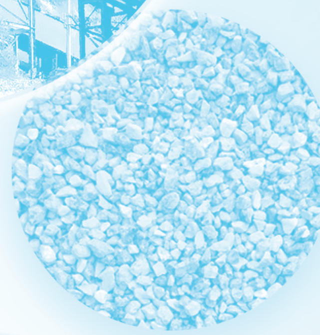
奧威控股有限公司
AOWEI HOLDING LIMITED

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

Stock Code: 1370

2023
INTERIM REPORT


CORE VALUE
Value for OUR Shareholders
CREATE
Wealth for the Society
Prospects for OUR Employees



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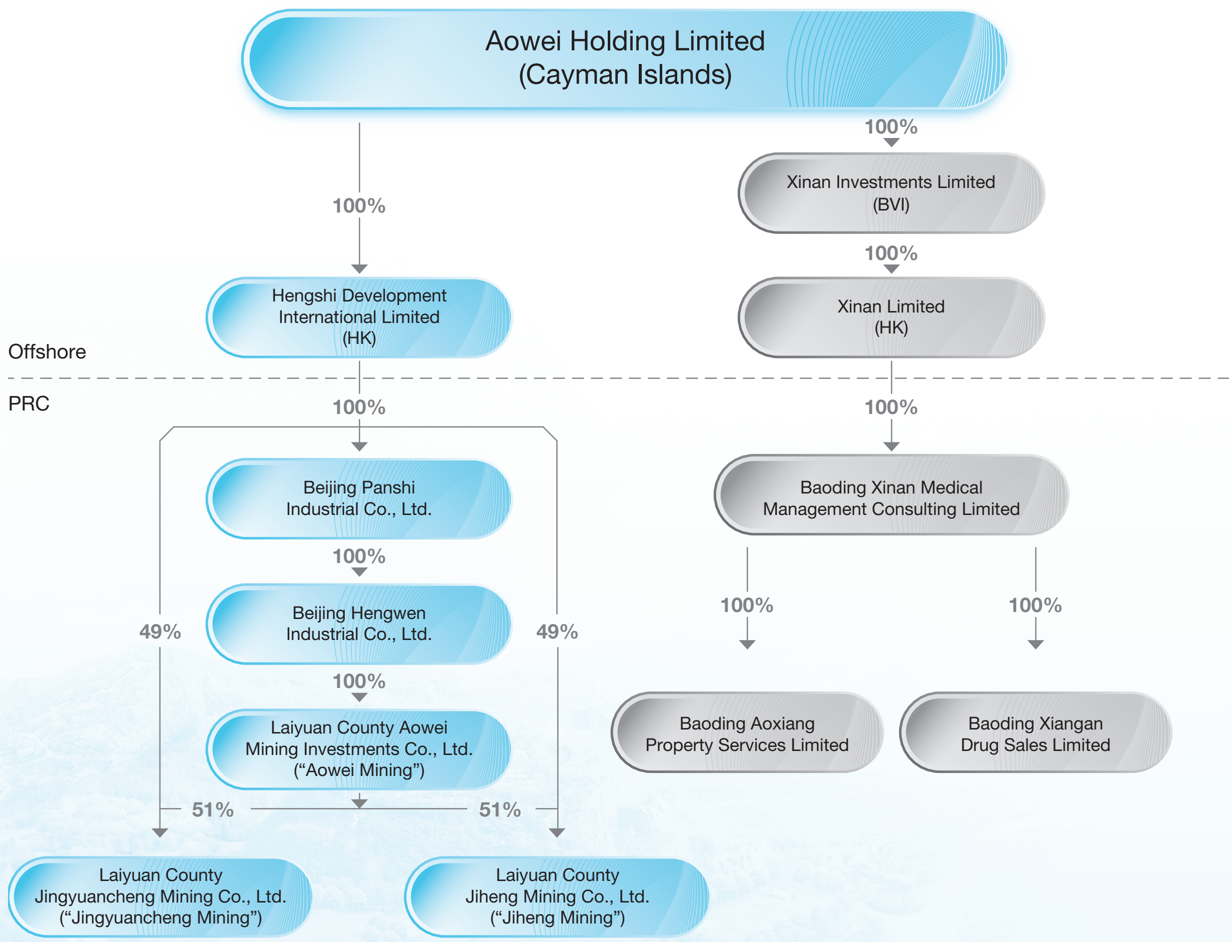
CORPORATE INFORMATION

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

The Company and its subsidiaries (collectively, the "**Group**" or "**we**" or "**our**") are principally engaged in (i) the exploration, mining, processing and trading of iron ore products and sales products including iron ores, preliminary concentrates and iron ore concentrates; (ii) the green construction materials, machine crushed 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 mines in Hebei Province, which has the largest steel production and iron ore consumption volumes in China.



CORPORATE INFORMATION

COMPANY'S STATUTORY CHINESE NAME

奧威控股有限公司

COMPANY'S STATUTORY ENGLISH NAME

Aowei Holding Limited

STOCK CODE

1370

REGISTERED OFFICE

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Ugland House Grand Cayman KY1-1104
Cayman Islands

HEADQUARTERS IN THE PRC

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Baoding City 074300
Hebei Province
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 Accounting and Financial Reporting Council Ordinance
8th Floor, Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong

HONG KONG LEGAL ADVISOR

Loong & Yeung
Room 1603, 16/F
China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR IN THE CAYMAN ISLANDS

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Boundary Hall, Cricket Square
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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Hong Kong

INVESTOR INQUIRES

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

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

FINANCIAL HIGHLIGHTS

The revenue of the Group for the period ended 30 June 2023 (the "**Reporting Period**") was approximately RMB355.8 million, representing a decrease of approximately RMB181.3 million or 33.8% as compared with the corresponding period last year.

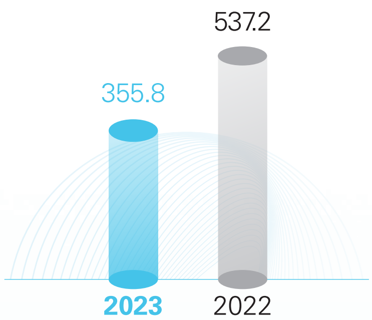
The Group's gross profit was approximately RMB83.9 million for the Reporting Period, representing a decrease of approximately RMB55.6 million or 39.9% as compared with the corresponding period last year; the Group's gross profit margin for the Reporting Period was approximately 23.6%.

For the Reporting Period, the loss attributable to the equity shareholders of the Company was approximately RMB65.7 million, as compared to a profit of approximately RMB44.7 million for the corresponding period last year.

