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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

The revenue of the Group for the Reporting Period was approximately RMB430.6 million, representing an increase of approximately RMB18.4 million or 4.5% as compared with the corresponding period last year.

The Group's gross profit for the Reporting Period was approximately RMB163.3 million, representing an increase of approximately RMB17.3 million or 11.9% as compared with the corresponding period last year; the Group's gross profit margin for the Reporting Period was approximately 37.9%.

The Group's profit for the Reporting Period amounted to approximately RMB74.0 million, representing an increase of approximately RMB24.1 million or 48.3% as compared with the corresponding period last year.

The basic earnings per share attributable to equity holders of the Company's ordinary shares for the Reporting Period were RMB4.52 cents per share, representing an increase of RMB1.47 cents per share as compared with the corresponding period last year.

The Board of the Company does not recommend the payment of any interim dividend for the Reporting Period.

The board (the "**Board**") of directors (the "**Directors**") of Aowei Holding Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
			(Note)
Revenue	*4*	**430,617**	412,209
Cost of sales		**(267,295)**	(266,247)
Gross profit		**163,322**	145,962
Distribution costs		**(1,577)**	(9,689)
Administrative expenses		**(43,603)**	(43,200)
Impairment losses on receivables	*5(c)*	**(179)**	(10,645)
Profit from operations		**117,963**	82,428
Finance income	*5(a)*	**86**	5,184
Finance costs	*5(a)*	**(19,896)**	(15,187)
Net finance costs	*5(a)*	**(19,810)**	(10,003)
Net gain on disposal of a subsidiary		**5,424**	–
Profit before taxation	*5*	**103,577**	72,425
Income tax	*6*	**(29,616)**	(22,511)
Profit attributable to equity shareholders of the Company for the period		**73,961**	49,914
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**114**	436
Total comprehensive income attributable to equity shareholders of the Company for the period		**74,075**	50,350
Earnings per share			
Basic and diluted (RMB cents)	*7*	**4.52**	3.05

Note: The Group has initially applied IFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000 (Note)
Non-current assets			
Property, plant and equipment, net	8	**658,521**	663,500
Construction in progress		**196,038**	–
Lease prepayments		**–**	93,508
Intangible assets	9	**274,370**	312,674
Goodwill	10	**–**	–
Long-term receivables		**41,340**	55,760
Prepayments		**189,357**	326,682
Deferred tax assets		**145,041**	146,375
Total non-current assets		**1,504,667**	1,598,499
Current assets			
Inventories	11	**118,913**	121,027
Trade and other receivables	12	**349,017**	436,245
Cash and cash equivalents		**548,788**	65,984
Total current assets		**1,016,718**	623,256
Current liabilities			
Short-term borrowings	13	**570,000**	280,000
Trade and other payables	14	**140,676**	112,297
Lease liabilities		**319**	–
Current taxation		**67,272**	69,491
Current portion of long-term payables	15	**19,075**	111,785
Current portion of accrued reclamation obligations		**2,749**	4,512
Total current liabilities		**800,091**	578,085
Net current assets		**216,627**	45,171
Total assets less current liabilities		**1,721,294**	1,643,670

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000 (Note)
Non-current liabilities			
Lease liabilities		**301**	–
Long-term payables, less current portion	*15*	**148,107**	123,113
Accrued reclamation obligations, less current portion		**36,762**	57,729
Deferred tax liabilities		**42,075**	42,854
Total non-current liabilities		**227,245**	223,696
NET ASSETS		**1,494,049**	1,419,974
CAPITAL AND RESERVES			
Share capital		**131**	131
Reserves		**1,493,918**	1,419,843
TOTAL EQUITY		**1,494,049**	1,419,974

Note: The Group has initially applied IFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

NOTES

(Expressed in Renminbi unless otherwise indicated)

1 CORPORATE INFORMATION

Aowei Holding Limited (the "Company") was incorporated in the British Virgin Islands on 14 January 2011 and redomiciled to the Cayman Islands on 23 May 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (2012 Revision, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (together the "Group") are principally engaged in the mining, processing and sale of iron ore products and 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.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 28 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

In preparing the interim financial report at the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year. Management has made accounting judgements in respect of the asset impairment of which assumptions concerning the future and other major sources of estimation uncertainty are also required. Details and information about the assumptions are set out in notes 8 and 9.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND OPERATING SEGMENTS

(a) Disaggregation of 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. Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Mining Segment		
Iron ore concentrates	**430,266**	411,855
Medical Segment		
Hospital management service	**351**	354
	430,617	412,209

Revenue from major customers of the six months ended 30 June 2019 contributing over 10% of the total revenue of the Group are as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Customer A	**254,976**	180,780
Customer B	**132,150**	122,440
Customer C	**N/A**	108,635

Revenue from customer C amounted to less than 10% of the revenue of the Group for the six months ended 30 June 2019.

(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. 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:

- Mining segment: the mining, processing and sale of iron ore products; and
- Medical segment: 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 six months ended 30 June 2019 is set out below.

	Six months ended 30 June 2019		
	Mining segment	**Medical segment**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Reportable segment revenue	**430,266**	**351**	**430,617**
Cost of sales	**(264,178)**	**(3,117)**	**(267,295)**
Reportable segment gross profit/(loss)	**166,088**	**(2,766)**	**163,322**
Distribution costs	**(1,577)**	**–**	**(1,577)**
Administrative expenses	**(42,206)**	**(533)**	**(42,739)**
Impairment losses on receivables *(note 5(c))*	**(156)**	**(23)**	**(179)**
Net finance (costs)/income	**(19,817)**	**2**	**(19,815)**
Net gain on disposal of a subsidiary	**5,424**	**–**	**5,424**
Reportable segment profit/(loss) before taxation	**107,756**	**(3,320)**	**104,436**
Income tax	**(30,177)**	**785**	**(29,392)**
Reportable segment profit/(loss)	**77,579**	**(2,535)**	**75,044**

