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 2017

FINANCIAL HIGHLIGHTS

The revenue of the Group for the Reporting Period was approximately RMB869.1 million, representing an increase of approximately RMB112.0 million or 14.8% as compared to the corresponding period last year. The Group's cost of sales for the Reporting Period was approximately RMB594.8 million, representing an increase of approximately RMB106.5 million or 21.8% as compared to the corresponding period last year. The gross profit of the Group for the Reporting Period was approximately RMB274.4 million, representing an increase of approximately RMB5.5 million or 2.1% as compared with the corresponding period last year.

For the Reporting Period, the loss attributable to the equity shareholders of the Company was approximately RMB357.0 million, while the profit attributable to the equity shareholders of the Company for the corresponding period last year was approximately RMB85.7 million.

For the Reporting Period, the basic and diluted loss per share attributable to equity shareholders of the Company was RMB0.22, while the basic and diluted earnings per share for the corresponding period last year were RMB0.05.

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 2017 (the "**Reporting Period**" or the "**Year**"), along with the relevant comparable figures for the year ended 31 December 2016, 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 2017 annual report (the "**2017 Annual Report**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017
(Expressed in Renminbi)

	Note	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*3*	**869,122**	757,137
Cost of sales		**(594,757)**	(488,291)
Gross profit		**274,365**	268,846
Distribution costs		**(10,731)**	(13,144)
Administrative expenses		**(74,056)**	(97,240)
Impairment losses	*4(c)*	**(449,055)**	–
(Loss)/profit from operations		**(259,477)**	158,462
Finance income	*4(a)*	**3,871**	4,065
Finance costs	*4(a)*	**(45,574)**	(43,577)
Net finance costs		**(41,703)**	(39,512)
(Loss)/profit before taxation	*4*	**(301,180)**	118,950
Income tax	*5*	**(55,828)**	(33,284)
(Loss)/profit for the year		**(357,008)**	85,666
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of group of companies outside of Mainland China		**(1,211)**	1,395
Total comprehensive income for the year		**(358,219)**	87,061
(Loss)/profit attributable to equity shareholders of the Company		**(357,008)**	85,666
Total comprehensive income attributable to equity shareholders of the Company		**(358,219)**	87,061
(Loss)/earnings per share			
Basic and diluted (RMB)	*6*	**(0.22)**	0.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2017

(Expressed in Renminbi)

	Note	**31 December 2017** *RMB'000*	31 December 2016 *RMB'000*
Non-current assets			
Property, plant and equipment, net	*7*	**755,528**	838,579
Construction in progress		**696**	5,374
Lease prepayments	*8*	**112,111**	127,035
Intangible assets	*9*	**369,709**	753,758
Goodwill		**–**	73,410
Long-term receivables		**55,760**	53,960
Prepayments		**59,412**	3,576
Deferred tax assets		**129,853**	122,163
Total non-current assets		**1,483,069**	1,977,855
Current assets			
Inventories	*11*	**91,570**	106,147
Trade and other receivables	*12*	**295,598**	123,688
Other financial assets		**–**	48,000
Restricted deposits	*13*	**342,836**	298,048
Cash and cash equivalents		**65,745**	46,577
Total current assets		**795,749**	622,460
Current liabilities			
Short-term borrowings	*14*	**320,000**	310,000
Trade and other payables	*15*	**188,057**	180,410
Current taxation		**49,249**	27,994
Current portion of long-term payables	*16*	**77,889**	45,501
Current portion of accrued reclamation obligations		**7,316**	5,720
Total current liabilities		**642,511**	569,625
Net current assets		**153,238**	52,835
Total assets less current liabilities		**1,636,307**	2,030,690

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current liabilities			
Long-term payables, less current portion	*16*	**162,446**	197,707
Accrued reclamation obligations, less current portion		**52,260**	51,606
Deferred tax liabilities		**44,413**	50,090
Total non-current liabilities		**259,119**	299,403
NET ASSETS		**1,377,188**	1,731,287
CAPITAL AND RESERVES			
Share capital		**131**	131
Reserves		**1,377,057**	1,731,156
TOTAL EQUITY		**1,377,188**	1,731,287

NOTES

(Expressed in Renminbi unless otherwise indicated)

1 CORPORATION INFORMATION

Aowei Holding Limited (the "**Company**", formerly known as Hengshi Mining Investments Limited) was incorporated in the British Virgin Islands on 14 January 2011 and redomiciled to the Cayman Islands on 23 May 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (2012 Revision, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (together the "**Group**") are principally engaged in the mining, processing and sale of iron ore products and the provision of hospital management service in the People's Republic of China ("**PRC**").

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.

On 13 July 2016, the Company acquired the 100% issued share capital of Xinan Investments Limited ("Xinan") details set out in note 5 to the consolidated financial statements for the year ended 31 December 2016.

On 28 November 2017, the name of the Company was changed from Hengshi Mining Investments Limited to Aowei Holding Limited.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

3 REVENUE AND OPERATING SEGMENTS

(a) Revenue

The Group is principally engaged in the mining, processing and sale of iron ores, preliminary concentrates and iron ore concentrates and the provision of hospital management service. Revenue mainly represents the sales value of goods sold to customers and the service income from hospital management exclusive of value added tax. The amount of each significant category of revenue recognised is as follows:

	2017	2016
	RMB'000	*RMB'000*
Mining Segment		
Iron ore concentrates	**868,783**	734,485
Preliminary concentrates	**–**	21,588
Iron ores	**–**	1,048
Others	**–**	4
	868,783	757,125
Medical Segment		
Hospital management service	**339**	12
	869,122	757,137

During the year ended 31 December 2017, there were three customers with whom transactions have exceeded 10% of the Group's revenue (2016: three customers) and revenue from sale of iron ore concentrates to these customers amounted to RMB703,675,000 (2016: RMB603,936,000).

(b) Operating Segments

The Group manages its businesses based on its business line, which are divided into mining, processing and sale of iron ore products and the provision of hospital management service. Before July 2016, the Group only had one business line, the mining, processing and sale of iron ore products. Operation of hospital management business was acquired by the Group in July 2016.

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("**CODM**") for the purposes of resources allocation and performance assessment, the Group has identified and presented the following two reportable segments in accordance with IFRS 8. No operating segments have been aggregated to form the following reportable segments:

- the mining, processing and sale of iron ore products; and

- the provision of hospital management, establishment of specialist clinics supply of medical consumables and nursing service.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets and liabilities include all non-current assets and liabilities and current assets and liabilities with the exception of unallocated head office and corporate assets and liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments.

Segment profit represents the profit after taxation generated by individual segments.

Segment assets and liabilities of the Group are not reported to the Group's CODM regularly. As a result, reportable segment assets and liabilities have not been presented in the financial statements.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2017 is set out below.

	Year ended 31 December 2017		
	Mining, processing and sale of iron ore segment	Provision of hospital management, establishment of specialist clinics supply of consumables and nursing service	Total
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment revenue	**868,783**	**339**	**869,122**
Cost of sales	**(588,522)**	**(6,235)**	**(594,757)**
Reportable segment gross profit/(loss)	**280,261**	**(5,896)**	**274,365**
Distribution costs	**(10,731)**	**–**	**(10,731)**
Administrative expenses	**(76,723)**	**(1,095)**	**(77,818)**
Net finance costs	**(41,718)**	**13**	**(41,705)**
Impairment losses on assets	**(375,645)**	**(73,410)**	**(449,055)**
Reportable segment loss before taxation	**(224,556)**	**(80,388)**	**(304,944)**
Income tax	**(57,404)**	**1,558**	**(55,846)**
Reportable segment loss	**(281,960)**	**(78,830)**	**(360,790)**

	Year ended 31 December 2016		
	Mining, processing and sale of iron ore segment	Provision of hospital management, establishment of specialist clinics supply of consumables and nursing service	Total
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment revenue	757,125	12	757,137
Cost of sales	(485,174)	(3,117)	(488,291)
Reportable segment gross profit/(loss)	271,951	(3,105)	268,846
Distribution costs	(13,144)	–	(13,144)
Administrative expenses	(92,380)	(1,129)	(93,509)
Net finance costs	(39,292)	–	(39,292)
Reportable segment profit/(loss) before taxation	127,135	(4,234)	122,901
Income tax	(34,037)	779	(33,258)
Reportable segment profit/(loss)	93,098	(3,455)	89,643

(ii) ***Reconciliations of reportable segment revenue and profit or loss:***

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**869,122**	757,137
Consolidated revenue *(note 3(a))*	**869,122**	757,137
Profit		
Reportable segment (loss)/profit	**(360,790)**	89,643
Unallocated head office and corporate income/(expense)	**3,782**	(3,977)
Consolidated (loss)/profit	**(357,008)**	85,666

(iii) All of the Group's operations are located in the PRC, therefore no geographical segment reporting is presented.