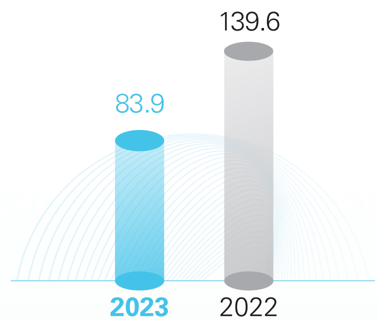
The Group's basic loss per share attributable to equity shareholders for the Reporting Period was RMB0.04 per share, as compared to the basic earnings per share of RMB0.03 per share for the corresponding period of last year.

The board (the "**Board**") of directors (the "**Directors**") of the Company does not recommend the payment of any interim dividend for the Reporting Period.

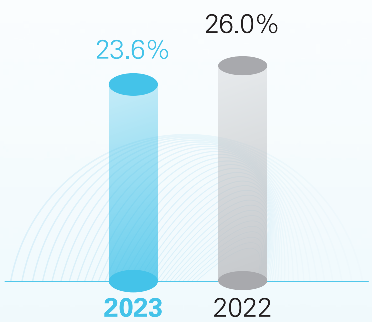
REVENUE (RMB million)
for the six months ended 30 June



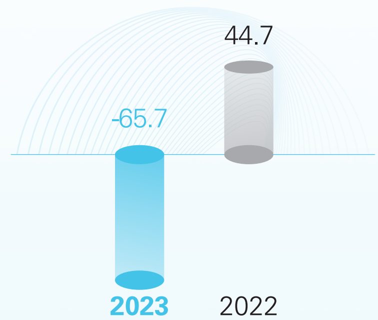
GROSS PROFIT (RMB million)
for the six months ended 30 June



GROSS PROFIT MARGIN
for the six months ended 30 June



(LOSS)/PROFIT FOR THE PERIOD (RMB million)
for the six months ended 30 June



MANAGEMENT DISCUSSION AND ANALYSIS

IRON ORE BUSINESS

Market Review

In the first half of 2023, along with the Chinese government optimized and adjusted prevention and control policies of Covid-19 pandemic, and the domestic economic situation was improved. In the first quarter of 2023, strongly supported by the macro expectations of the market, the steel industry resumed production, and the production enthusiasm was enhanced, which further drove the overall increase in iron ore prices to remain at a high level with a strong rebound. The Platts 62% Iron Ore Index rose to a maximum of approximately US$133.1 per ton in the first quarter of 2023. However, since the second quarter of 2023, there has been a number of negative factors. The outbreak of bankruptcies in overseas banks has had a negative impact on the development of the global economy, and the market risk aversion has also increased. The demand for steel has continued to weaken, and the iron ore price has also been put downward pressure. In the second quarter of 2023, the Platts 62% Iron Ore Index fell to a minimum of approximately US$97.4 per ton. Up to June, with the frequent introduction of favourable domestic policies, the market confidence was boosted again. Real estate and infrastructure construction stimulate domestic demands, and the iron ore price has recovered from the decreasing trend. The Platts 62% Iron Ore Index rebounded to approximately US$114.0 per ton.

In the first half of 2023, facing the complicated economic environment and market situation, the Group took multiple measures to continuously promote quality and efficiency improvement, gradually improve and optimise the operation and management mechanism, improve team management level, optimise asset allocation and production structure, improve operation quality, strictly control major capital expenditures, and continue to promote the development of green industry to ensure the stable operation of the Company.

Business Review

The Group's loss recorded in the first half of 2023 was affected by a combination of various factors, including the sales of iron ore concentrates decreased due to the decrease in the recoverable reserves of iron ore of Laiyuan Country Jiheng Mining Co., Ltd ("**Jiheng Mining**"), a subsidiary of the Group (of which the open-pit mining portion will be fully-mined); decrease in gross profit margin due to decrease in selling price of iron ore concentrates; and impairment losses on property, plant and equipment, etc. As of 30 June 2023, the Group's output of iron ore concentrates was approximately 381.9 Kt, representing a decrease of approximately 32.8% as compared with the corresponding period last year; during the Reporting Period, the Group's sales of iron ore concentrates were approximately 395.4 Kt, representing a decrease of approximately 29.8% as compared with the corresponding period last year. During the Reporting Period, unit cash operating cost for iron ore concentrates of Laiyuan Country Jingyuancheng Mining Co., Ltd ("**Jingyuancheng**") Mining was approximately RMB691.6 per ton; unit cash operating cost for iron ore concentrates of Jiheng Mining was approximately RMB483.1 per ton.

The following table sets forth a breakdown of the production and sales volume of each of the operating subsidiaries of the Group:

The Group	Six months ended 30 June Output (Kt)			Six months ended 30 June Sales Volume (Kt)			Six months ended 30 June Average Sales Price (RMB)		
	2023	2022	% change	**2023**	2022	% change	**2023**	2022	% change
Jiheng Mining	**100.27**	277.04	-63.8%	**102.78**	272.81	-62.3%	**765.10**	809.96	-5.5%
Jingyuancheng Mining	**281.66**	290.91	-3.2%	**292.60**	290.27	0.8%	**783.60**	859.74	-8.9%
Iron ore concentrates **Total**	**381.93**	567.95	-32.8%	**395.38**	563.08	-29.8%	**778.79**	835.62	-6.8%

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%.

MINES IN OPERATION

Zhijiazhuang Mine

Zhijiazhuang Mine, which is wholly-owned and operated by the Group's wholly-owned subsidiary, Jiheng Mining, is located in Yangjiazhuang Village, Laiyuan County, the PRC. It has a mining permit covering the area of 0.3337 sq.km. and has comprehensive basic infrastructure such as water, electricity, highway and railway. As of 30 June 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.

During the Reporting Period, Zhijiazhuang Mine had not conducted new exploration activities, and had no new exploration expenses.