	Six months ended 30 June 2018		
	Mining segment	Medical segment	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Note)	*(Note)*	*(Note)*
Reportable segment revenue	411,855	354	412,209
Cost of sales	(263,130)	(3,117)	(266,247)
Reportable segment gross profit/(loss)	148,725	(2,763)	145,962
Distribution costs	(9,689)	–	(9,689)
Administrative expenses	(41,800)	(452)	(42,252)
Impairment losses on receivables *(note 5(c))*	(10,642)	(3)	(10,645)
Net finance (costs)/income	(10,007)	2	(10,005)
Reportable segment profit/(loss) before taxation	76,587	(3,216)	73,371
Income tax	(23,044)	779	(22,265)
Reportable segment profit/(loss)	53,543	(2,437)	51,106

Note: The Group has initially applied IFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**430,617**	412,209
Consolidated revenue *(note 4(a))*	**430,617**	412,209
Profit		
Reportable segment profit	**75,044**	51,106
Unallocated head office and corporate expenses	**(1,083)**	(1,192)
Consolidated profit	**73,961**	49,914

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

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Note)
Interest income	**(86)**	(5,184)
Finance income	**(86)**	(5,184)
Interest on interest-bearing borrowings	**14,319**	7,961
Interest on lease liabilities	**4**	–
Unwinding interest on		
– long-term payables	**4,695**	5,765
– accrued reclamation obligations	**878**	1,460
Foreign exchange loss, net	**–**	1
Finance costs	**19,896**	15,187
Net finance costs	**19,810**	10,003

During the six months ended 30 June 2019, no borrowing costs were capitalised in relation to construction in progress (six months ended 30 June 2018: RMB nil).

(b) Staff costs:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**34,235**	32,533
Retirement scheme contributions	**2,630**	2,474
	36,865	35,007

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:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Note)
Cost of inventories (*)	**267,295**	263,130
Depreciation charge		
– owned property, plant and equipment	**31,383**	35,488
– right-of-use assets	**26**	–
Amortisation charge		
– owned mining rights and software	**6,444**	18,267
– interests in leasehold land held for own use under operating lease	**–**	7,610
– right-of-use assets	**7,836**	–
Operating lease charges	**2,318**	1,875
Impairment losses		
– trade and other receivables *(note 12(c))*	**179**	10,422
– long-term receivables	**–**	223

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

* During the six months ended 30 June 2019, production stripping costs recognised in profit or loss as part of cost of inventories amounted to RMB225,726,000 (six months ended 30 June 2018: RMB115,441,000).

6 INCOME TAX

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current tax		
Provision for the period	**30,630**	38,852
Deferred tax		
Origination and reversal of temporary differences	**(1,014)**	(16,341)
	29,616	22,511

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Profit before taxation	**103,577**	72,425
Notional tax on profit before taxation, calculated at tax rate of 25% *(note (i))*	**25,894**	18,106
Differential tax rates on subsidiaries' income *(note (ii))*	**(49)**	(811)
Tax effect of non-deductible items	**423**	952
Tax effect of utilisation of tax loss not recognised during prior years	**(1,356)**	–
Tax effect of unused tax losses not recognised	**4,704**	4,264
Actual tax expense	**29,616**	22,511

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 applicable 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) 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%.

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

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2019 of RMB73,961,000 (six months ended 30 June 2018: RMB49,914,000) and the weighted average number of shares in issue during the six months ended 30 June 2019 of 1,635,330,000 shares (six months ended 30 June 2018: 1,635,330,000 shares).

The Company does not have any potential dilutive shares for the periods presented. Accordingly, diluted earnings per share is the same as basic earnings per share.

8 PROPERTY, PLANT AND EQUIPMENT, NET

(a) The Group has initially applied IFRS 16 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17.

During the six months ended 30 June 2019, the Group entered into lease agreements for use of office buildings, and therefore recognised the additions to right-of-use assets of RMB946,000. The annual lease payment terms are fixed.

(b) The Group's property, plant and equipment are substantially located in the PRC. As of 30 June 2019, the Group had not obtained title certificates of certain of its buildings and plants with an aggregate carrying amount of RMB42,920,000 (31 December 2018: RMB45,587,000). The directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned properties.

During the six months ended 30 June 2019, additions of property, plant and equipment of the Group, representing mainly processing plant and mining related buildings, machinery and equipment amounted to RMB6,521,000 (six months ended 30 June 2018: RMB14,588,000). The decrease in property, plant and equipment mainly represents that of Xinxin Mining, which was disposed of during the six months ended 30 June 2019. As at 30 June 2019, mine properties include capitalised stripping activity asset with a carrying amount of RMB71,408,000 (31 December 2018: RMB142,385,000).

As of 30 June 2019, certain of the Group's borrowings were secured by the Group's property, plant and equipment with a carrying amount of RMB41,341,000 (31 December 2018: RMB43,055,000), and right of use assets RMB10,522,000 (31 December 2018: RMB10,662,000) (see note 13(c)).

(c) 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 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.

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 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.

As at 1 January 2019, the accumulated impairment losses of RMB491,710,000 were recognised as a result of the reviews of the recoverable amounts of the Group's CGU carried out by the directors.

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 six months ended 30 June 2019, the directors carried out the review of the recoverable amounts of each CGU of which no further impairment or reversal of impairment was identified.

9 INTANGIBLE ASSETS

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. 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. An impairment loss of RMB321,000,000 has been recognised 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. The directors have been closely monitoring the local policies since then, and are of the opinion that no reversal of impairment provision identified as at 30 June 2019.

In connection with the acquisition of Xinan Investments Limited 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. During the six months ended 30 June 2019, the directors carried out the review of the recoverable amounts of Xinan CGU of which no indication of further impairment on non-financial assets were identified and any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

As of 30 June 2019, certain of the Group's borrowings were secured by the Group's mining right (see note 13(c)) with a carrying amount of RMB55,000 (31 December 2018: RMB55,000).

