOK AND STRATEGY

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

It is particularly difficult for the mining industry under the high-handed measures on environmental protection. As the open-pit mining reserves of Jiheng Mining are basically exhausted, its profitability in the future will also be greatly affected. In view of this, the Company will take into account the re-optimization of asset allocation, including disposal of the Jiheng Mining for cash. In the future, the Group will actively promote industrial transformation and upgrading, vigorously develop green construction materials business, accelerate the layout of green construction materials industry through the construction or acquisition of sand and gravel materials production lines, and further increase its market share of green construction materials in Xiong'an New Area, Baoding and other surrounding areas, so as to enhance the profitability of the Company in the green construction materials business.

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

DIVIDENDS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding the Directors' dealings in the Company's securities. Specific enquiries have been made to all Directors of the Company and all Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2023.

COMPLIANCE OF THE CORPORATE GOVERNANCE CODE

As a company with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company is committed to maintaining high level of corporate governance. Throughout the Reporting Period, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for 2023 and the consolidated financial statements for the year ended 31 December 2023.

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2023 and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditors, Asian Alliance (HK) CPA Limited to the amounts set out in the Group's audited consolidated financial statements for the Reporting Period. The work performed by Asian Alliance (HK) CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Asian Alliance (HK) CPA Limited on the preliminary announcement.

COMPLIANCE OF DEED OF NON-COMPETITION

The Company entered into a deed of non-competition ("**Deed of Non-Competition**") with Mr. Li Ziwei, Mr. Li Yanjun, Hengshi International Investments Limited and Hengshi Holdings Limited (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 restricted business of the Group, being the exploration, mining, processing and trading of iron ore products and the major products include 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 of the Company are responsible for reviewing and considering whether exercising the option for new business opportunities, pre-emptive right and the option for acquisitions as well as conducting annual review of implementation of the Deed of Non-Competition on behalf of the Company. Each Controlling Shareholder of the Company has confirmed its/his compliance with the Deed of Non-Competition, and the independent non-executive Directors of the Company 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.

SUBSEQUENT EVENTS

Save as disclosed specifically in this announcement, there were no significant subsequent events affecting the Group which occurred since 1 January 2024 and up to the date of this announcement.

PUBLICATION OF 2023 ANNUAL REPORT

The 2023 Annual Report containing all relevant information required by the Listing Rules will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aoweiholding.com) in due course and dispatched to the shareholders of the Company as requested.

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

Beijing, 26 March 2024

As at the date of this announcement, the executive directors of the Company are Mr. Li Yanjun, Mr. Li Ziwei, Mr. Zuo Yuehui and Mr. Sun Tao and the independent non-executive directors of the Company are Mr. Wong Sze Lok, Mr. Meng Likun and Mr. Ge Xinjian.