The following table sets forth a breakdown of the production of Zhijiazhuang Mine:

Items	Unit	Six months ended 30 June 2023	2022	% change
Mine				
Of which: (≥8%) raw ores	Kt	**441.10**	993.47	-55.6%
Stripping in production	Kt	**91.21**	99.80	-8.6%
Stripping ratio in production	t/t	**0.21**	0.10	110.0%
Dry processing				
Raw ore feed	Kt	**513.35**	1,564.87	-67.2%
Preliminary concentrates output	Kt	**285.24**	690.30	-58.7%
By-product feed/preliminary concentrates output	t/t	**1.80**	2.27	-20.7%
Wet processing				
Preliminary concentrates feed	Kt	**256.32**	774.31	-66.9%
Iron ore concentrates output	Kt	**100.27**	277.04	-63.8%
Preliminary concentrates feed/iron ore concentrates output	t/t	**2.56**	2.79	-8.2%

The following table sets forth a breakdown of the average unit cash operating costs of the iron ore concentrates of Zhijiazhuang Mine for the six months ended 30 June 2023:

Unit: RMB per ton	Six months ended 30 June 2023	2022	% change
Mining costs	**123.40**	112.16	10.02%
Dry processing costs	**64.37**	53.52	20.27%
Wet processing costs	**148.72**	132.18	12.51%
Administrative expenses	**130.70**	80.95	61.46%
Taxation	**15.88**	21.98	-27.75%
Total	**483.07**	400.79	20.53%

During the Reporting Period, the average unit cash operating cost for iron ore concentrates of Zhijiazhuang Mine increased compared with the same period last year, which was mainly due to the increase in mining costs as a result of the increase in stripping ratio of mining process during the Reporting Period. Meanwhile, the fixed expenses such as unit labour costs increased due to the decrease in production and sales volume, resulting in the increase in costs of dry processing and water processing and administrative expenses.

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 Village, Laiyuan County, the PRC. 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 Mine and Shuanmazhuang Mine have comprehensive basic infrastructure such as water, electricity and highway. As of 30 June 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.

During the Reporting Period, Wang'ergou Mine and Shuanmazhuang Mine had not conducted new exploration activities, and had no new exploration expenses.

The following table sets forth a breakdown of the production of Wang'ergou Mine and Shuanmazhuang Mine:

		Six months ended 30 June		
Items	**Unit**	**2023**	2022	% change
Mine				
Of which: raw ores	Kt	**5,078.36**	4,823.55	5.3%
Stripping in production	Kt	**2,978.78**	4,675.87	-36.3%
Stripping ratio in production	t/t	**0.59**	0.97	-39.2%
Dry processing				
Raw ore feed	Kt	**4,966.43**	4,747.41	4.6%
Preliminary concentrates output	Kt	**810.72**	836.19	-3.0%
By-product feed/preliminary concentrates output	t/t	**6.13**	5.68	7.9%
Wet processing				
Preliminary concentrates feed	Kt	**961.56**	997.71	-3.6%
Iron ore concentrates output	Kt	**281.66**	290.91	-3.2%
Preliminary concentrates feed/iron ore concentrates output	t/t	**3.41**	3.43	-0.6%

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

Unit: RMB per ton	Six months ended 30 June 2023	2022	% change
Mining costs	**340.31**	385.44	-11.71%
Dry processing costs	**148.37**	182.22	-18.58%
Wet processing costs	**109.14**	97.99	11.38%
Administrative expenses	**58.71**	53.47	9.80%
Distribution expenses	**1.82**	1.41	29.08%
Taxation	**33.22**	30.08	10.44%
Total	**691.57**	750.61	-7.87%

During the Reporting Period, the average unit cash operating cost for iron ore concentrates of Wang'ergou Mine and Shuanmazhuang Mine decreased compared with the same period last year, which was mainly due to the decrease in mining costs as a result of the decrease in stripping ratio of mining process, and the decrease in total fixed expenses such as labour costs in the mining process and dry processing during the Reporting Period.

Green Construction Materials – Construction Sand and Gravel Materials Business

In recent years, the Chinese government has continued to promote the development of civilised construction, and has taken the development of green and low-carbon development as the main direction. It has successively issued a number of policies and regulations to promote the comprehensive utilisation of bulk solid waste, so as to promote the comprehensive green transformation of economic and social development. The Company adheres to the national concept of "Ecological Priority and Green Development" and takes "Solid Waste Recycling, Ecological Restoration and Industrial Extension" as the development direction. The Company makes full use of its own abundant and high-quality solid waste resources, actively promotes the comprehensive utilisation of solid waste through advanced and excellent process equipment, and carries out the green construction materials, sand and gravel materials business.

In the first half of 2023, with the optimisation and adjustment of pandemic prevention and control policies, the overall domestic economic operation continued to improve. In order to further stabilise market expectations and boost development confidence, the Chinese government has successively introduced favourable policies, expanded investment in the infrastructure field, and actively promoted the construction of major projects, which will inevitably promote the market demand for gravel materials, a raw material for infrastructure construction.

As of 30 June 2023, the total treatment capacity of the Group's solid waste comprehensive utilisation projects was approximately 6.4 Mtpa, of which the treatment capacity of the solid waste comprehensive utilisation project of Jiheng Mining was 3.7 Mtpa; the treatment capacity of the solid waste comprehensive utilisation project of Jingyuancheng Mining was approximately 2.7 Mtpa.

The following is a breakdown of the Group's production and sales of sand and gravel materials:

The Group	As of 30 June Output (Kt)			As of 30 June Sales volume (Kt)			As of 30 June Average sales price (RMB)			As of 30 June Average unit cash operating costs (RMB)		
	2023	2022	% of change	**2023**	2022	% of change	**2023**	2022	% of change	**2023**	2022	% of change
Jiheng Mining												
Building stones	**563.71**	449.16	25.5%	**556.34**	438.32	26.9%	**30.86**	29.57	4.4%	**14.84**	8.89	66.9%
Crushed sand	**551.16**	468.62	17.6%	**409.03**	470.04	-13.0%	**39.49**	38.9	1.5%	**22.46**	14.22	57.9%
Jingyuancheng Mining												
Building stones	**286.06**	465.62	-38.6%	**303.44**	493.91	-38.6%	**30.78**	29.85	3.1%	**12.31**	6.82	80.5%
Crushed sand	**374.78**	606.25	-38.2%	**95.6**	512.02	-81.3%	**36.36**	37.1	-2.0%	**23.36**	12.91	80.9%
Total	**1,775.71**	1,989.65	-10.8%	**1,364.41**	1,914.29	-28.7%	**33.8**	33.9	-0.3%	**18.60**	10.9	70.6%

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue for the Reporting Period was approximately RMB355.8 million, representing a decrease of approximately RMB181.3 million or 33.8% as compared with the corresponding period of last year, which was mainly due to the significant decrease in the production and sales volume of iron ore concentrates as a result of the decrease in the recoverable reserves of iron ore of the subsidiary, Jiheng Mining during the Reporting Period, and the decrease in the selling price of iron ore concentrates as compared to the corresponding period of last year.

Cost of Sales

The Group's cost of sales for the Reporting Period was approximately RMB271.9 million, representing a decrease of approximately RMB125.7 million or 31.6% as compared to the corresponding period of last year, which was mainly due to the decrease in sales volume of the Group's iron ore concentrates during the Reporting Period.