10 GOODWILL

Goodwill relates to the acquisition of Xinan Investments Limited, the business of which is identified to be a CGU. The recoverable amount of this CGU to which goodwill is allocated is determined based on VIU calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a six-year period. Cash flows beyond the six-year period are extrapolated using an estimated weighted average growth rate of 3% which is consistent with the forecasts included in industry reports. The cash flows are discounted using an after-tax and reflect specific risks relating to the business.

The determination of VIU was most sensitive to number of patient and average income earned from each patient, gross margin on supply chain business and discount rate.

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, and the carrying value of goodwill has been reduced to zero.

11 INVENTORIES

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

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Iron ores	**35,973**	67,611
Preliminary concentrates	**29,804**	22,572
Iron ore concentrates	**14,452**	5,837
	80,229	96,020
Consumables and supplies	**38,684**	25,007
	118,913	121,027

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**264,178**	263,130

12 TRADE AND OTHER RECEIVABLES

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Accounts receivable	**101,932**	72,702
Less: allowance for doubtful debts *(note 12(c))*	**12,439**	12,358
Trade receivables *(note 12(a))*	**89,493**	60,344
Other receivables *(note 12(b))*	**259,524**	375,901
	349,017	436,245

(a) Ageing analysis

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

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Within 6 months	**89,118**	59,975
Over 6 months but less than 1 year	**68**	–
Over 1 year	**307**	369
	89,493	60,344

(b) Other receivables

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Prepayments and deposits[#]	**252,836**	371,045
Value added tax recoverable	**872**	1,651
Others	**6,236**	3,581
	259,944	376,277
Allowance for doubtful debts *(note 12(c))*	**(420)**	(376)
	259,524	375,901

Prepayments and deposits mainly represent advance payments made to the Group's mining contractors. As at 30 June 2019, prepayments to Laiyuan County Huiguang Logistics Co., Ltd. for on-site loading services, and to Laiyuan County Ao Tong Transportation Co., Ltd. and Laiyuan County Rui Tong Transportation Co., Ltd for transportation services amounted to RMB135,444,000, RMB189,589,000 and RMB76,999,000, respectively (31 December 2018: RMB361,397,000 and RMB308,605,000, and RMB3,884,000 respectively).

Based on agreements with the respective mining contractors, all of which are external 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. As at 30 June 2019, the prepayments which were expected to be utilised after one year amounted to RMB187,034,000.

As at 30 June 2019, other than deposits amounted to RMB2,585,000 (31 December 2018: RMB2,685,000), which are included in prepayments and deposits, all other receivables were aged within one year and were expected to be recovered or expensed off within one year.

(c) Impairment of trade and other receivables

	2019	2018
	RMB'000	*RMB'000*
At 1 January	**12,734**	286
Impairment loss recognised on		
– trade receivables	**81**	12,072
– other receivables	**98**	376
Decrease due to disposal of a subsidiary	**(54)**	–
At 30 June/31 December	**12,859**	12,734

13 BORROWINGS

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

	At 30 June 2019		At 31 December 2018	
	Interest rate per annum		Interest rate per annum	
	%	***RMB'000***	%	*RMB'000*
Short-term borrowings:				
– secured by mining right, properties and right of use assets of the Group	**4.35**	**170,000**	4.35	180,000
– secured by land and properties of a related party	**6.53**	**100,000**	6.53	100,000
– collectively secured by land and properties of third parties and a related party	**7.80**	**300,000**	–	–
		570,000		280,000

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

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Within 1 year	**570,000**	280,000

(c) The Group's banking facilities comprise:

	At **30 June 2019** *RMB'000*	At 31 December 2018 *RMB'000*
Secured by:		
Mining right, land use rights and properties of the Group *(notes 8 and 9)*	**180,000**	243,000
Land use rights and properties of a related party and third parties	**460,000**	160,000
	640,000	403,000

As at 30 June 2019, the above banking facilities of the Group were utilised to the extent of RMB570,000,000, including bank loan facilities of RMB570,000,000 (31 December 2018: RMB280,000,000, including bank loan facilities of RMB280,000,000).

Certain of the Group's banking facilities are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down banking facilities would become payable on demand. The Group regularly monitors its compliance with these covenants.

14 TRADE AND OTHER PAYABLES

	At **30 June 2019** *RMB'000*	At 31 December 2018 *RMB'000*
Trade payables	**58,373**	43,655
Other payable	**20,524**	14,038
Receipts in advance	**4,377**	3,528
Payables for construction work, equipment purchases	**4,160**	7,363
Amounts due to related parties	**7**	107
Interest payables	**1,297**	444
Others#	**51,938**	43,162
	140,676	112,297

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

As at 30 June 2019, all trade payables were due and payable on presentation or within one year. All of the other payables were expected to be settled within one year or repayable on demand.

15 LONG-TERM PAYABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Consideration payables for the acquisition of mining rights	**167,182**	234,898
Less: current portion of long-term payables	**19,075**	111,785
	148,107	123,113

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. 20151011 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 consideration payables and the payment periods were extended to 2022.

In 2017, the Group filed an administrative reconsideration to Ministry of Land and Resources. The result of administrative reconsideration showed that the above annual instalment schedule for Wang'ergou Mine and Shuanmazhuang Mine had been reversed. The amounts beared by the Group would be assessed by Hebei Provincial Department of Land and Resources. The directors are of the opinion that the remaining parts of mining right consideration payable amounting to RMB57,282,000 for Wang'ergou Mine and Shuanmazhuang Mine as at 30 June 2019 will not be payable or paid within one year, in this connection, the Group reclassified the amounts originally accounted for in current portion into the non-current portion.

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year	**19,075**	111,785
After 1 year but within 2 years	**96,222**	49,428
After 2 years but within 5 years	**51,885**	73,685
	167,182	234,898

16 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments outstanding not provided for in the interim financial report

As at 30 June 2019, the amount of capital commitments outstanding not provided for is RMB52,832,000 (31 December 2018: RMB nil)

(b) Environmental contingencies

To date, the Group has not incurred any significant expenditure and/or has not accrued any amounts for environment 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 not determinable 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.