4 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after (crediting)/charging:

(a) Net finance costs:

	2017	2016
	RMB'000	*RMB'000*
Interest income	**(3,871)**	(4,065)
Finance income	**(3,871)**	(4,065)
Interest on interest-bearing borrowings	**29,143**	27,355
Unwinding of interest on		
– long-term payables	**13,621**	13,222
– accrued reclamation obligations	**2,809**	2,719
Foreign exchange loss, net	**1**	281
Finance costs	**45,574**	43,577
Net finance costs	**41,703**	39,512

During the year ended 31 December 2017, no borrowing costs were capitalised in relation to construction in progress (2016: nil).

(b) Staff costs:

	2017	2016
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**70,785**	65,523
Retirement scheme contributions	**4,725**	4,820
	75,510	70,343

Employees of the Group are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds at a rate of 12% of the bases determined by referencing to the prevailing average salary of Hebei Province and as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other obligations for payment of retirement and other post-retirement benefits of employees other than the contribution described above.

(c) Other items:

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories *(note (i))*	**588,522**	485,174
Depreciation and amortisation	**142,884**	118,342
Operating lease charges	**5,036**	3,589
Auditor's remuneration		
– audit services	**3,060**	3,000
– non audit services	**470**	680
Allowance for doubtful debts	**–**	286
Net losses on disposal of property, plant and equipment	**9**	–
Impairment losses *(note 10)*	**449,055**	–

Note:

(i) During the year ended 31 December 2017, cost of inventories includes RMB181,160,000 (2016: RMB131,630,000) relating to staff costs, depreciation and amortisation expenses which are also included in the respective amounts disclosed separately above for each of these types of expenses.

During the year ended 31 December 2017, production stripping costs recognised in profit or loss as part of cost of inventories amounted to RMB280,135,000 (2016: RMB227,215,000)

5 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2017	2016
	RMB'000	*RMB'000*
Current tax		
Provision for PRC enterprise income tax	**65,075**	48,911
Deferred tax		
Origination and reversal of temporary differences	**(9,247)**	(15,627)
	55,828	33,284

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rate:

	2017	2016
	RMB'000	*RMB'000*
(Loss)/profit before taxation	**(301,180)**	118,950
Notional tax on (loss)/profit before taxation, calculated at tax rate of 25% *(note (i))*	**(75,295)**	29,738
Differential tax rates on subsidiaries' income *(note (ii))*	**(4,311)**	(3,436)
Tax effect of non-deductible expenses *(note (iii))*	**116,060**	586
Tax effect of unused tax losses not recognised	**1,659**	6,396
Reversal of previously recognised temporary differences	**14,981**	–
Tax provision for prior years	**2,734**	–
Actual tax expense	**55,828**	33,284

Notes:

(i) The PRC enterprise income tax rate is adopted as the Group's operations are mainly conducted in the PRC. Pursuant to the prevailing income tax rules and regulations of the PRC, the PRC enterprise income tax is at a rate of 25%.

(ii) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

(iii) For the year ended 31 December 2017, it represents mainly non-deductible timing difference arising from the impairment losses amounting to RMB112,264,000 (2016: RMB nil).

(iv) According to the PRC Enterprise Income Tax Law and its implementation rules, interests receivable by non-PRC-resident corporate investors from PRC-resident enterprises are subject to withholding income tax at a rate of 7%.

(v) According to the PRC Enterprise Income Tax Law and its implementation rules, dividends receivable by non-PRC-resident corporate investors from PRC-resident enterprises for profits earned since 1 January 2008 are subject to withholding income tax at a rate of 10%, unless reduced by tax treaties or arrangements. Undistributed profits earned prior to 1 January 2008 are exempted from such withholding tax.

6 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 December 2017 of loss of RMB357,008,000 (2016: profit of RMB85,666,000) and the weighted average number of shares in issue during the year ended 31 December 2017 of 1,571,586,000 shares (2016: 1,571,586,000 shares).

The Company did not have any potential dilutive shares for the years presented. Accordingly, diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

7 PROPERTY, PLANT AND EQUIPMENT, NET

The Group's property, plant and equipment are substantially located in the PRC. As at 31 December 2017, the Group has not obtained title certificate of certain of its buildings and plants with an aggregate carrying amount of approximately RMB48,872,000 (31 December 2016: RMB52,248,000). The directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned properties.

As at 31 December 2017, mine properties include capitalised stripping activity asset with a carrying amount of RMB163,528,000 (31 December 2016: RMB213,992,000).

As at 31 December 2017, certain of the Group's borrowings were secured by the Group's property, plant and equipment (see note 14(c)) with a carrying amount of RMB46,484,000 (31 December 2016: RMB49,913,000).

8 LEASE PREPAYMENTS

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 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 RMB95,936,000 (31 December 2016: RMB110,198,000). The directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned leasehold land.

As at 31 December 2017, certain of the Group's borrowings were secured by the Group's land use rights (see note 14(c)) with a carrying amount of RMB10,942,000 (31 December 2016: RMB11,301,000).

9 INTANGIBLE ASSETS

Intangible assets represent mining rights and the related premium paid in relation to obtaining the mining rights, and the hospital management right acquired in 2016.

During the year ended 31 December 2017, the impairment provision on mining rights of Laiyuan Xinxin Mining Co., Ltd ("Xinxin Mining") and Laiyuan County Jiheng Mining Co., Ltd. ("Jiheng Mining") were RMB17,351,000 (see note 10(a)) and RMB321,000,000 (see note 10(c)), respectively.

In connection with the acquisition of Xinan completed in July 2016, the Group obtained hospital management right through the related hospital management agreements. The management right was recognised at its fair value amounting to RMB187,000,000, and is amortised on a straight-line basis over 30 years as agreed in the hospital management agreements.

As at 31 December 2017, the Group's borrowings were secured by the mining right of Jiheng Mining (see note 14(c)) with a carrying amount of approximately RMB28,106,000 (31 December 2016: RMB57,065,000).

10 IMPAIRMENT LOSSES

(a) Property, plant and equipment

When any indication of impairment is identified, property, plant and equipment are reviewed for impairment based on cash-generating unit ("CGU"). The carrying values of the CGU was compared to the recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal ("FVLCD") and value in use ("VIU"). Given the nature of the Group's activities, information on the fair value of a CGU is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. As such, the recoverable amount of CGU was determined based on VIU, which is the present value of the estimated future cash flows to be derived from the continuing use of the CGU and from its ultimate disposal. The cash flow was discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the CGU.

As a result of continuing and weaker iron ore product price forecasts and consequent deferral of mine development plan in the second half of 2015, the Group identified indications of impairment in relation to Laiyuan County Jingyuancheng Mining Co., Ltd. ("Jingyuancheng Mining") and Xinxin Mining. Consequently, a formal estimate of the recoverable amounts of the related CGUs were performed. For the purpose of the impairment testing, each of Jingyuancheng Mining and Xinxin Mining is regarded as a CGU. For the year ended 31 December 2015, impairment losses totally RMB393,637,000 was recognised in respect of the Group's property, plant and equipment, construction in progress and intangible assets amounting to RMB184,384,000, RMB25,091,000 and RMB184,162,000, respectively.

Since then the directors have been closely monitoring the market situation and the indication of variance to those key assumptions used in the estimation of carrying amounts of related CGUs. During the year ended 31 December 2017, the directors carried out the review of the recoverable amounts of each CGU of which indications of impairment were identified.

During the year ended 31 December 2017, the Group anticipates a further deferral of production resumption of Xinxin Mining after taking into account the fact that it will continue to remain production halt. The directors carried out the review of the recoverable amount of this CGU and such review led to the recognition of an impairment loss of RMB54,645,000, which has been recognised in the profit or loss for the year ended 31 December 2017, of which RMB37,294,000 was recognised in the property, plant and equipment and RMB17,351,000 was recognised in intangible assets (see note 9), and this CGU has been reduced to its recoverable amount of RMB143,975,000.