Gross Profit and Gross Profit Margin

The Group's gross profit for the Reporting Period was approximately RMB83.9 million, while the gross profit for the corresponding period of last year was approximately RMB139.6 million. The decrease in gross profit was mainly due to the decrease in sales volume and selling price of iron ore concentrates during the Reporting Period. The gross profit margin was 23.6%, decreased by approximately 2.4% as compared to the corresponding period of last year.

Distribution Expenses

The Group's distribution expenses for the Reporting Period were approximately RMB2.2 million, representing an increase of approximately RMB1.9 million as compared with the corresponding period of last year, which was mainly due to the increase in transportation costs generated by the replacement of sand and gravel materials products in the mining area of the Group during the Reporting Period.

Administrative Expenses

The Group's administrative expenses for the Reporting Period were approximately RMB49.6 million, representing a decrease of approximately RMB2.7 million or 5.1% as compared to the corresponding period of last year, which was mainly due to the decrease in the Group's professional services fees and wages during the Reporting Period.

Finance Costs

The Group's finance costs for the Reporting Period were approximately RMB26.5 million, representing an increase of approximately RMB9.8 million or 58.8% as compared with the corresponding period of last year, which was mainly due to the increase in the Group's bank borrowings. Finance costs consist of interest expenses on bank borrowings and other finance expenses.

Income Tax Expenses

The Group's income tax expenses for the Reporting Period were approximately RMB25.7 million, while the income tax expenses for the corresponding period of last year were approximately RMB22.7 million. The income tax expenses comprise the sum of current tax and deferred tax, which included current tax of approximately RMB3.1 million and deferred tax of approximately RMB22.6 million.

Loss, Total Comprehensive Expenses of the Group for the Period

The Group's loss after tax for the Reporting Period was approximately RMB65.7 million, representing a decrease of profit of approximately RMB110.5 million as compared with the corresponding period of last year, which was mainly due to the decrease in gross profit and gross profit margin of the Group's sales of iron ore concentrates during the Reporting Period, and the impairment loss of property, plant and equipment recorded compared with the same period last year.

Property, Plant and Equipment

The net carrying value of the Group's property, plant and equipment amounted to approximately RMB1,443.9 million as of 30 June 2023, representing an increase of RMB241.9 million or 20.1% as compared with the end of last year, which was mainly due to the transfer of construction in progress to property, plant and equipment.

Construction in Progress

Construction in progress of the Group amounted to approximately RMB92.3 million as of 30 June 2023, representing a decrease of approximately RMB300.7 million as compared with the end of last year.

Intangible Assets

Intangible assets of the Group mainly include mining rights and related premium paid to obtain the mining rights. As of 30 June 2023, the net value of the Group's intangible assets was approximately RMB58.0 million, representing a decrease of approximately RMB3.7 million as compared with the end of last year.

Inventories

Inventories of the Group amounted to approximately RMB96.4 million as of 30 June 2023, representing an increase of approximately RMB9.5 million or 11.0% as compared with the end of last year. The increase in inventories was mainly due to the increase in inventories of finished goods during the Reporting Period.

Trade and Other Receivables

The Group's trade and bills receivables amounted to approximately RMB106.3 million as of 30 June 2023, representing an increase of approximately RMB3.8 million as compared with the end of last year, which was mainly due to the increase in amount of credit sales during the credit period. The Group's other receivables amounted to approximately RMB346.1 million as of 30 June 2023, representing an increase of approximately RMB82.6 million as compared with the end of last year, which was mainly due to the increase in prepayments and deposits.

As at 30 June 2023, prepayments to Laiyuan County Huiguang Logistics Co., Ltd. for onsite loading services, and to Laiyuan County Ao Tong Transportation Co., Ltd. and Laiyuan County Ruitong Transportation Co., Ltd. for transportation services were amounted to RMB48.0 million, RMB19.9 million and RMB58.1 million (31 December 2022: RMB59.3 million, RMB16.6 million and RMB59.8 million), respectively.

Trade and Other Payables

The Group's trade payables amounted to approximately RMB80.4 million as of 30 June 2023, representing a decrease of approximately RMB25.9 million as compared with the end of last year, which was mainly due to the decrease in trade payables to main suppliers. The Group's other payables amounted to approximately RMB78.4 million as of 30 June 2023, representing a decrease of approximately RMB26.4 million as compared with the end of last year, which was mainly due to the decrease in the accruals during the Reporting Period.

Lease Liabilities

At as 30 June 2023, the lease liabilities of the Group amounted to approximately RMB2.1 million, including current and non-current liabilities, representing a decrease of approximately RMB0.8 million as compared with the end of last year.

Cash and Borrowings

As of 30 June 2023, the cash and cash equivalents balances of the Group amounted to approximately RMB60.1 million, representing an increase of approximately RMB4.0 million as compared with the end of last year.

As of 30 June 2023, bank borrowings of the Group was RMB818.5 million, representing an increase of approximately RMB305.5 million or 59.6% as compared to the end of last year. The interest rates of the borrowings as of 30 June 2023 ranged from 3.35% to 9.23% per annum. The Group's bank borrowings of RMB477.0 million were accounted for as current liabilities as of 30 June 2023.

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 30 June 2023 and up to the date of this interim report.

As of 30 June 2023, the overall financial status of the Group remained in a good condition.

Gearing Ratio

The gearing ratio of the Group was approximately 31.6% as of 30 June 2023, representing an increase of approximately 10.4% as compared to the end of last year. The gearing ratio was calculated as total bank borrowings divided by total assets.

Capital Commitment

At 30 June 2023, the total capital commitments of the Group amounted to approximately RMB196.8 million (31 December 2022: approximately RMB171.80 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 to three years. 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.

Significant Acquisitions and Disposals of Subsidiaries, Affiliated Companies and Joint Ventures

The Group did not have any significant acquisition and disposal of subsidiaries, affiliated companies and joint ventures for the Reporting Period.

Pledge of Assets and Contingent Liabilities

As of 30 June 2023, the Group's bank borrowings of RMB477.0 million and RMB341.5 million were secured by the Group's mining rights, right-of-use assets (land use right), properties and equipment, bank deposit, 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 and directors of the Company, respectively.

Save for those disclosed above in this interim report, the Group had no material contingent liabilities as of 30 June 2023.