(c) Governmental and regulatory levies

The Group is subject to certain levies (mineral resources compensation, water and soil loss compensation, pollutant discharge fee, etc.) imposed by relevant government authorities in accordance with relevant PRC laws and regulations. Under such laws and regulations, the Group has fully fulfilled their responsibilities in paying the respective levies during the periods presented. The directors are of the opinion that the Group had no other material obligations or liabilities of such levies at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Mining Service

Market Review

After the continuous promotion of the supply-side reform in recent years, cutting overcapacity in the steel industry has achieved phased results, and the industry has overall entered the development stage of optimizing the industrial layout and improving the production quality of the industry. During the Reporting Period, alongside consolidating the results of cutting overcapacity, People's Republic of China (the "**PRC**") accelerated the transformation of ultra-low emission in the steel industry, therefore, continuously improved the quality and efficiency of the operation of the steel industry. As driven by the strong consumption needs of domestic market, the steel output still maintained the trend of growth in the PRC. The output of cast iron, crude steel and rolled steel was 404 million tons, 492 million tons and 587 million tons, respectively, representing a period-on-period increase of 7.9%, 9.9% and 11.4%, respectively.

During the Reporting Period, affected by certain factors such as the accident happened to a mining company in Brazil, the Australian hurricane and the cancellation of between long-term and short-term contracts by a world-wide mining group, the global supply of iron ore was tight, resulting in the continuous increase in iron ore prices. As of June 2019, Platts 62% Iron Ore Index was US$117.95/ton, representing an increase of 63% from the beginning of 2019. According to the monitoring of China Iron and Steel Industry Association (中國鋼鐵工業協會), China Iron Ore Price Index (CIOPI) was 398.32 points as at the end of June 2019, representing a growth of 11.32% as compared with the figure as at the end of May 2019, among which, the domestic iron ore price index was 335.55 points, representing a growth of 8.79% as compared with the figure as at the end of May 2019; and the imported iron ore price index was 410.18 points, representing a growth of 11.72% as compared with the figure as at the end of May 2019.

As of June 2019, the port inventory of imported iron ore in the PRC was 116 million tons, representing a decrease of 6.72% as compared with the figure as at the end of May 2019. Although the port inventory for iron ore was gradually cleared, the iron ore market was still in short supply, and the iron ore prices still remained high.

Business Review

During the Reporting Period, benefiting from the tight supply in the iron ore market, the average sales price of iron ore concentrates of the Group increased. During the Reporting Period, the Group's revenue from mining service recorded approximately RMB430.3 million, representing an increase of approximately 4.5% as compared with the corresponding period last year. The gross profit was approximately RMB166.1 million , representing an increase of approximately 11.7% as compared with the corresponding period last year, and the gross profit margin was 38.6%, representing an increase of approximately 2.5% as compared with the corresponding period last year.

During the Reporting Period, affected by the increase in the stripping ratio during the mining operation, the output and sales of iron ore concentrates of the Group decreased as compared with the corresponding period last year. During the Reporting Period, the Group's output of iron ore concentrates was approximately 728.7 thousand tons, representing a decrease of approximately 12.4% as compared with the corresponding period last year. During the Reporting Period, the Group's sales of iron ore concentrates were approximately 726.0 thousand tons, representing a decrease of approximately 10.7% as compared with the corresponding period last year. During the Reporting Period, also affected by the increase in stripping ratio, the average unit cash operating cost for iron ore concentrates was approximately RMB415.7 per ton, representing an increase of approximately 31.4% as compared with the corresponding period last year. In particular, Jiheng Mining reserved waste rock in order to carry out sand and gravel materials business subsequently, and stripped a large amount of rock during the mining operation, which increased the stripping ratio and led to an increase in the average unit cash operating cost for iron ore concentrates to approximately RMB345.6 per ton from RMB161.4 per ton for the corresponding period last year. In light of the sustainable mining and safety factors, Jingyuancheng Mining stripped a large amount of rock, resulting in a higher stripping ratio, thus causing an increase in the unit cash operating cost for iron ore concentrates. The average unit cash operating cost of Jingyuancheng Mining increased to approximately RMB547.4 per ton from RMB492.6 per ton for the corresponding period last year.

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

	Six months ended 30 June Output *(Kt)*			**Six months ended 30 June Sales Volume** *(Kt)*			**Six months ended 30 June Average Sales Price** *(RMB)*		
The Group	**2019**	2018	% change	**2019**	2018	% change	**2019**	2018	% change
Jiheng Mining[1]	**455.44**	545.77	-16.55%	**473.94**	525.00	-9.73%	**575.34**	486.40	18.29%
Jingyuancheng Mining[2]	**273.29**	285.67	-4.33%	**252.07**	287.90	-12.45%	**625.17**	543.56	15.01%
Xinxin Mining	**–**	–	–	**–**	–	–	**–**	–	–
Total									
Iron ore concentrates	**728.73**	831.44	-12.35%	**726.01**	812.90	-10.69%	**592.64**	506.64	16.97%

Notes:

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

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

Mines in Operation

Zhijiazhuang Mine

Zhijiazhuang Mine, which is wholly-owned and operated by the Group's wholly-owned subsidiary, Jiheng Mining, is located in Yangjiazhuang Village, Laiyuan County, the PRC. It has a mining permit covering the area of 0.3337 sq.km. and has comprehensive basic infrastructures such as water, electricity, highway and railway infrastructures, etc. The annual mining capacity of Zhijiazhuang Mine was 3.3 Mtpa, and the dry processing capacity and the wet processing capacity were 4.2 Mtpa and 1.8 Mtpa respectively, as at 30 June 2019.