The determination of VIU was most sensitive to iron ore concentrate prices, sales and production volumes and discount rate. The Group adopts a pre-tax rate of 13.9% (2016: 11.4%) that reflects specific risks related to the CGUs as discount rates. Other key assumptions for the VIU calculations reflect management's judgements and expectations regarding the past performance of the relevant assets, as well as future industry conditions and operations.

(b) Goodwill

The business of Xinan acquired in July 2016 is identified to be a CGU, to which the goodwill amounting to RMB73,410,000 is allocated. As at 31 December 2017, the directors carried out the review of the recoverable amount of this CGU for the purpose of goodwill annual impairment assessment. The recoverable amount of this CGU is determined on the bases of the present value of future cash flow projection.

The future cash flow of financial budget covering an eight-year period (2016: six-year period) approved by the management. The projected period greater than five years is due to the operation of this CGU will not reach stable status until the year 2026. Cash flows beyond the eight-year period (2016: six-year period) are extrapolated using an estimated weighted average growth rate of 3%. The cash flows are discounted using a discount rate of 13.2% (2016: 15.0%). The discount rate used is after-tax and reflect specific risks relating to the business. The management considered that the forecast assumptions are appropriate.

Details of the key assumptions which are used for calculating VIU as at 31 December 2017 and 31 December 2016 are as follows:

(i) Number of patient and average income earned from each patient

Forecast number of patient and average income are based on management's estimates and are derived from Rongcheng Hospital's performance in prior year and long-term development plan building upon industry trends and external sources.

(ii) Gross margin on supply chain business

Average gross margin on sale of pharmaceutical products, medical devices and medical consumables is derived from publicly available market data of comparable peer companies, with appropriate adjustments made to reflect the risks and benefits specific to sale of traditional Chinese medicines and medical devices in remote counties.

(iii) Discount rate

In arriving at the VIU, an after-tax discount rate of 13.2% (2016: 15.0%) was applied to the estimated future cash flows of the CGU as at 31 December 2017. This discount rate is derived from the acquired business's weighted average cost of capital ("WACC", with appropriate adjustments made to reflect the risks specific to the CGU). The WACC takes into account both debt and equity, weighted based on the comparable peer companies' average capital structure. The cost of equity is derived from the expected return on investment by the Group's investors based on publicly available market data of comparable peer companies. The cost of debt is based on the borrowing cost of interest-bearing borrowings of the Group that reflects the credit rating of the Group.

Since the master plan for the Xiong'an New Area of where the operation is located is still under processing, the performance of the Group's hospital management business did not reach the original expectation. Impairment losses of RMB73,410,000 was recognised for the year ended 31 December 2017, as the CGU has been reduced to its recoverable amount of RMB133,238,000 and any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

(c) Mining rights

In August and December 2014, the Group acquired two mining rights with an aggregate carrying amount of approximately RMB321,000,000 from two third parties. These two mining rights fall within the local government's resources integration plan. In accordance with the plan, the local government intends to grant one mining right certificate in replace of a few separate mining right certificates. As at 31 December 2017, the Group is still in process of negotiating with the local government to renew title certificates of these two mining rights as part of the planned consolidation works. Given the fact that the local government has carried out policies such as gradually closing down and ceasing new license of open-pit under scale recently, the directors considered indication of impairment exist and carried out the review of the recoverable amount of the above-mentioned mining rights.

Further to the impairment assessment made by the Company, an impairment loss of RMB321,000,000 has been recognized in the profit or loss for the year ended 31 December 2017 after taking into account the uncertainties associated with the consolidation works in the foreseeable future.

11 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2017	2016
	RMB'000	*RMB'000*
Iron ores	**46,383**	22,949
Preliminary concentrates	**20,130**	40,687
Iron ore concentrates	**2,147**	9,339
Weakly mineralised wall rock#	**–**	11,861
	68,660	84,836
Consumables and supplies	**22,910**	21,311
	91,570	106,147

Weakly mineralised wall rock represents sub-graded mineral materials.

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2017	2016
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**588,522**	485,174

12 TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Accounts receivable	**89,599**	64,652
Bills receivable	**300**	4,000
	89,899	68,652
Less: allowance for doubtful debts	**286**	286
Trade receivables *(note (a))*	**89,613**	68,366
Other receivables *(note (d))*	**205,985**	55,322
	295,598	123,688

(a) Ageing analysis

At the end of reporting period, the ageing analysis of trade receivables based on the invoice date (net of allowance for doubtful debts, if any) is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 6 months	**71,336**	54,057
Over 6 months but less than 1 year	**–**	14,230
Over 1 year	**18,277**	79
	89,613	68,366

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired *(note (i))*	**71,336**	68,287
Over 1 year past due *(note (ii))*	**18,277**	79
	89,613	68,366

Notes:

(i) Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

(ii) Receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. As at 31 December 2017, trade receivables from Laiyuan County Xiongxin Mining Co., Ltd and Pingshan County Jingye Smelting Co., Ltd over 1 year past due but not impaired amounted to RMB17,264,000 and RMB934,000, respectively (31 December 2016: RMB nil and RMB nil, respectively). Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) Other receivables

	2017	2016
	RMB'000	*RMB'000*
Prepayments and deposits#	**195,723**	49,532
Value added tax recoverable	**1,120**	1,152
Amounts due from related parties	**15**	422
Others	**9,127**	4,216
	205,985	55,322

Prepayments and deposits mainly represent advance payments made to the Group's mining contractors. As at 31 December 2017, prepayments to Tangshan Hengsheng Blasting Engineering Co., Ltd. for blasting services, to Laiyuan County Huiguang Logistics Co., Ltd. for on-site loading services and to Laiyuan County Ao Tong Transportation Co., Ltd. for transportation services amounted to RMB10,378,000,RMB87,539,000 and RMB142,345,000, respectively (31 December 2016: RMB5,583,000, RMB17,065,000 and RMB14,697,000, respectively).

Based on agreements with the respective mining contractors, all of which are independent third parties, the prepaid amounts are interest-free and the Group anticipates the amounts to be subsequently utilised along with the provision of related services within one year.

As at 31 December 2017, other than deposits amounted to RMB2,685,000 (31 December 2016: RMB2,685,000), which are included in prepayments and deposits, all of the other receivables were aged within one year and were expected to be recovered or expensed off within one year.

13 RESTRICTED DEPOSITS

As at 31 December 2017, restricted deposits mainly represent bank deposits within one year, deposits pledged as guarantee for bills payable and other deposits amounting to RMB279,800,000, RMB60,000,000 and RMB3,036,000, respectively (31 December 2016: RMB257,018,000, RMB40,000,000 and RMB1,030,000).

14 BORROWINGS

(a) The Group's short-term interest-bearing borrowings comprise:

	2017 Interest rate per annum %	**2017** *RMB'000*	2016 Interest rate per annum %	2016 *RMB'000*
Renminbi denominated				
Short-term borrowings:				
– secured bank loans[#]	**4.35~6.53**	**320,000**	4.35~6.53	310,000
		320,000		310,000

[#] *As at 31 December 2017, the Group's bank loans of RMB200,000,000 and RMB120,000,000 were secured by the Group's mining right, land use rights, properties and equipment (see notes 7, 8, and 9) and by the land use rights and properties of a related party of the Group, respectively. As at 31 December 2016, the Group's bank loans were secured by the Group's mining right.*

(b) The Group's borrowings were repayable as follows:

	2017 *RMB'000*	2016 *RMB'000*
Within 1 year	**320,000**	310,000

(c) The Group's banking facilities comprise:

	2017 *RMB'000*	2016 *RMB'000*
Secured by:		
Mining rights, land use rights and properties of the Group *(notes 7, 8 and 9)*	**243,000**	243,000
Land and properties of a related party	**160,000**	160,000
	403,000	403,000

As at 31 December 2017, the above banking facilities of the Group were utilised to the extent of RMB380,000,000, including bank loan facilities of RMB320,000,000 and bank acceptance bill facilities of RMB60,000,000, respectively (31 December 2016: RMB350,000,000, including bank loan facilities of RMB310,000,000 and bank acceptance bill facilities of RMB40,000,000).

The Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial statement ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As of the end of 2017, none of the covenants relating to drawn down facilities had been breached.