Future plan and outlook

In the second half of 2023, the global economic situation remains severe. Affected by various unfavourable factors such as geopolitical conflict between Russia and the Ukraine, challenges in the supply chain, inflation pressure, unyielding debt levels, etc., the global economic growth is expected to be less promising, and downside risks remain. China may become the biggest driving force for global economic growth. Despite the severe and complicated external environment, China's economy has achieved a good momentum of development in the first half of the year and gradually returned to normal operation with great resilience and potential. With the convening of the analysis and research meeting on the current economic situation by the senior management of the Chinese government on 24 July 2023, the economic work in the second half of the year will also be deployed, "upholding the underlying principle of pursuing progress while maintaining stability" and "focusing on expanding domestic demand, boosting confidence, and preventing risks, the economic operation will continue to improve, endogenous power will continue to increase, social expectations will continue to improve, and potential risks will continue to be resolved". The Company believes that with the precise and effective implementation of macro-control by the Chinese government, market confidence will be boosted, domestic demand will be expanded and economic growth will be driven.

MANAGEMENT DISCUSSION AND ANALYSIS

In the second half of 2023, the Group will continue to strengthen its management level, improve work efficiency, further solidify the mechanism for cost reduction and efficiency enhancement to strictly control major capital expenditures. At the same time, we will also strengthen risk screening, continue to improve production processes, and optimise production processes, in order to achieve improvement in both quality and efficiency. With the decrease in the recoverable reserves of iron ore of Jiheng Mining, a subsidiary of the Group (of which the open-pit mining will be completed), the risk of mineral resources business will also increase. In order to reduce the risk of the sustainable operation of Jiheng Mining, the Group actively promotes the green industrial layout, implements the concept of "Ecological Priority and Green Development", takes "Solid Waste Recycling, Ecological Restoration and Industrial Extension" as the development direction, makes full use of its own abundant and high-quality solid waste resources, actively promotes the green industrial layout, and develops the green construction materials and gravel materials business. Jiheng Mining also won market recognition for its advanced equipment, high-quality products and the support of national policies on solid waste recycling, green mines and environmental protection. The Company was awarded as a demonstration key enterprise for comprehensive utilisation of bulk solid waste by the National Development and Reform Commission. In addition, the Group adheres to the important development goal of continuously creating value for shareholders and achieving profit growth. In order to diversify the risk of investment business and achieve new profit growth, the Group pays close attention to the favourable national policies, actively explores the market, adjusts the development strategy in a timely manner, and seeks investment and development opportunities in other industries, so as to create more profits and returns for shareholders in a better way.

OTHER INFORMATION

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

As at 30 June 2023, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its any 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, were as follows:

Interests in the Shares of the Company:

Name of Directors and Senior Management	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Issued Shares
Mr. Li Ziwei	Founder of a discretionary trust[2][3]	1,181,480,000[L]	72.25%
Mr. Li Yanjun	Interests held jointly with another person[2][3]	1,181,480,000[L]	72.25%

Notes:

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

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

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

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

As of 30 June 2023 and so far as is known to the Directors, the interests or short positions of the substantial shareholders, other than the Directors or the chief executives of the Company whose interests or short positions in the shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, who had 5% or more interests or short positions in the Shares and underlying Shares as recorded in the register required to be maintained by the Company under Section 336 of the SFO, were as follows:

Interests in the Shares of the Company:

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

Notes:

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

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

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

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

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

Save as disclosed above, so far as is known by or otherwise notified to the Directors, no other person or entity (other than the Director(s) or chief executive(s) of the Company) had interests or short positions in the Shares or underlying Shares representing 5% or more of the issued share capital of the Company as of 30 June 2023.

SHARE OPTION SCHEME

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the model code of conduct regarding the dealings in the Company's securities by the Directors. Specific enquiry has been made to all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code for the six months ended 30 June 2023.

CHANGE OF DIRECTORS' INFORMATION

On 24 July 2023, Mr. Zuo Yuehui was appointed as a director of Xinan Investments Limited and Xinan Limited.

* *For identification purpose only*

OTHER INFORMATION

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

As at 30 June 2023, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective close associates (as defined under the Listing Rules) is engaged in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group, and none of them has any other conflicts of interests with the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

In the first half of 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2023, the Group had 988 employees in total (the corresponding period in 2022: 1,046 employees in total). The total remuneration expenses and the amounts of other employees' benefit for the Reporting Period were approximately RMB45.0 million (the corresponding period in 2022: approximately RMB52.6 million). Employee costs include basic remuneration, incentive salary, social pension insurance, medical insurance, work-related injury insurance and other insurances required by the PRC government. According to the Group's remuneration policy, the employees' income is linked to the performance of individual employee and the operation performance of the Group. The employees of the Group have to participate in the pension scheme managed and operated by local municipal government. Subject to the approval of the municipal government, the Company has to make a 12% contribution to the pension scheme according to the average salary of Hebei Province, so as to provide funding to their pension.

STAFF TRAINING SCHEME

Our employees enroll in regular training courses to improve their skills and professional knowledge and are regularly updated on new developments. We also develop our own employee training programs tailored specifically to iron ore mining, processing and sand and gravel materials business and processing operations. We employ dedicated trainers to provide the training programs at our mining sites. To leverage on accumulated operational expertise and special knowledge in our network, we frequently guide new recruits at our mining working sites.

SUBSEQUENT EVENT

(i) Due to the continuous extreme rainstorm in Laiyuan County, Baoding City, Hebei Province from 29 July 2023 to 2 August 2023, the transportation, electricity, communication, water conservancy and other infrastructure in Laiyuan County were severely damaged, which affected the normal production and operation of Jingyuancheng Mining and Jiheng Mining, indirect wholly-owned subsidiaries of the Company. The Company is taking active measures to accelerate the restoration of rainstorm disasters, and expects to resume normal production and operation in September 2023.

(ii) On 29 August 2023, Jiheng Mining (the "**Subscriber**") (an indirect wholly-owned subsidiary of the Company) entered into a share subscription agreement with Bank of Cangzhou Co. Ltd ("**Bank of Cangzhou**"), pursuant to which the Subscriber conditionally agreed to subscribe and Bank of Cangzhou agreed to issue 50,000,000 newly issued target shares ("**Target Shares**"), the subscription price of the Target Shares is not higher than RMB2.3 per share, and the subscription amount is not more than RMB115,000,000 ("**Subscription Monies**"). Upon fulfillment of the conditions precedent to the payment obligations, the Subscriber shall pay the Subscription Monies in full to the designated account for proceeds opened by Bank of Cangzhou by 31 October 2023.

The newly issued Target Shares obtained by the Subscriber will be traded on the He Bei Equity Exchange.

Details of the transaction has been disclosed in the Company's announcement dated 29 August 2023.