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

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

		Six months ended 30 June		
Items	**Unit**	**2019**	2018	% change
Mine				
Of which: (≥8%) raw ores	*Kt*	**522.16**	1,745.40	-70.08%
Stripping in production	*Kt*	**1,742.49**	362.13	381.17%
Stripping ratio in production	*t/t*	**3.34**	0.21	1,490.48%
Dry processing				
Raw ore feed	*Kt*	**1,861.99**	1,904.19	-2.22%
Preliminary concentrates output	*Kt*	**901.11**	995.25	-9.46%
By-product feed/preliminary concentrates output	*t/t*	**2.07**	1.91	8.38%
Wet processing				
Preliminary concentrates feed	*Kt*	**886.43**	971.36	-8.74%
Iron ore concentrates output	*Kt*	**455.44**	545.77	-16.55%
Preliminary concentrates feed/iron ore concentrates output	*t/t*	**1.95**	1.78	9.55%

The following table sets forth a breakdown of the cash operating costs of the iron ore concentrates of Zhijiazhuang Mine:

Iron ore concentrates

	Six months ended 30 June		
Unit: RMB per ton	**2019**	2018	% change
Mining costs	**227.47**	50.68	348.84%
Dry processing costs	**13.75**	18.37	-25.15%
Wet processing costs	**60.03**	48.32	24.23%
Administrative expenses	**25.60**	23.52	8.84%
Distribution costs	**–**	4.14	–
Taxation	**18.77**	16.33	14.94%
Total	**345.62**	161.36	114.19%

The unit cash operating cost of the iron ore concentrates of Zhijiazhuang Mine increased as compared with that of the corresponding period last year. In particular, the increase in mining costs and wet processing costs was mainly due to the decrease in the grade of iron ore produced which led to the higher stripping ratio and ratio for the wet processing and the decrease in dry processing costs was mainly due to the fact that Jiheng Mining subsequently developed sand and gravel materials business that the tailings and solid wastes produced in the ore processing of its dry processing plant could be recycled and used as the raw materials to produce sand and gravel materials which partially offset the dry processing costs. The increase in administrative expenses and taxation was mainly due to the increase in labor costs and environmental protection expenses as well as the increase in ad valorem resource taxes and fees.

Wang'ergou Mine and Shuanmazhuang Mine

Wang'ergou Mine and Shuanmazhuang Mine, which are both wholly owned and operated by our wholly owned subsidiary, Jingyuancheng Mining, are located in Zoumayi Village, Laiyuan County, the PRC. The areas covered by the mining licenses for Wang'ergou Mine and Shuanmazhuang Mine are 1.5287 sq.km. and 2.1871 sq.km. respectively. Wang'ergou Mine and Shuanmazhuang Mine have comprehensive basic infrastructures such as water, electricity and highway infrastructures. As at 30 June 2019, 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.

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

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

Items	Unit	Six months ended 30 June 2019	2018	% change
Mine				
Of which: raw ores	*Kt*	**4,215.04**	5,045.14	-16.45%
Stripping in production	*Kt*	**4,295.70**	3,843.48	11.77%
Stripping ratio in production	*t/t*	**1.02**	0.76	34.21%
Dry processing				
Raw ore feed	*Kt*	**4,475.38**	5,037.62	-11.16%
Preliminary concentrates output	*Kt*	**831.06**	853.38	-2.62%
By-product feed/preliminary concentrates output	*t/t*	**5.39**	5.90	-8.64%
Wet processing				
Preliminary concentrates feed	*Kt*	**831.45**	843.72	-1.45%
Iron ore concentrates output	*Kt*	**273.29**	285.67	-4.33%
Preliminary concentrates feed/ iron ore concentrates output	*t/t*	**3.04**	2.95	3.05%

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

Unit: RMB per ton	Six months ended 30 June 2019	2018	% change
Mining costs	**310.57**	246.45	26.02%
Dry processing costs	**106.29**	105.81	0.45%
Wet processing costs	**63.37**	59.42	6.65%
Administrative expenses	**37.50**	34.54	8.57%
Distribution costs	**5.77**	26.31	-78.07%
Taxation	**23.87**	20.11	18.70%
Total	**547.37**	492.64	11.11%

The unit cash operating cost of the iron ore concentrates of Wang'ergou Mine and Shuanmazhuang Mine increased as compared with that of the corresponding period last year. In particular, the increase in production costs was mainly due to the increase in stripping ratio during the mining operation. The increase in administrative expenses and taxation was mainly due to the increase in labor costs and environmental protection expenses as well as the increase in ad valorem resource taxes and fees and the decrease in distribution costs was mainly due to the decrease in transportation cost of the products borne by the Group.

Gufen Mine

Gufen Mine, which is operated by our former wholly-owned subsidiary, Laiyuan Xinxin Mining Company Limited ("Xinxin Mining"), is located in Shuibao Village, Laiyuan County, the PRC 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, etc. As at 30 June 2019, 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.

In light of the asset impairment loss due to the ongoing suspension on production of Xinxin Mining and various charges incurred during the suspension, and in combined consideration of the risk and return of resumption of production of Xinxin Mining, the Company and Laiyuan County Zengzhi Construction Materials Co., Ltd., an independent third party, entered into an equity transfer agreement in relation to disposal of Xinxin Mining on 23 May 2019 (the "Disposal"). For details of the Disposal, please refer to the Company's announcement published on 23 May 2019 regarding the discloseable transaction of the disposal of a subsidiary. The equity transfer of Xinxin Mining was completed on 3 June 2019. Immediately after the transfer, Xinxin Mining ceased to be a subsidiary of the Company, and the financial results and financial positions of Xinxin Mining were no longer consolidated into the financial statements of the Company.

Green Construction Materials – Construction Sand and Gravel Materials Business

The Company has been actively exploring the recycling of tailings and solid wastes in pursuit of sustainable development of mine resources. In 2019, according to the geological data of Jiheng Mining and the indicators inspecting results of waste rock, it was found that the tailings and solid wastes of Jiheng Mining can be used to produce sand and gravel materials for construction.