15 TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**50,398**	66,713
Bills payables	**60,000**	40,000
Other taxes payable	**24,607**	21,431
Receipts in advance	**10,199**	18,267
Payables for construction work, equipment purchase and others	**7,792**	8,263
Amounts due to related parties	**100**	–
Interest payables	**556**	440
Others#	**34,405**	25,296
	188,057	180,410

Others mainly represent accrued expenses, payables for staff related costs and other deposits.

As at 31 December 2017, all trade payables are due and payable on presentation or within one year. All of the other payables were expected to be settled within one year or are repayable on demand.

16 LONG-TERM PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Consideration payables for the acquisition of mining rights	**240,335**	243,208
Less: current portion of long-term payables	**77,889**	45,501
	162,446	197,707

In March 2012 and January 2013, the Group acquired the Gufen Mine, Wang'ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine from Hebei Provincial Department of Land and Resources for considerations of RMB365,545,000 in aggregate and repayable by annual instalments with original payment periods over five to seven years.

In accordance with Ji Guo Tu Zi Han No. [2015]1011 issued on 11 November 2015, Hebei Provincial Department of Land and Resources approved a revised annual instalment schedule in relation to the remaining parts of the above mining right considerable payables and the payment periods were extended to 2022.

The Group's long-term payables were repayable as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**77,889**	45,501
After 1 year but within 2 years	**47,314**	45,624
After 2 years but within 5 years	**115,132**	130,043
After 5 years	**–**	22,040
	240,335	243,208

17 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments outstanding at 31 December 2017 not provided for in the financial statements were as follows:

	2017	2016
	RMB'000	*RMB'000*
Contracted for		
– property, plant and equipment	**–**	3,982

(b) At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**4,793**	4,463
After 1 year but within 5 years	**4,408**	9,008
	9,201	13,471

The Group leases certain buildings through operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the agreements contain escalation provisions that may require higher future rental payments.

(c) Environmental contingencies

To date, the Group has not incurred any significant expenditure for environment remediation and has not accrued any amounts for environmental remediation relating to its operations. 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. 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.

(d) Governmental and regulatory levies

The Group is subject to certain levies (mineral resources compensation, water and soil loss compensation and 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 years presented. The directors are of the opinion that the Group had no other material obligations or liabilities of such levies at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

MINING SERVICE

Market Review

During the Year, global economy maintained its momentum of recovery. Meanwhile, economy in the People's Republic of China (the "**PRC**") remained stable and sound and was better than expected in 2017, with GDP reaching RMB82.7 trillion, representing a year-on-year growth of 6.9%. However, as growth model of the Chinese economy is shifting from export-oriented to consumer-oriented and from high-speed to high-quality, steel industry is still suffering from the severe problem in terms of eliminating overcapacity featuring with low efficiency, low quality and pollution.

Specifically, the State Council of the PRC (the "**State Council**") has regarded "reducing overcapacity in industrial production" as one of the top priorities for the restructuring of the steel industry within the 13th Five-Year Plan of the PRC. The supply-side structural reform has been in place for more than two years since it was introduced at the Central Economic Work Conference in December 2015 and the problem of overcapacity in the steel industry is required to be addressed by all means in compliance with the policy. To maintain sustainable development of the industry, the State Council promulgated the Opinions on the Steel Industry to Resolve Overcapacity and Relief (《關於鋼鐵行業化解過剩產能實現脱困發展的意見》) in early 2016, with an aim to reduce the annual production capacity of crude steel by 100 million tons to 150 million tons by 2020 and to encourage mergers in the industry.

According to a document issued by the Ministry of Industry and Information Technology in early 2018, the target set out in the government work report of reducing overcapacity by 50 million tons was completed and exceeded in 2017, and the 140 million tons of "ground steel" production capacity, which have hampered the development of the steel industry for years, were completely eliminated. According to statistics released by the National Bureau of Statistics, the "ground steel" production capacity that had not been incorporated into the statistics before was replaced by compliant steel companies thanks to the ban of "ground steel" implemented nationwide in the first half of 2017. As a result, output of crude steel in the PRC reached 832 million tons in 2017, representing an increase of approximately 5.7% over the 808 million tons in 2016. The output of cast iron was 711 million tons in 2017, representing a year-on-year increase of approximately 1.8%.

According to the data published by the General Administration of Customs, 1,075 million tons of iron ore and concentrates in total were imported into the PRC in 2017, representing a year-on-year increase of approximately 5%. 13.3 million tons of steel in total were imported, representing a year-on-year increase of approximately 0.6%. In 2017, the average price of domestic iron ore concentrate was RMB595.0 per ton, representing a year-on-year increase of RMB84.9 per ton (or approximately 16.6%). The average price of imported fine ore was US$69.9 per ton, representing a year-on-year increase of US$12.2 per ton (or approximately 21.1%). It is estimated that 88.5% of iron ore in the PRC was imported as at the end of 2017, slightly higher than 87.4% at the end of 2016.

The growth rate of imported iron ore was affected by both demand and supply sides. At the demand side, the demand of steel companies for iron ore increased further due to recovery of the overall steel industry in 2017. At the supply side, development of domestic mines was influenced and constrained by environmental protection and safety policies, which resulted in the reliance on imported iron ore to satisfy the demands. It is expected that the amount of imported iron ore in the PRC will further increase in 2018. In addition, the demand of domestic steel companies for medium and high graded ore grows gradually due to increasing profitability. The iron ore and concentrates imported into the PRC in 2017 were mainly high graded ore from Australia and Brazil. The material imbalance between supply and demand pushed up the average price of imported ore.

Although the overall iron ore industry benefited from the abovementioned factors, which in turn drove the continuous improvement of the Group's financial performance during the Year, the Group recorded losses in 2017 due to asset impairment and other factors.

Major Business Risks

To improve the efficiency of mining industry and to cope with the non-compliance in the operation of small mines, the Central Government of China and regional governments have promulgated a number of policies and guidelines since 2009, promoting the integration of small-scale iron ore mines within the same mining area. According to the Approval of the Creation Plan for Mining Rights (Authorized by the Provincial Department) in Baoding (Ji Guo Tu Zi Han [2014] No.421) (冀國土資函[2014]421號文件《關於保定市採礦權（省廳發證權限）設置方案的批覆》) granted by Hebei Provincial Department of Land and Resources on 24 June 2014, integration of the five mining rights of Yaobeigou Iron Ore Mine (close to Laiyuan County Jiheng Mining Co., Ltd. ("**Jiheng Mining**")) in Zhijiazhuang, Laiyuan County, Heibei Province was approved.

Jiheng Mining, a wholly-owned subsidiary of the Company, entered into Mining Right Acquisition Agreements with Hebei Province Laiyuan County Yucheng Center Primary School Processing Plant (河北省淶源縣育城中心小學鐵選廠) ("**Yucheng Processing Plant**") and Laiyuan Wanxing Industry Limited (淶源縣萬興實業有限公司) ("**Wanxing Industry**") on 19 August 2014 and 18 December 2014 respectively. For details of the above transaction, please refer to announcement dated 19 August 2014 and the 2014 Annual Report of the Company. However, as the price of iron ore continued to decline and it was difficult to reach agreements with potential sellers due to the selling price, the Group did not reach other purchase agreements regarding integration of the other three mining rights in the region in accordance with the approval after completing the acquisition of the above two mining rights. The above-mentioned integration work is suspended. The mining licenses of Yaobeigou Iron Ore Mine acquired from the Yucheng Processing Plant and Wanxing Industry expired on 8 June 2016 and 14 December 2015, respectively. They were not renewed due to the above government policies and requirements.

Uncertainties in the above integration work increased due to strict environmental protection policies in place since 2017. The "Ad-hoc Action Plan for Pollution Remediation of Open-pit Mines in Hebei Province" (**Ji Qi Ling Ban [2016] No. 24**)(《河北省露天礦山污染深度整治專項行動方案》（冀氣領辦[2016]24號）) clearly sets out that: the development and reform departments shall suspend the approval and registration of new construction projects for open-pit mines; the environmental protection departments shall suspend the approval of environmental impact assessment report for new open-pit mine projects, and the departments of land and resources shall suspend the approval of mining rights for new open-pit mines.

The Group considered that the aforementioned integration work can be resumed, and communicated with the local department of land and resources in July 2017 and commissioned Hebei Liangcheng Law Firm (河北涼城律師事務所) to conduct legal review on the above two right acquisitions. The local department of land and resources pointed out that the **Ji Guo Tu Zi Han [2014] No.421** document issued by the Provincial Department of Land and Resources in 2014 remained valid and it was not required to discontinue the operation in the above-mentioned mining areas acquired.