Save as disclosed in the interim report, there is no material subsequent event affecting the Group which has occurred since 1 July 2023 and up to the date of this interim report.

CORPORATE GOVERNANCE

Our Directors consider that good corporate governance is important in achieving effectiveness and integrity in management and internal procedures. We have complied with the Corporate Governance Code set out in Appendix 14 to the Listing Rules during the Reporting Period.

AUDIT COMMITTEE

The audit committee (the "**Audit Committee**") of the Company has terms of reference aligned with the code provisions as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Audit Committee consists of three independent non-executive Directors, namely Mr. Wong Sze Lok (Chairman), Mr. Meng Likun and Mr. Ge Xinjian.

The interim financial results of the Group for the six months ended 30 June 2023 are unaudited but have been reviewed by the Audit Committee, which was of the opinion that the results were prepared in accordance with the applicable accounting principles as well as the Listing Rules and that adequate disclosures have been made.

PUBLIC FLOAT

Based on the publicly available information to the Company and within the knowledge of the Directors as of the date of this interim report, the Company has maintained the prescribed public float required by the Listing Rules for the Reporting Period and up to the date of this interim report.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (2022: Nil).

MAJOR LEGAL PROCEEDING

During the six months ended 30 June 2023, the Group was not involved in any major legal proceedings or arbitrations. To the best knowledge of the Directors, there is no pending or potential major legal proceeding or claim as of the date of this interim report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	*4*	**355,846**	537,159
Cost of sales		**(271,918)**	(397,585)
Gross profit		**83,928**	139,574
Other income, gains and losses, net	*6*	**484**	(277)
Distribution expenses		**(2,210)**	(333)
Administrative expenses		**(49,614)**	(52,288)
Impairment losses under expected credit loss model, net of reversal	*8*	**(8,800)**	(2,539)
Impairment losses of property, plant and equipment		**(37,391)**	–
Finance costs	*7*	**(26,469)**	(16,672)
(Loss) profit before tax		**(40,072)**	67,465
Income tax expense	*9*	**(25,677)**	(22,734)
(Loss) profit for the period	*10*	**(65,749)**	44,731
Other comprehensive (expense) income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(14)**	359
Total comprehensive (expense) income for the period		**(65,763)**	45,090
(Loss) earnings per share in RMB	*12*		
Basic		**(0.04)**	0.03
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*13*	**1,443,881**	1,202,006
Construction in progress	*14*	**92,298**	392,963
Intangible assets		**57,981**	61,680
Pledged bank deposit	*16*	**150,000**	–
Prepayments	*15*	**48,006**	48,006
Deferred tax assets		**209,815**	232,362
		2,001,981	1,937,017
Current assets			
Inventories		**96,362**	86,838
Trade and other receivables	*15*	**404,368**	318,023
Restricted bank balances		**26,908**	26,882
Cash and cash equivalents		**60,085**	56,086
		587,723	487,829
Current liabilities			
Trade and other payables	*17*	**158,860**	211,143
Contract liabilities		**42,412**	62,186
Lease liabilities		**2,073**	1,628
Bank borrowings	*18*	**477,000**	337,000
Tax payable		**85,866**	86,912
Provision for reclamation obligations		**673**	1,201
		766,884	700,070
Net current liabilities		**(179,161)**	(212,241)
Total assets less current liabilities		**1,822,820**	1,724,776

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Note	**At 30 June 2023 RMB'000 (Unaudited)**	At 31 December 2022 RMB'000 (Audited)
Non-current liabilities			
Bank borrowings	*18*	**341,500**	176,000
Lease liabilities		**–**	1,283
Provision for reclamation obligations		**32,295**	32,705
		373,795	209,988
Net assets		**1,449,025**	1,514,788
Capital and reserves			
Share capital		**131**	131
Reserves		**1,448,894**	1,514,657
Total equity		**1,449,025**	1,514,788

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to equity shareholders of the Company							
	Share capital	Share premium	Statutory surplus reserve	Specific reserve	Exchange reserve	Other reserve	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note (a)	*Note (b)*	*Note (c)*	*Note (d)*	*Note (e)*		
At 1 January 2022 (Audited)	131	1,142,640	84,556	23,365	(348)	(126,229)	329,530	1,453,645
Profit for the period	–	–	–	–	–	–	44,731	44,731
Other comprehensive income for the period *Item that may be reclassified subsequently to profit or loss:* Exchange differences on translation of foreign operations	–	–	–	–	359	–	–	359
Total comprehensive income for the period	–	–	–	–	359	–	44,731	45,090
Transfer to specific reserve, net of utilisation	–	–	–	3,423	–	–	(3,423)	–
At 30 June 2022 (Unaudited)	131	1,142,640	84,556	26,788	11	(126,229)	370,838	1,498,735
At 1 January 2023 (Audited)	**131**	**1,142,640**	**84,556**	**30,763**	**40**	**(126,229)**	**382,887**	**1,514,788**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(65,749)**	**(65,749)**
Other comprehensive expenses for the period *Item that may be reclassified subsequently to profit or loss:* Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**(14)**	**–**	**–**	**(14)**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**(14)**	**–**	**(65,749)**	**(65,763)**
Transfer to specific reserve, net of utilisation	**–**	**–**	**–**	**105**	**–**	**–**	**(105)**	**–**
At 30 June 2023 (Unaudited)	**131**	**1,142,640**	**84,556**	**30,868**	**26**	**(126,229)**	**317,033**	**1,449,025**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

Notes:

(a) Share premium

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

(b) Statutory surplus reserve

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

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

(c) Specific reserve

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

(d) Exchange reserve

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

(e) Other reserve

The other reserve comprises the followings:

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash (used in) from operations	**(94,005)**	173,583
Income tax paid	**(4,176)**	(10,976)
Net cash (used in) from operating activities	**(98,181)**	162,607
Investing activities		
Purchase of property, plant and equipment and constructions in progress	**(26,225)**	(54,834)
Purchase of intangible assets	**(552)**	–
Other cash flows arising from investing activities	**724**	118
Net cash used in investing activities	**(26,053)**	(54,716)
Financing activities		
New bank borrowings raised	**581,500**	–
Repayments of bank borrowings	**(276,000)**	(133,000)
Repayment of lease liabilities	**(1,720)**	(2,150)
Placement of pledged bank deposit	**(150,000)**	–
Interest paid	**(25,533)**	(14,082)
Net cash from (used in) financing activities	**128,247**	(149,232)
Net increase (decrease) in cash and cash equivalents	**4,013**	(41,341)
Cash and cash equivalents at 1 January	**56,086**	104,066
Effect of foreign exchange rate changes	**(14)**	358
Cash and cash equivalents at 30 June	**60,085**	63,083