Sand and gravel materials used for construction are key raw material for constructing skeletons of cement concrete and asphalt concrete, and also are indispensable, irreplaceable and most consumable building materials for infrastructure construction. The PRC has become the largest sand and gravel producer and consumer with an annual demand of approximately 20 billion tons. With the depletion of natural sand and gravel resources, the enhancement of ecological protection requirements and the continuous increase in the demand from construction projects, the machine-processed sand and gravel has gradually become the main source of sand and gravel for construction in the PRC. In recent years, the State Council of the PRC and various ministries and commissions have also issued documents to support the use of tailings and industrial solid waste to produce machine-processed sand and gravel, as well as the construction of machine-processed sand and gravel production bases relying on tailings, construction waste and other resources.

Through the construction of the solid waste comprehensive utilization project of Jiheng Mining, the Company used the waste rock and tailings produced in the mining and ore processing of the iron ore business of Jiheng Mining as raw materials to process sand and gravel for construction, which is a State-encouraged green construction materials project, by which the land occupation of waste rock and tailings can be reduced, and we can also achieve energy conservation and emission reduction, and resource recycling. It can reduce the operating cost of the Company's iron ore business, and can also achieve certain economic benefits, which is a favorable development direction for the Company to expand its industrial chain and adapt to trend changes.

Phase I of the solid waste comprehensive utilization project of Jiheng Mining has a designed capacity of approximately 3.7 million tons per year and a planned investment of approximately RMB350.0 million, which is expected to be completed and put into trial production in the second half of 2019. For details, please refer to the announcement published by the Company on 26 July 2019 regarding the discloseable transaction of the main construction contracts.

Medical Service

Business Review

After the completion of the acquisition on 13 July 2016 (the particulars of which are set out in 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 Company 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 better quality services to the patients, so as to create long-term stable return for the shareholders.

The above-mentioned Entrusted Hospital is located in the Xiong'an New Area which is newly constructed. Before actual implementation of the planning for the Xiong'an New Area, the local government prohibited the approval and construction of relevant projects. As a result, the renovation and expansion of the Entrusted Hospital have not been proceeded so far. The hospital management fee income of the Group for the Reporting Period was approximately RMB0.4 million. During the Reporting Period, the hospital management fee was calculated by the increase in the revenue of the above-mentioned Entrusted Hospital generated during the Reporting Period over that generated in the corresponding period of

2015 multiplying 6% based on the revenue of the Entrusted Hospital generated in the corresponding period of 2015 of approximately RMB12.7 million. During the Reporting Period, the number of patient consultation visits of the Entrusted Hospital was approximately 50,616 times, which increased by approximately 4,286 times as compared to the corresponding period last year; incomes from clinic and hospital fees were approximately RMB21.5 million, which increased by approximately RMB2.7 million as 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

		Six months ended 30 June		
	Unit	**2019**	2018	Rate of increase
Patient visits	*times*	**50,616**	46,330	9.25%
Inpatient treatment visits	*times*	**1,952**	1,818	7.37%
Outpatient visits	*times*	**48,664**	44,535	9.27%
Average spending per inpatient visit	*RMB*	**5,465**	5,765	-5.20%
Average spending per outpatient visit	*RMB*	**219**	187	17.23%
Average length of stay	*day*	**6.7**	6.8	-1.91%
Number of beds in operation	*bed*	**150**	150	0.00%

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 during the process of production and operation.

The environmental protection policies continue to tighten in many places in the PRC. Particularly, under the high pressure of environmental protection policies, the close-down of backward production facilities is accelerating in the steel industry, and the expectation on supply-side contraction will gradually increase. The Group actively takes steps against the environmental risks it faces, strictly complies with the requirements of the PRC's environmental protection policies and regulations, closely monitors the latest regulatory requirements, and introduces appropriate environmental protection measures to our operation and production from time to time. Meanwhile, the Group also continuously promotes the development of diversified businesses and conducts in-depth research on extension of industry chain, such as the State-encouraged solid waste comprehensive utilization projects and constructs a green building materials industry base through recycling tailings and solid waste which can promote energy conservation and emission reduction, and restore the regional ecological environment, so as to generate new momentum for environmental governance and remediation.

Financial Review

Revenue

The Group's revenue for the Reporting Period was approximately RMB430.6 million, representing an increase of approximately RMB18.4 million or 4.5% over the corresponding period last year, which was mainly due to the increase in average selling price of iron ore concentrates during the Reporting Period as compared with the corresponding period last year, and partially offset by the decrease in the sales volume of iron ore concentrates.

Cost of sales

The Group's cost of sales for the Reporting Period was approximately RMB267.3 million, representing an increase of approximately RMB1.1 million or 0.4% as compared with the corresponding period last year, which was mainly due to the increase in cash operating costs of iron ore concentrates of the Group during the Reporting Period, and partially offset by the decrease in the sales volume of iron ore concentrates.

Gross profit and gross profit margin

The Group's gross profit for the Reporting Period was approximately RMB163.3 million, representing an increase of approximately RMB17.3 million or 11.9% as compared with the corresponding period last year, which was mainly due to a higher increase in revenue as compared to the increase in cost of sales during the Reporting Period. Gross profit margin was 37.9%, representing an increase of approximately 2.5% as compared with the corresponding period last year.

Distribution costs

The Group's distribution costs for the Reporting Period were approximately RMB1.6 million, representing a decrease of approximately RMB8.1 million or 83.7% as compared with the corresponding period last year, which was mainly due to the decrease of the total sales volume of the products, of which the Group were responsible for the delivery to customers and the related transportation cost during the Reporting Period.

Administrative expenses

The Group's administrative expenses for the Reporting Period were approximately RMB43.6 million, representing an increase of approximately RMB0.4 million or 0.9% as compared with 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, bank charges and other expenses.

Impairment losses on receivables

The Group recorded an impairment loss on receivables of approximately RMB0.2 million in the Reporting Period, which was because the Group made a bad debt provision in accordance with the expected credit loss model under the new IFRS 9 Financial Instruments.