Considering the continuously tightened atmosphere and environment protection policies in Hebei, especially Beijing-Tianjin-Hebei region, Baoding Municipal Land and Resources Bureau issued **BGTZZ [2018] No.51 File** on 30 January 2018, pointing out that various approval procedures for entry into centralized exploration area by means of integration, adjustment or change of mine scope shall be suspended (unless integration proposals have been replied by the Municipal Government) according to the Opinions on Reforming and Improving Mineral Resource Management System and Strengthening Comprehensive Treatment of Mining Environment (**Ji [2018] No. 3**) issued by the Provincial Party Committee and Provincial Government. The Board of the Group considered that there were indications of impairments as for the aforesaid mining rights and has reviewed its recoverable amount, considering great changes in above policies and the development direction of relevant business.

As stated in previous annual reports of the Company, although the Group had taken several measures to simplify operation due to challenging business environment and severe overcapacity of the industry, the management continued to suspend the production of Laiyuan Xinxin Mining Co., Ltd. ("**Xinxin Mining**") according to the Group's strategy considering the scale and risk factors. As Hebei Province has launched special plans relating to environment management, which put forward appropriate economic compensation to the surface mines that shut down voluntarily, the Management of the Group is in the process of accommodating and facilitating relevant work.

Confronted with slower growth of China's economy, and higher level of macro-debts, many domestic banks and financial institutions have greatly tightened the loan-granting policies and taken more conservative measures for loan approval and renewal, especially the business with poor prospects, high risks or severe overcapacity such as the steel industry. The Company may be required to repay relevant bank loans and credit loans (if any), go through more frequent and stricter review in a short term, or undertake cost of capital higher than normal. Since the Group's business was deeply affected by prudent measures of banks, it is well aware that long-term bank credit loans are faced with many difficulties and uncertainties with possible rise in cost of capital. In spite of this, the Group will rise to the challenge and maintain good communication and cooperation with banks and financial institutions. The Group's bank loans were not severely affected as at 31 December 2017.

Due to uncertainties in the industry and price fluctuation, the Group has been proactively seeking for diversified development in order to prevent the performance fluctuation brought forth by the periodicity of the steel and mining industry. The Group completed the acquisition of Xinan Investments Limited and its subsidiary (the "**Target Group**") in July 2016, commencing its engagement in hospital management business. The construction and renovation projects of the entrusted hospital in the planning area were not carried out as scheduled pending implementation of Urban planning of Xiong'an New District, so the aforesaid hospital management business failed to reach the expected conditions when acquired. In addition to the performance compensation, there were indications of impairments in respect of relevant businesses which, after impairment testing, recognized relevant impairment losses.

Business Review

In 2017, the market condition of the iron ore industry recovered due to the influence of supply-side reforms. Both Jiheng Mining and Laiyuan County Jingyuancheng Mining Co., Ltd. ("**Jingyuancheng Mining**") operated stably, but the overall cash operating costs increased due to factors such as lower production grades. During the Year, revenue of the Group increased by 14.8% as compared to the same period last year to approximately RMB869.1 million, which was attributable to the increase in the price of iron ore concentrates benefited from the supply-side reform of the steel industry, but the above increase was partially offset by the decline in the Group's iron ore concentrates production. During the Year, gross profit of the Group was approximately RMB274.4 million and the gross profit margin was approximately 31.6%, which was lower than last year. During the Year, impairment losses amounted to approximately RMB449.1 million, as the mining area integration scheme of Zhijiazhuang Mine approved in 2014 could not be implemented due to environmental protection policies; besides, value in use of the operating assets of Xinxin Mining declined due to long-term shutdown of the mine; and impairment loss of assets was recorded in the newly acquired hospital operating assets of the Group due to little progress in such business because the planning of Xiong'an New Area has not been implemented yet. The decrease in distribution costs and administrative expenses were mainly due to mining business reducing the product transportation shared internally and the cost control. As a result, the total loss and comprehensive loss attributable to owners of the Company amounted to approximately RMB358.2 million.

During the Year, output of iron ore concentrates of the Group was approximately 1,680.6 thousand tons (corresponding period in 2016: approximately 1,798.0 thousand tons), representing a year-on-year decrease of approximately 6.5%. The sales volume of iron ore concentrates was approximately 1,698.2 thousand tons (corresponding period in 2016: approximately 1,855.6 thousand tons), representing a year-on-year decrease of approximately 8.5%. The average unit cash operating cost was approximately RMB291.2/ton, with the average unit cash operating cost of approximately RMB191.9/ton for Jiheng Mining and approximately RMB426.7/ton for Jingyuancheng Mining.

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

	As at 31 December Output *(Kt)*			As at 31 December Sales volume *(Kt)*			As at 31 December Average sales price *(RMB)*		
The Group	**2017**	2016	*% of change*	**2017**	2016	*% of change*	**2017**	2016	*% of change*
Jiheng Mining									
Iron ore concentrates(1)	**970.2**	1,091.7	-11.1%	**968.3**	1,122.5	-13.7%	**482.7**	373.6	29.2%
Jingyuancheng Mining									
Iron ore concentrates(2)	**710.4**	706.3	0.6%	**729.9**	724.9	0.7%	**550.0**	431.2	27.6%
Xinxin Mining									
Iron ore concentrates(2)	**–**	–	–	**–**	8.2	–	**–**	320.0	–
Total									
Iron ore concentrates	**1,680.6**	1,798.0	-6.5%	**1,698.2**	1,855.6	-8.5%	**511.7**	395.8	29.2%

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 and Xinxin Mining was 66%.

RESOURCES AND RESERVES

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

The iron ore reserves which complied with JORC Code (2004 Edition) in respect of each mine of the Group as at 31 December 2017 are shown in the following table:

Company	Mine	Exploration approach	Reserve category	Depleted reserve[1]			Ore reserves[2]		
				(Kt)	*TFe (%)*	*mFe (%)*	*(Kt)*	*TFe (%)*	*mFe (%)*
Jiheng Mining	Zhijiazhuang	Open-pit	Probable	4,526	17.76	16.05	4,318	40.80	40.44
Jingyuancheng Mining	Wang'ergou	Open-pit	Probable	11,233	9.75	2.79	10,198	18.92	12.60
		Underground	Probable (graded 12% or above)						
	Shuanmazhuang	Open-pit	Probable	2,069	9.85	2.82	85,800	13.64	5.62
		Underground	Probable (graded 12% or above)	–	–	–	35,723	16.00	7.11
Xinxin Mining	Gufen	Open-pit	Probable	–	–	–	50,672	12.74	6.23
		Underground	Probable (graded 12% or above)	–	–	–	58,750	15.35	8.50
Total		Open-pit	Probable	17,828	11.80	6.16	150,988	14.48	7.29
		Underground	Probable (graded 12% or above)	–	–	–	112,550	15.64	8.06
		Total	Probable	17,828	11.80	6.16	263,538	14.97	7.62

Notes:

(1) Consumption of reserves represents the production statistical results of the mines for the current period, which are calculated by the operating department of the respective mining companies and reviewed by internal experts of the Group.

(2) The outcome of the ore reserves in this announcement was based on the estimated results of the ore reserves stated in the Competent Person's Report by SRK in November 2013 less the consumption from 1 July 2013 to 31 December 2017, the estimated assumptions in the report published in 2013 has not been changed.

As at 31 December 2017, the iron ore resources which complied with JORC Code (2004 Edition) in respect of each mine of the Group are as follows:

Company	Mine	Resource class	Depleted resource for the period[1]			Resource at the end of the period[2]		
			(Kt)	*TFe (%)*	*mFe (%)*	*(Kt)*	*TFe (%)*	*mFe (%)*
Jiheng Mining	Zhijiazhuang	Indicated resource	4,480	18.31	16.55	7,746	27.63	26.97
		Inferred resource	–	–	–	9,426	27.58	25.82
Jingyuancheng Mining	Wang'ergou	Indicated resource	11,117	10.05	2.88	41,845	14.66	7.52
		Inferred resource	–	–	–	39,250	13.03	5.85
	Shuanmazhuang	Indicated resource	2,048	10.15	2.91	147,973	14.02	5.76
		Inferred resource	–	–	–	73,935	12.81	4.92
Xinxin Mining	Gufen	Indicated resource	–	–	–	153,413	13.21	6.50
		Inferred resource	–	–	–	101,100	12.44	6.03
Total		Indicated resource	17,645	12.16	6.35	350,977	14.41	7.00
		Inferred resource	–	–	–	223,711	13.30	6.46
		Total resources	17,645	12.16	6.35	574,688	13.97	6.79

Notes:

(1) Consumption of resources is calculated based on the consumption of resources for the current period and the waste rock rate and ore loss rate of the mine as set out in the viability report on Jiheng Mining, Jingyuancheng Mining and Xinxin Mining, which is reviewed by the internal experts of the Group.