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL INFORMATION

Aowei Holding Limited (the "Company") was incorporated in the British Virgin Islands on 14 January 2011 and redomiciled to the Cayman Islands on 23 May 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (2012 Revision, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (together the "Group") are principally engaged in (i) the exploration, mining, processing and trading of iron ore products and major products including iron ores, preliminary concentrates and iron ore concentrates; (ii) the provision of hospital management service; (iii) 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 30 June 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. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

As stated in the condensed consolidated financial statements, the Group's incurred a loss of RMB65,749,000 as at 30 June 2023 and, as at of that date, the Group's current liabilities exceeded its current assets by approximately RMB179,161,000. As at the same date, the Group's borrowings due within one year amounted to approximately RMB477,000,000 and has capital commitments of approximately RMB196,844,000, while its cash and cash equivalents amounted to approximately RMB60,085,000 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 will actively negotiate with the banks for the renewal of the Group's bank borrowings when they fall due in order to secure necessary funds to meet the Group's working capital and financial requirements in the foreseeable future. In the opinion of the Directors, the Group will be able to roll over or refinance the bank borrowings upon their maturity; and

(2) The executive directors, Mr. Li Yanjun who is also the chairman and substantial shareholder of the Company, and Mr. Li Ziwei (also known as Leung Hongying Li Ziwei) who is also the chief executive officer and substantial shareholder 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.

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional/change in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), and application of certain accounting policies which became relevant to the Group in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition to 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 interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts on application of 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. 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 period had no material impact on the condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to IFRSs *(continued)*

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

Accounting policies

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

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

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

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

In addition, the Group will apply Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies* which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's consolidated financial statements for the year ending 31 December 2023.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new and amendments to IFRSs *(continued)*

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

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 in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's accounting policies in the Group's annual consolidated financial statements for the year ending 31 December 2023.

4. REVENUE FROM CONTRACT WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

	Mining segment	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Types of goods		
Iron ore concentrates	**307,922**	470,514
Gravel materials	**47,924**	66,645
Total	**355,846**	537,159
Geographical markets		
The PRC	**355,846**	537,159
Timing of revenue recognition		
A point in time	**355,846**	537,159

5. OPERATING SEGMENTS

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

For the six months ended 30 June 2023 (Unaudited)

	Mining segment RMB'000	Medical segment RMB'000	Total RMB'000
Revenue	**355,846**	**–**	**355,846**
Segment results	**(34,360)**	**(411)**	**(34,771)**
Unallocated corporate expenses			**(5,301)**
Loss before tax			**(40,072)**

For the six months ended 30 June 2022 (Unaudited)

	Mining segment RMB'000	Medical segment RMB'000	Total RMB'000
Revenue	537,159	–	537,159
Segment results	71,103	(387)	70,716
Unallocated corporate expenses			(3,251)
Profit before tax			67,465

6. OTHER INCOME, GAINS AND LOSSES, NET

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain (loss) on disposal of property, plant and equipment	**333**	(311)
Interest income	**151**	34
	484	(277)

7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses on:		
– Bank borrowings	**25,533**	14,956
– Lease liabilities	**55**	406
– Discounted bills	**–**	45
Unwinding interest expenses on:		
– Other financial liabilities	**–**	920
– Provision for reclamation obligations	**881**	345
	26,469	16,672

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reversal of impairment losses on:		
Trade receivables	**761**	674
Other receivables	**2**	115
Impairment losses on:		
Trade receivables	**(9,355)**	(1,756)
Other receivables	**(208)**	(1,572)
	(8,800)	(2,539)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Provision for the period	**(3,130)**	(18,304)
Deferred tax		
Current period	**(22,547)**	(4,430)
	(25,677)	(22,734)

10. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging:		
Staff costs (include directors' and chief executive's emoluments):		
– Salaries and other benefits in kind	**38,290**	45,640
– Retirement benefits scheme contributions	**6,731**	6,925
Total staff costs	**45,021**	52,565
Capitalised in inventories	**(26,586)**	(33,268)
	18,435	19,297
Transportation service fees	**71,504**	93,364
Capitalised in inventories	**(69,267)**	(89,700)
Capitalised in construction in progress	**–**	(2,840)
	2,237	824
Depreciation of property, plant and equipment	**36,954**	50,674
Depreciation of right-of-use assets	**5,627**	11,625
Amortisation of intangible asset	**4,251**	3,113
Total depreciation and amortisation	**46,832**	65,412
Capitalised in inventories	**(38,032)**	(58,949)
	8,800	6,463
Cost of inventories recognised as an expense	**269,294**	393,308

11. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The Directors have determined that no dividend will be paid in respect of the interim period.

12. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss) earnings for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	**(65,749)**	44,731

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,635,330**	1,635,330

No diluted (loss) earnings per share for both six months ended 30 June 2023 and 2022 were presented as there were no potential ordinary shares in issue for both six months ended 30 June 2023 and 2022.

13. PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During current interim period, the Group renewed a lease agreement with the lease term of 2 years (six months ended 30 June 2022: Nil). On the date of lease commencement, the Group recognised right-of-use assets of approximately RMB827,000 (six months ended 30 June 2022: Nil) and lease liabilities of RMB827,000 (six months ended 30 June 2022: Nil). The annual lease payment terms are fixed.

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC, with original lease periods over 5 to 50 years. Up to the issue of these condensed consolidated financial statements, the Group is still in the process of applying for the title certificates of certain of its leasehold land with a carrying amount of approximately RMB60,785,000 (31 December 2022: approximately RMB63,089,000). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned properties and leasehold land.

(b) Property, plant and equipment (included right-of-use assets)

During current interim period, the Group acquired property, plant and equipment (including right-of-use assets) with a cost of approximately RMB9,440,000 (six months ended 30 June 2022: approximately RMB20,588,000) and the depreciation of property, plant and equipment (including right-of-use assets) charged for the six months ended 30 June 2023 was approximately RMB42,581,000 (six months ended 30 June 2022: approximately RMB62,299,000).

During the current interim period, the Group disposed of property, plant and equipment with an aggregate carrying amount of approximately RMB240,000 (six months ended 30 June 2022: approximately RMB394,000) for proceeds of approximately RMB573,000 (six months ended 30 June 2022: approximately RMB83,000), resulting in a gain on disposal of approximately RMB333,000 (six months ended 30 June 2022: loss on disposal of approximately RMB311,000).