Finance costs

The Group's finance costs in the Reporting Period were approximately RMB19.9 million, representing an increase of approximately RMB4.7 million or 31.0% as compared with the corresponding period last year, which was mainly due to the increase in bank borrowings. Finance costs include interest expenses of bank borrowings, and other finance expenses.

Income tax expenses

The Group's income tax expenses in the Reporting Period were approximately RMB29.6 million, while the income tax expenses for the corresponding period last year were approximately RMB22.5 million. Income tax expense comprises the sum of current tax payable and deferred tax, including current tax payable of approximately RMB30.6 million.

Profit for the Reporting Period, total comprehensive income of the Group for the Reporting Period

The Group's profit for the Reporting Period amounted to approximately RMB74.0 million, representing an increase of approximately RMB24.1 million or 48.2% as compared with the corresponding period last year, which was mainly due to the increase in gross profit during the Reporting Period and the decrease in impairment losses as compared with the corresponding period last year. The Group's net profit margin increased to 17.2% from 12.1% for the corresponding period last year.

Properties, plants and equipment

The net value of the Group's property, plant and equipment amounted to approximately RMB658.5 million as at 30 June 2019, representing a decrease of approximately RMB5.0 million or 0.8% as compared with the end of last year, which was mainly due to the disposal of the assets of Xinxin Mining (a subsidiary) by the Group and the depreciation and amortization of the property, plant and equipment of the Group during the Reporting Period. In addition, the addition of property, plant and equipment by the Group and the reclassification of prepaid land premium in accordance with IFRS 16 Leases resulted in the increase in property, plant and equipment during the Reporting Period, which was partially offset by disposal of the assets of a subsidiary and the decrease in depreciation and amortization.

Intangible assets

Intangible assets of the Group mainly include mining rights and related premium paid to obtain the mining rights, and the hospital management right acquired in 2016. As at 30 June 2019, the net intangible assets of the Group were approximately RMB274.4 million, representing a decrease of approximately RMB38.3 million as compared with the end of last year, which was mainly due to the amortisation of intangible assets of the Group during the Reporting Period.

Inventories

Inventories of the Group amounted to approximately RMB118.9 million as at 30 June 2019, representing a decrease of approximately RMB2.1 million or 1.7% as compared with the end of last year, demonstrating a relatively stable change.

Trade and other receivables

The Group's trade and bills receivables amounted to approximately RMB89.5 million as at 30 June 2019, representing an increase of approximately RMB29.2 million as compared with the end of last year, which was mainly due to the increase in credit sales during the credit period. The Group's other receivables amounted to approximately RMB259.5 million as at 30 June 2019, representing a decrease of approximately RMB116.4 million as compared with the end of last year, which was mainly due to the Group's strict supplier management and enhanced fund payment management, resulting in a decrease in prepayment.

Trade and other payables

The Group's trade payables amounted to approximately RMB58.4 million as at 30 June 2019, representing an increase of approximately RMB14.7 million as compared with the end of last year, which was mainly due to the increase in trade payables to main suppliers. The Group's other payables amounted to approximately RMB82.3 million as at 30 June 2019, representing an increase of approximately RMB13.6 million as compared with the end of last year, which was mainly due to the increase in taxes and fees imposed by government for environmental protection.

Analysis of cash usage

Summary of the Group's consolidated cash flow statement for the Reporting Period is set out as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Net cash flow generated from operating activities	**387,816**	110,935
Net cash flow used in investing activities	**(181,314)**	(24,359)
Net cash flow generated from/(used in) financing activities	**276,204**	(38,099)
Net increase in cash and cash equivalents	**482,706**	48,477
Cash and cash equivalents at the beginning of the period	**65,984**	65,745
Effect of foreign exchange rate changes on cash and cash equivalents	**98**	433
Cash and cash equivalents at the end of the period	**548,788**	114,655

Net cash flow generated from operating activities

The Group's net cash generated from operating activities in the Reporting Period amounted to approximately RMB387.8 million, which mainly included the profit before tax of approximately RMB103.6 million, certain non-cash expenses in aggregate of approximately RMB45.9 million (such as depreciation and amortization, impairment losses, and disposal of assets), interest expense of approximately RMB19.9 million, decrease in trade and other receivables of approximately RMB222.6 million, increase in trade and other payables of approximately RMB37.3 million, and less gain on disposal of a subsidiary of approximately RMB5.4 million, increase in inventories of approximately RMB3.2 million and income tax paid of approximately RMB32.7 million.

Net cash flow used in investment activities

The Group's net cash outflow from investing activities in the Reporting Period was approximately RMB181.3 million, which primarily represented payment of approximately RMB217.3 million for purchase of property, plant and equipment and other non-current assets, cash inflow from disposal of a subsidiary of approximately RMB35.8 million and other cash inflow from investing activities of approximately RMB0.2 million.

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

The Group's net cash inflow from financing activities in the Reporting Period was approximately RMB276.2 million, which primarily represented new bank loans raised of RMB470.0 million, repayment of bank loans of RMB180.0 million, interest expense of approximately RMB13.5 million and repayment of lease liabilities of approximately RMB0.3 million.

Cash and borrowings

As at 30 June 2019, cash balance of the Group amounted to approximately RMB548.8 million, representing an increase of approximately RMB482.8 million as compared with the end of last year, which was mainly due to the Group's enhanced fund management measures and strict control over prepayment.

As at 30 June 2019, bank borrowings balance of the Group was RMB570.0 million, representing an increase of RMB290.0 million or 103.6% as compared with the end of last year. The interest rates of the borrowings as at 30 June 2019 ranged from 4.35% to 7.80% per annum. All of the borrowings were accounted for as current liabilities of the Group. The above borrowings were denominated in RMB.

Save as disclosed above, the Group has no outstanding mortgages, pledges, bonds or other loan capital (whether 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 had been no material change in the liabilities and contingent liabilities of the Group since 30 June 2019 and up to the date of this announcement.

As at 30 June 2019, the overall financial status of the Group was sound and stable.