(2) The iron ore resources of this announcement are the result of the estimation findings on ore resources stated in the Competent Person's Report by SRK in November 2013 less the consumption from 1 July 2013 to 31 December 2017, and there are no changes on the estimation and assumption of the report presented in 2013.

MINES IN OPERATION

The Group has finished the building infrastructure and stripping projects of all the iron ore mines in 2015. As a result, the Group had no additional expenditure on building infrastructure and stripping projects during the Reporting Period. Furthermore, since the average stripping ratio of the operating entities in China was lower than their respective remaining mines during the Reporting Period, no qualified capitalized production and stripping costs were recorded.

Zhijiazhuang Mine

Zhijiazhuang Mine, which is wholly owned and operated by Jiheng Mining, is located in Yangjiazhuang Village, Laiyuan County. The area covered by the mining license for Zhijiazhuang Mine is 0.3337 sq.km. Jiheng Mining has comprehensive basic infrastructures such as water, electricity, highway and railway, etc. The annual mining capacity of Zhijiazhuang Mine was 2.4 Mtpa, and the dry processing capacity and the wet processing capacity were 4.20 Mtpa and 1.80 Mtpa, respectively, as at 31 December 2017.

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

Iron ore concentrates

Unit: RMB per tonne of iron ore concentrates	**During the year ended 31 December**		
	2017	2016	*% of change*
Mining costs	**79.3**	64.9	22.2%
Dry-processing costs	**22.2**	14.6	52.1%
Wet-processing costs	**51.1**	46.2	10.6%
Administrative expenses	**22.0**	26.0	-15.4%
Distribution costs	**–**	6.1	–
Taxation	**17.3**	14.5	19.3%
Total	**191.9**	172.3	11.4%

During the Reporting Period, the unit cash operating cost of the iron ore concentrates of Zhijiazhuang Mine increased as compared with that of last year. Increase in the cost of each production process was mainly due to lower grade of iron ore produced; no distribution cost was recorded, as the freight charges were not borne by Jiheng Mining during the Year.

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 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 at 31 December 2017, 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 cash operating costs of Wang'ergou Mine and Shuanmazhuang Mine:

Iron ore concentrates

Unit: RMB per tonne of iron ore concentrates	**During the year ended 31 December**		
	2017	2016	*% of change*
Mining costs	**210.9**	140.5	50.1%
Dry-processing costs	**98.2**	76.6	28.2%
Wet-processing costs	**57.1**	51.8	10.2%
Administrative expenses	**23.9**	32.4	-26.2%
Distribution costs	**15.1**	8.6	75.6%
Taxation	**21.5**	17.7	21.5%
Total	**426.7**	327.6	30.3%

During the Reporting Period, the unit cash operating cost of the iron ore concentrates of Wang'ergou Mine and Shuanmazhuang Mine increased as compared with that of last year. Increase in the cost of each production process was mainly due to lower grade of iron ore produced. Decrease in administrative expenses was mainly due to cost control. Increase in taxation was mainly due to increase in the payment of resource tax imposed by the government.

Gufen Mine

Gufen Mine, which is owned and operated by our wholly-owned subsidiary, Xinxin Mining, is located in Shuibao Village, Laiyuan County and the area covered by the mining right for Gufen Mine is 1.3821 sq.km. Gufen Mine has comprehensive basic infrastructures such as water, electricity and highway. As at 31 December 2017, Gufen Mine's annual mining capacity was 3.90 Mtpa, and the dry processing capacity and the wet processing capacity were 5.75 Mtpa and 1.60 Mtpa, respectively.

At the end of 2015, since the domestic and global price of iron ore remained low, the management of the Group decided to temporarily suspend the production of Xinxin Mining after considering the market outlook, the production and operation of Xinxin Mining, especially the relationship between the mining, processing costs and the expected selling price and its percentage in the whole business.

During the Reporting Period, although the iron ore price remained stable, based on the reasons above and a comprehensive consideration of the benefits and risks of the resumption of production the relatively small-scale of Xinxin Mining, the management of the Group decided to continue the suspension of Xinxin Mining's mining and processing activities. Until now, the suspension mentioned above has exceeded over one year. As a result of deferral of mine development plan, the Group identified indications of further impairment in relation to Xinxin Mining and recognized impairment loss after impairment test.

MEDICAL SERVICE

Business Review

After the completion of the acquisition on 13 July 2016 (for details, please refer to the announcements of the Company dated 5 and 13 July 2016), the Group possessed hospital management business. The hospital management business is mainly operated by the Group's subsidiary Baoding Xinan Medical Management Consulting Limited ("**Baoding Xinan**").

Baoding Xinan is principally engaged in the hospital management business of Rongcheng County Hospital of Traditional Chinese Medicine (容城縣中醫醫院) (the "**Entrusted Hospital**") in Baoding, Heibei Province. The Entrusted Hospital was established in 1987. In 1994, the Entrusted Hospital set up a 120 Emergency Call Center in Rongcheng County. The Entrusted Hospital has a total area of approximately 9,000 square meters, of which approximately 8,550 square meters are floor area. The Entrusted Hospital has 192 employees in total, among which 156 employees are healthcare personnel. The Entrusted Hospital has 150 beds in total and 13 first-level clinical departments.

The Group was committed to establishing a medical management team, and at the same time, it continued to employ teams of experts for the Entrusted Hospital, in order to strengthen the management and operation capabilities of the medical institution, enhance the overall medical technology level of the Entrusted Hospital and provide services of better quality to the patients, so as to create long-term stable return for the Shareholders.

Pursuant to the sale and purchase agreement dated 4 July 2016, Jovial Link and the Guarantors jointly and severally made irrevocable commitment and guarantee to the Company that the audited consolidated profit after tax of the Target Group for the financial years ended 31 December 2016 and 31 December 2017 (the "**Guaranteed Period**") shall not be less than RMB2.5 million and RMB7.75 million (the "**Guaranteed Amount**"), respectively. If the actual amount of the audited consolidated profit after tax of the Target Group (the "**Actual Profit**") was less than the Guaranteed Amount of that financial year during the Guaranteed Period, Jovial Link Investments Limited and the guarantors ("**Jovial Link and the Guarantors**")shall pay the Guaranteed Amount difference of that financial year to the Company in cash.

For the financial year ended 31 December 2017, the audited consolidated profit after tax of the Target Group recorded a loss of approximately RMB744,623.15. Accordingly, Jovial Link and the Guarantors made up for the Guaranteed Amount difference of RMB 8,494,623.15 in total (HKD10,162,127, according to the central parity rate issued by the People's Bank of China on 29 December 2017: HKD 1 against RMB0.83591) through cheque payment to the Company on 26 March 2018.

Such loss was mainly attributable to the announcement made by the Chinese government on 1 April 2017 regarding construction of the Xiong'an New Area and the above-mentioned Entrusted Hospital is located in the new administrative district of the area. Before implementation of the planning for the Xiong'an New Area, the government prohibited the approval and construction of non-relevant projects. As a result, the renovation and expansion of the hospital have not been proceeded so far. During the

Reporting Period, the number of patient consultation visits of the Entrusted Hospital was approximately 85,680 times, which increased by approximately 13,391 times compared to the corresponding period of the last year; incomes from clinic and hospital fees were approximately RMB30.9million, which increased by approximately RMB5.1 million compared to the corresponding period last year.