The Group's property, plant and equipment are substantially located in the PRC. As at 30 June 2023, the Group had not obtained title certificates of certain of its buildings and plants with an aggregate carrying amount of approximately RMB232,995,000 (31 December 2022: approximately RMB237,542,000). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned properties.

14. CONSTRUCTION IN PROGRESS

During current interim period, additions of construction in progress of the Group, representing mainly the green mines building costs, processing plant, machinery and equipment under construction and installation amounted to approximately RMB11,982,000 (six months ended 30 June 2022: RMB19,861,000).

15. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Trade receivables	**115,001**	91,580
Less: Allowance for credit losses	**(9,806)**	(1,211)
Total trade receivables, net (Note (a))	**105,195**	90,369
Bills receivables (Note (b))	**1,114**	12,151
Prepayments and deposits (Note (c))	**307,246**	224,032
Value added tax recoverable	**10,401**	11,139
Other receivables	**30,483**	30,198
	348,130	265,369
Less: Allowance for credit losses	**(2,065)**	(1,860)
Total other receivables, net	**346,065**	263,509
Prepayments classified as non-current assets	**(48,006)**	(48,006)
Other receivables, net	**298,059**	215,503
Trade and other receivables, net	**404,368**	318,023

Notes:

(a) Ageing analysis

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

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
0 to 30 days	**11,917**	28,928
31 to 90 days	**34,415**	19,232
91 to 180 days	**26,584**	31,553
181 to 365 days	**27,599**	7,926
Over 365 days	**4,680**	2,730
	105,195	90,369

15. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(b) As at 30 June 2023, total bills receivable amounting to approximately RMB1,114,000 (31 December 2022: RMB12,151,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

(c) Prepayments and deposits mainly represent advance payments made to the following Group's mining contractors.

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Laiyuan County Huiguang Logistics Co., Ltd*	**47,976**	59,347
Laiyuan County Ao Tong Transportation Co., Ltd.*	**19,937**	16,617
Laiyuan County Ruitong Transportation Co., Ltd.*	**58,077**	59,752
	125,990	135,716

* *For identification purpose only*

16 PLEDGED BANK DEPOSIT

Pledged bank deposits carry fixed interest rate of 3.00% per annum (31 December 2022: Nil) and represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to RMB150,000,000 (31 December 2022: RMB Nil) have been pledged to secure long-term borrowings and are therefore classified as non-current assets. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

17. TRADE AND OTHER PAYABLES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Trade payables	**80,435**	106,333
Other taxes payable	**13,554**	13,649
Payables for construction work and equipment	**35,062**	40,692
Interest payables	**1,217**	1,176
Other payables and accruals	**28,592**	49,293
	158,860	211,143

17. TRADE AND OTHER PAYABLES *(continued)*

Notes:

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

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Up to 30 days	**12,474**	18,148
31 to 90 days	**22,011**	26,305
91 to 180 days	**14,932**	35,729
181 to 365 days	**14,214**	12,896
Over 365 days	**16,804**	13,255
	80,435	106,333

18. BANK BORROWINGS

On 6 January 2023, the Group obtained a new bank borrowing amounting to RMB199,000,000, which carry interest at fixed rates of 7% with a maturity date of 20 December 2025.

On 14 January 2023, the Group obtained a new bank borrowing amounting to RMB142,500,000, which carry interest at fixed rates of 4% with a maturity date of 13 January 2026.

On 24 February 2023, the Group renewed a bank borrowing amounting to RMB120,000,000, which carry interest at fixed rates of 9.23% with a maturity date of 23 February 2024.

On 27 February 2023, the Group renewed a bank borrowing amounting to RMB117,000,000, which carry interest at fixed rates of 9.23% with a maturity date of 26 February 2024.

On 19 May 2023, the Group obtained a new bank borrowing amounting to RMB120,000,000, which carry interest at fixed rates of 8% with a maturity date of 16 July 2023.

On 14 June 2023, the Group obtained a new bank borrowing amounting to RMB25,000,000, which carry interest at fixed rates of 8% with a maturity date of 5 July 2023.

On 20 June 2023, the Group obtained a new bank borrowing amounting to RMB95,000,000, which carry interest at fixed rates of LPR-0.85% with a maturity date of 19 June 2024.

19. FAIR VALUE MEASUREMENT

Fair value of financial assets and liabilities carried at other than fair value

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

20. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Unaudited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**196,844**	171,753

(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 effects. 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.

20. COMMITMENTS AND CONTINGENCIES *(continued)*

(b) Environmental contingencies *(continued)*

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.

(c) Governmental and regulatory levies

The Group is subject to certain levies (mineral resources compensation, water and soil loss compensation, pollutant discharge fee 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 periods 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.

21. RELATED PARTY TRANSACTIONS

During the periods presented, the Group entered into transactions with the following related parties.

Name of party	Relationship
Mr. Li Yanjun	The ultimate controller and the Director
Mr. Li Ziwei	The ultimate controller and the Director
Hebei Aowei Industrial Group. Co., Limited* ("Hebei Aowei")	A company ultimately owned by Mr. Li Yanjun
Beijing Tong Da Guang Yue Trading Co., Ltd.* ("Tong Da")	A company jointly owned by Mr. Li Yanjun
Beijing Tongchan Ritan Club Co., Limited* ("Ritan Club")	A company ultimately owned by Mr. Li Yanjun

* *For identification purpose only*

21. RELATED PARTY TRANSACTIONS *(continued)*

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

		Six months ended 30 June	
		2023	2022
	Note	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Repayment of lease liabilities	*(a)*	**1,720**	1,720

Notes:

(a) Repayment of lease liabilities represents office and car park rental paid and payable to Ritan Club.

(b) As at 30 June 2023, the bank borrowing of RMB344,000,000 (31 December 2022: Nil) is secured by the properties of Tong Da and guaranteed by certain subsidiaries of the Company, Mr. Li Yanjun, Mr. Li Ziwei and independent third parties.

As at 30 June 2023, the bank borrowing of RMB237,000,000 (31 December 2022: RMB237,000,000) is secured by land use right and properties of Hebei Aowei and independent third parties and guaranteed by Mr. Li Yanjun, Hebei Aowei and independent third parties.

As at 30 June 2022, the bank borrowing of RMB176,000,000 is secured by the properties of Tong Da and guaranteed by certain subsidiaries of Company, Mr. Li Yanjun and Mr. Li Mengzhe, a director of a subsidiary of the Company.

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

Compensation of key management personnel

The remuneration for key management personnel, including amounts paid to the Directors and certain of the employees, is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Basic salaries, allowances and benefits in kind	**1,894**	1,782
Retirement scheme contributions	**53**	43
	1,947	1,825

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