Gearing ratio

The gearing ratio of the Group increased from approximately 36.1% on 31 December 2018 to approximately 40.7% on 30 June 2019, which is calculated by dividing the total debts by total assets.

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 expire within one year, therefore the fair value interest rate risk was 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, there is a risk that Chinese government may take actions to affect the exchange rate exposure, which may affect the Group's net assets, earnings and any dividends it declares if such dividends are translated into foreign currency. The Group had no hedging in respect of the exchange rate risk.

Significant acquisitions and disposals of subsidiaries, affiliated companies and joint ventures

On 23 May 2019, Laiyuan County Aowei Mining Investments Co., Ltd. (the "Vendor") (an indirect wholly-owned subsidiary of the Company) entered into an equity transfer agreement (the "Equity Transfer Agreement") with Laiyuan County Zengzhi Construction Materials Co., Ltd. (the "Purchaser"), pursuant to which the Vendor agreed to sell, and the Purchaser has agreed to acquire, the entire equity interest in Laiyuan Xinxin Mining Co., Ltd. (an indirect wholly-owned subsidiary of the Company) (the "Sale Interest") at a consideration of RMB36.0 million. Completion of transfer of Sale Interest has taken place on the date of completion of relevant business registration procedures in respect of the Sale Interest with relevant PRC administration and commerce bureau and issuance of new business license in respect of the transfer of Sale Interest by the relevant PRC administration and commerce bureau.

Save for those disclosed in this announcement, the Group did not have any significant acquisition and disposal of subsidiaries, affiliated companies and joint ventures for the Reporting Period.

Pledge of assets, contingent liabilities

The Group's certain bank loans were secured by the mining rights, land-use rights and properties, and the carrying amounts of the pledged mining rights, land-use rights and properties of the Group amounted to approximately RMB0.1 million, RMB10.5 million and RMB41.3 million respectively as at 30 June 2019.

Save for those disclosed above in this announcement, the Group had no material contingent liabilities as at 30 June 2019.

Future plan and outlook

Looking forward to the second half of 2019, the PRC will gradually devote greater effort to make counter-cyclical policies adjustment, and the support for project construction in the infrastructure industry will steadily increase, driving the steel industry to continue to improve, the demand for iron ore will therefore remain strong. Meanwhile, as driven by the recent continuous depreciation of RMB, the price of imported iron ore has risen and the iron ore inventory in ports will also decline, which has constituted support for iron ore prices in the PRC. However, there are still various uncertainties that will curb the rise in iron ore prices. On the supply side, the international iron ore giant whose operations have been interrupted by the disaster may resume production in the second half of the year, which will affect the expectations on global iron ore supply and ease the pressure on iron ore supply. On the demand side, the iron ore demand from steel mills in the PRC will continue to be depressed with no significant increase during the second half of the year which almost all falls within the production restriction period for environmental protection purpose.

In face of the complicated market environment in the future, the Group will continue to improve its operations and management and financial performance, and strictly control cash operating costs, with a view to continuously improving our profitability in the future.

In respect of the hospital management business of the Group, as affected by undefined planning of Xiong'an New Area, the originally planned renovation and expansion project has not been carried out so far. The Group will closely monitor the development and policy situation of Xiong'an New Area to actually grasp the development opportunities.

In addition, the Group will also actively promote the construction of the solid waste comprehensive utilization project of Jiheng Mining, deeply explore to extend industry chain and make full use of the renewable resources including tailings and solid waste, so as to maximize the value of resources. The Group will transform Jiheng Mining into a green construction materials industry base and achieve green development of industrial integration, with a view to contributing to the coordinated development of Beijing-Tianjin-Hebei and the construction of Xiong'an New Area, as well as providing new impetus to the local ecological environment restoration and governance, and maximizing value return for the shareholders.

SHARE OPTION SCHEME

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

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

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of conduct regarding the dealings in the Company's securities by the Directors. Specific enquiry has been made to all Directors and all Directors confirmed that they have complied with the code of conduct and the required standard set out in the Model Code regarding directors' securities transactions for the six months ended 30 June 2019.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

As at 30 June 2019, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective close associates (as defined under the Listing Rules) is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has any other conflicts of interests with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

In the first half of 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group had 837 employees in total (845 employees in total as at 30 June 2018). The total remuneration expenses and the amounts of other employees' benefit were approximately RMB36.9 million (the corresponding period in 2018: approximately RMB35.0 million). Employee costs include basic remuneration, incentive salary, social pension insurance, medical insurance, work-related injury insurance and other insurances required by the PRC government. According to the Group's remuneration policy, the employees' income is linked to the performance of individual employee and the operation performance of the Group.

The employees of the Group have to participate in the pension scheme managed and operated by local municipal government. Subject to the approval of the local municipal government, the Company has to make a 12% contribution to the pension scheme according to the average salary of Hebei Province, so as to provide funding to their pension.

STAFF TRAINING SCHEME

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

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

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

The interim financial results of the Group for the six months ended 30 June 2019 is unaudited but has been reviewed by the Audit Committee, which was of the opinion that the results were prepared in accordance with and complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2019 (2018: Nil).

MAJOR LEGAL PROCEEDING

During the six months ended 30 June 2019, the Group was not involved in any major legal proceedings or arbitrations. To the best knowledge of the Directors, there is no pending or potential major legal proceeding or claim as at the date of this announcement.

APPRECIATION

The Board would like to express sincere gratitude to all the employees of the Group, for their persistent effort in working, which contributed to the competitive advantage of the Group among the challenging market. We also would like to express our thanks to the government, shareholders of the Company and other related parties for their consistent support and trust to the Group.

By order of the Board
Aowei Holding Limited
Li Yanjun
Chairman

Beijing, PRC, 28 August 2019

As at the date of this announcement, the executive Directors of the Company are Mr. Li Yanjun, Mr. Li Ziwei, Mr. Sun Jianhua, Mr. Jin Jiangsheng 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.