The following table sets forth the specific operating data of our medical institutions managed by the Group:

Rongcheng County Hospital of Traditional Chinese Medicine

		During the year ended 31 December		
	Unit	**2017**	2016	*% of change*
Patient visits	times	**85,680**	72,289	18.5%
Inpatient visits	times	**3,073**	2,930	4.9%
Outpatient visits	times	**82,607**	69,359	19.1%
Average spending per inpatient visit	RMB	**5,271.7**	4,712.7	11.9%
Average spending per outpatient visit	RMB	**177.4**	172.8	2.7%
Average length of stay	day	**6.8**	6.8	–
Number of beds in operation	bed	**150**	150	–

On 28 April 2017, the Group entered into a memorandum of understanding with the shareholder of a pharmaceutical logistics enterprise ("Target Company"), planning to acquire all the equity interest of the Target Company upon completion of restructuring. However, the Group deemed that it was not mature to make above acquisition according to due diligence investigation, and after receipt of prepayments, the Group will continue to seek for other acquisition targets in the medical treatment field to promote the business transformation of the company.

SAFETY AND ENVIRONMENTAL PROTECTION

The Group established a production safety management department specifically responsible for production safety and management. This department had been consistently promoting safety standards and strengthening environmental protection policies so as to develop the Group into a socially responsible enterprise with high safety awareness. During the Reporting Period, the Group recorded no significant safety accident.

Owing to the deteriorating air quality in Mainland China, especially in Beijing and Hebei Province, it is anticipated that the PRC government will inevitably tighten the relevant environmental policies over resource mining, steelmaking, cement production and other high-pollution industries. To mitigate the potential impact of the policies to our business, the Group will closely monitor the latest regulatory requirements and introduce appropriate environmental measures to our operation and production from time to time. Meanwhile, we will evaluate the impact from updated regulatory requirement on Company's operation and the measures to respond from time to time.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had 888 full-time employees in total (915 employees in total as at 31 December 2016), among which 46 were management and administrative staffs, 33 were technicians, 15 were staffs responsible for procurement and sales and 794 were responsible for operation. For the year ended 31 December 2017, expenses of employees' benefit (including salaries, wages, pension plan contributions and other benefits) were approximately RMB75.5 million (2016: RMB70.3 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 relating to the performance of the Group.

FINANCIAL REVIEW

Revenue

The revenue of our Group for the Reporting Period was approximately RMB869.1 million, representing an increase of approximately RMB112.0 million as compared to the corresponding period last year, which was mainly attributable to a higher price of iron ore concentrates during the Reporting period over the corresponding period last year and was partially offset by the decrease in sales of iron ore concentrates.

Cost of sales

The Group's cost of sales for the Reporting Period was approximately RMB594.8 million, representing an increase of approximately RMB106.5 million as compared to the corresponding period last year, which was mainly attributable to the increase of the unit production cost of iron ore concentrates.

Gross profit and gross profit margin

The gross profit of the Group for the Reporting Period was approximately RMB274.4 million, representing an increase of approximately RMB5.5million or 2.1% as compared to the corresponding period last year. The Group's gross profit margin decreased slightly during the Reporting Period from 35.5% to 31.6% as compared to the corresponding period last year.

Sales and distribution expenses

The Group's sales and distribution expenses for the Reporting Period were approximately RMB10.7 million, representing a decrease of approximately RMB2.4 million or 18.4% as compared to the corresponding period last year, which was mainly due to the decrease of the total sales volume of the products which the Group were responsible for the delivery to the customers and the related transportation cost. 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 RMB74.1 million, representing a decrease of approximately RMB23.2 million or 23.8% as compared to the corresponding period last year. Administrative expenses included salaries paid to the management and administrative staff of the Group, depreciation and amortization, rental and office expenses, business development expenses, professional consulting and services expenses, taxation expenses, the bank charges, provision for impairment of inventories, the provision for bad debts and other expenses.

Impairment losses

The Group recorded an impairment loss of approximately RMB449.1 million during the Reporting Period, which was based on the recoverable amount for the Reporting Period of the related assets valued at the end of the Reporting Period. It included the impairment of RMB321.0 million from the intangible assets of Jiheng Mining, the impairment loss of approximately RMB37.3million, approximately RMB17.4million and approximately RMB73.4million from property, plant and equipment of Xinxin Mining, the intangible assets, and the goodwill of medical business, respectively. For details about reasons and business influence of the aforesaid impairment factors, and specific assumptions thereof, please refer to the section of Major Business Risks under this section and note 10 to financial statements respectively.

Finance costs

The Group's finance cost for the Reporting Period was approximately RMB45.6 million, representing an increase of approximately RMB2.0 million or 4.6% as compared to the corresponding period last year. Finance cost included interest expenses of bank borrowings, discounted expenses, other finance expenses and the amortization of discounted expenses of long-term payables.

Income tax expenses

The Group's income tax expenses for the Reporting Period were approximately RMB 55.8 million, while the income tax expenses for the corresponding period last year were approximately RMB33.3 million. Income tax expenses comprise the aggregate of current tax payable and deferred tax, among which current tax payable was approximately RMB65.1 million.

Loss for the Year and total comprehensive income for the Year

Based on the above reasons, the Group recorded the loss during the Reporting Period of approximately RMB357.0 million, which was mainly due to the impact of impairment on assets. The Group's total comprehensive loss for the Reporting Period was approximately RMB358.2 million.

Property, plant and equipment

The property, plant and equipment, net of the Group for as at 31 December 2017 were approximately RMB755.5 million, representing a decrease of approximately RMB83.1 million or 9.9% as compared to that of the corresponding period of last year. The change was mainly due to impairment of Xinxin Mining's property, plant and equipment.

Intangible assets and goodwill

Intangible assets of the Group mainly include mining rights and related premium paid to obtain the mining rights, and the hospital management right newly acquired. Goodwill of the Group arose from acquisition of the Xinan Investments Limited and its subsidiaries. As at 31 December 2017, the net intangible assets of the Group were approximately RMB369.7 million (the net intangible assets as at 31 December 2016 were approximately RMB753.8 million). Goodwill was approximately RMB0 million (the goodwill as at 31 December 2016 was RMB73.4 million).

Inventories

As at 31 December 2017, inventories of the Group amounted to approximately RMB91.6 million, representing a decrease of approximately RMB14.6 million or 13.7% as compared to that of 2016. It was mainly attributable to the adjustment in the Group's sales strategy to raise sales volume in response to the recovery in the price of iron ore concentrates in 2017.

Trade and other receivables

As of 31 December 2017, trade receivables of the Group amounted to approximately RMB89.6 million, representing an increase of approximately RMB21.2 million as compared to that of the corresponding period of last year. The increase was mainly attributable to increase in receivables in a short term due to sale strategy of low inventory. As of 31 December 2017, other receivables of the Group amounted to approximately RMB206.0 million, representing an increase of approximately RMB150.7 million as compared to that of the corresponding period of last year. The increase was mainly due to an increase in the Group's prepayments to third party contractors.

Trade and other payables

As of 31 December 2017, trade payables of the Group amounted to approximately RMB110.4 million, representing an increase of approximately RMB3.7 million as compared to that of corresponding period of last year. The increase was mainly attributable to increase in trade payables to major suppliers.

As of 31 December 2017, other payables of the Group amounted to approximately RMB77.7 million, representing an increase of approximately RMB4.0 million as compared to that of corresponding period of last year. The increase was mainly attributable to an increase in accrued expenses, payables on cost relating to staff and other deposits.

The analysis of cash usage

The summary of our Group's consolidated cash flow statement for 2017 is set out as follows.

	During the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Net cash flows generated from operating activities	**60,480**	369,186
Net cash flows used in investing activities	**(21,049)**	(466,519)
Net cash flows generated (used in)/from financing activities	**(19,027)**	83,085
Net increase/(decrease) in cash and cash equivalents	**20,404**	(14,248)
Cash and cash equivalents at the beginning of the year	**46,577**	59,495
Effect of foreign exchange rate changes to cash and cash equivalents	**(1,236)**	1,330
Cash and cash equivalents at the end of the year	**65,745**	46,577

Net cash flow generated from operating activities

The Group's net cash flow generated from operating activities for the Reporting Period amounted to approximately RMB60.5 million, which mainly included the loss before tax of approximately RMB301.2 million, certain non-cash expenses in aggregate of approximately RMB591.9million (e.g. impairment losses, depreciation and amortization and net loss from disposal of assets), decrease in inventories of approximately RMB14.6 million, and net interest expense of approximately RMB41.7 million, less increase in trade and other receivables of approximately RMB 230.8 million, decrease in trade and other payables of approximately RMB 12.0 million and less income tax paid of approximately RMB43.8 million.

Net cash flow used in investing activities

The Group's net cash flow used in investing activities for the Reporting Period was approximately RMB21.0 million, which was primarily used for payment of approximately RMB48.2 million for mining rights, final payment for acquired assets, technology transformation, construction of tailings and other sporadic construction, and inflow of approximately RMB27.1 million in total to purchase and redemption of short-term wealth management products of bank, fixed deposits difference and interest income.

Net cash flow (used in)/generated from financing activities

The Group's net cash outflow from financing activities for the Reporting Period was approximately RMB19.0 million, which mainly represented new loans raised of aggregated RMB10.0 million and payment of bank interests of approximately RMB29.0million.

Cash and borrowings

As at 31 December 2017, the balance of cash and cash equivalents of the Group amounted to approximately RMB65.7 million, representing an increase of approximately RMB19.1 million or approximately 41.0% as compared with the corresponding period of last year.

As at 31 December 2017, bank loans of the Group was approximately RMB320.0 million, representing an increase of approximately RMB10.0 million or 3.2% as compared with the end of last year. The interest rates of the borrowings as at 31 December 2017 ranged from 4.35%-6.53% (corresponding period of last year was 4.35%-6.53%) per annum. All of the borrowings were accounted for as current liabilities of the Group (as at 31 December 2016: 100%). 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 2017 and up to the date of this announcement.

As at 31 December 2017, the overall financial status of the Group remained in a good condition.

Restricted deposits

As at 31 December 2017, the Group's restricted deposits mainly represented the bank deposits within one year, deposits pledged as guarantees of bills payable and other deposits amounted to approximately RMB279.8 million, RMB60.0 million and RMB3.0 million, respectively (as at 31 December 2016: approximately RMB257.0 million, RMB40.0 million and RMB1.0 million).

Gearing ratio

The gearing ratio of the Group increased from approximately 33.4% as at 31 December 2016 to approximately 39.6% as at 31 December 2017. The gearing ratio is calculated by dividing the total debts by total assets.

Capital expenditure

The Group's total capital expenditure amounted to RMB48.2 million, which consisted of (i) payment by installments of mining rights cost and interests (ii) construction of new tailings reservoir for Jiheng Mining and technology transformation of Jingyuan Mining; and (iii) final payment for Jiheng Mining's acquisition of tailings reservoir and transformer substation and other sporadic constructions.

Interest rate risk and foreign currency risk

The fair value interest rate risk of the Group is primarily related to the bank borrowings. Most of the bank borrowings of the Group will expire 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 risk and will consider to hedge significant interest rate risk when 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 PRC government may take actions to affect the exchange rate exposure, which may affect the Group's net assets, earnings and any dividend declared 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 and affiliated companies

The Group had no significant acquisitions and disposals of subsidiaries and affiliated companies as at 31 December 2017.

Pledge of assets and contingent liabilities

As at 31 December 2017, the Group's bank loans of RMB200.0 million and RMB120.0 million were secured by the Group's mining rights, land use rights and properties and by the land use rights and properties of a related party of the Group, respectively. As at 31 December 2016, the Group's bank loans were secured by the Group's mining rights.

The carrying amounts of the Group's mining rights, land use rights and properties pledged for bank loans were approximately RMB28.1 million, RMB10.9 million, and RMB46.5 million respectively as at 31 December 2017. The Group had no material contingent liabilities as at 31 December 2017.

Significant investments held

Save as disclosed in this announcement, there were no significant investments held by the Company as at 31 December 2017.

FUTURE OUTLOOK

Although the world's economy is expected to continue its recovery, there are still considerable instabilities and uncertainties due to variables brought by policy adjustment of major economies and its spillover effect, escalating protectionism and mounting risk of geopolitics. China now is at the critical moment of transforming its development mode, optimizing its economic structure and shifting its growth impetus, with exposure to multiple risks and challenges.

At the first session of the 13th National People's Congress, the report on the work of the government put forward that "the supply-side structural reform" would be continuously promoted, and announced that steel capacity would be cut by another 30 million tons in 2018 with a view to further reducing the ineffective supply in the steel industry. As the province with the largest scale of steel production in China, Hebei provincial government also set forth in its annual report on the work of the government that measures would be taken to further cut down the steel capacity by over 10 million tons in 2018. When the supply-side reform is pushed forward through cutting overcapacity, smog pollution is getting worse day by day in China. Chinese government strictly requires the steel industry to be environmental-friendly as it strengthens the in-depth control on pollution of the open-pit mines, and the approval of mining rights for the open-pit mines in some areas will be suspended. At present, the policy of encouraging the closure of open-pit mines has been introduced, and the certified open-pit mines that are closed by force based on the policy will receive the refund of mining rights cost and the restoration and control deposit in proportions. At present, the Chinese mining section is experiencing a wave of big turbulence.

Meanwhile, with the implementation of the planning of Xiong'an New Area, it's the key work for Hebei Province to plan Xiong'an New Area with high aims and build it in high standards and meticulously carry out the planning and the implementation of Xiong'an New Area in accordance with the requirements for creating the innovative demonstration zone with new development ideas in the year of 2018. Projects such as the new airport in Beijing, the Beijing-Xiong'an Intercity Railway, the Rongwu New Line and the Beijing-Xiong'an Expressway are kicking off and continuing work like diverting non-capital functions of Beijing, actively introducing high-end high-tech industries and attracting high-quality public resources like schools and hospitals to the New Area is being carried out, multiple business opportunities will be brought for the company's continuous business transformation while the infrastructure construction in the very area where the company is located is maintaining a certain intensity.

BUSINESS STRATEGY

In light of the continuing reform of supply side of Chinese steel sector, and the continuing enhancement of the rectification of open pit mine pollution by Chinese Government and the full uncertainties in markets as well as policies, the Group will insist on prudent tactics, keep controlling the operation cost in cash while maintaining the existing capacity and ensure steady cash flow for the Group in order to provide complete financial resources for its business transformation. In July 2016, the Group acquired the medical service group, marking a solid step for the corporate's business transformation. Though the prospect in profitability in the foregoing medical service business is facing the effects of important policies due to the layout of Xiong'an New Area and other elements, the Group has gained access to and entered the fields related to medical sector. Along with the gained deeper understanding of the sector, the Group's management will push the Group's ongoing transformation toward medical business in a safe way.

The Group will not only improve its performance in operation and finance proactively, but also continually push forward and examine diversified investment, improve operation efficiency and optimize the utilization rate. Though there are several signs of rebounce in product price, the resource segment as a whole may still fluctuate. Therefore, the Group will continuously monitor any change in the latest policies in steel sector and mine sector, and proactively promote the transformation toward medical sector by taking advantage of the existing resources and geographic location. Following this guideline, the management will keep flexible operation in order to improve value for shareholders in long run.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2017, 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 10 to the Listing Rules as its own code of conduct regarding the Directors' dealings in the Company's securities. Specific enquiry has 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 2017.

COMPLIANCE OF THE CORPORATE GOVERNANCE CODE

As a listed company 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 14 of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for 2017 and the consolidated financial statements for the year ended 31 December 2017.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The auditor of the Company, KPMG, has agreed that the figures in respect of the Group's preliminary annual results for the year ended 31 December 2017 contained in this announcement are consistent with the amounts set out in the Group's audited consolidated financial statements for the year prepared in accordance with its engagement under Hong Kong Standard on Related Services 4400 "Engagements to perform agreed upon procedures regarding financial information" and with reference to Practice Note 730 "Guidance for auditors regarding preliminary announcements of annual results" issued by the Hong Kong Institute of Certified Public Accountants. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor for this announcement.

COMPLIANCE OF DEED OF NON-COMPETITION

The Company entered into a deed of non-competition ("**Deed of Non-Competition**") with Mr. Leung Hongying 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

Other than as disclosed elsewhere in this announcement, from 1 January 2018 to the date of this announcement, there are no major subsequent events affecting the Group.

PUBLICATION OF 2017 ANNUAL REPORT

The 2017 Annual Report containing all relevant information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aoweiholding.com) in due course.

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

Beijing, 27 March 2018

As at the date of this announcement, the executive directors of the Company are Mr. Li Yanjun, Mr. Leung Hongying Li Ziwei (also known as Li Ziwei), Mr. Huang Kai, Mr. Sun Jianhua, Mr. Li Jinsheng and Mr. Tu Quanping and the independent non-executive directors of the Company are Mr. Ge Xinjian, Mr. Meng Likun and Mr. Kong Chi Mo.