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 2019

FINANCIAL HIGHLIGHTS

The revenue of the Group for the Reporting Period was approximately RMB815.5 million, representing a decrease of approximately RMB39.2 million or 4.6% as compared to the corresponding period of last year. The Group's cost of sales for the Reporting Period was approximately RMB545.3 million, representing a decrease of approximately RMB17.2million or 3.1% as compared to the corresponding period of last year. The gross profit of the Group for the Reporting Period was approximately RMB270.2million, representing a decrease of approximately RMB22.0 million or 7.5% as compared with the corresponding period of last year.

For the Reporting Period, the loss attributable to the equity shareholders of the Company was approximately RMB99.0 million, while the profit attributable to the equity shareholders of the Company for the corresponding period last year was approximately RMB41.5million.

For the Reporting Period, the basic and diluted loss per share attributable to equity shareholders of the Company was RMB0.06, while the basic and diluted earnings per share for the corresponding period last year were RMB0.03.

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 2019 (the "**Reporting Period**" or the "**Year**"), along with the relevant comparable figures for the year ended 31 December 2018, 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 2019 annual report (the "**2019 Annual Report**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2019
(Expressed in Renminbi)

	Note	**2019**	2018
			(Note)
		RMB'000	*RMB'000*
Revenue	*3*	**815,549**	854,783
Cost of sales		**(545,314)**	(562,525)
Gross profit		**270,235**	292,258
Distribution costs		**(2,645)**	(21,093)
Administrative expenses		**(85,047)**	(91,779)
Impairment losses	*4(c)*	**(259,786)**	(55,876)
(Loss)/profit from operations		**(77,243)**	123,510
Finance income	*4(a)*	**130**	7,674
Finance costs	*4(a)*	**(43,099)**	(38,269)
Net finance costs		**(42,969)**	(30,595)
Gains from disposal of a subsidiary		**5,424**	–
(Loss)/profit before taxation	*4*	**(114,788)**	92,915
Income tax	*5*	**15,817**	(51,373)
(Loss)/profit for the year		**(98,971)**	41,542
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		**268**	1,244
Total comprehensive income for the year		**(98,703)**	42,786
(Loss)/profit attributable to equity shareholders of the Company		**(98,971)**	41,542
Total comprehensive income attributable to equity shareholders of the Company		**(98,703)**	42,786
(Loss)/earnings per share			
Basic and diluted (RMB)	*6*	**(0.06)**	0.03

Note: The Group has initially applied IFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated, See Note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2019
(Expressed in Renminbi)

	Note	31 December 2019	31 December 2018 (Note)
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment, net	*7*	**795,145**	663,500
Construction in progress		**1,429**	–
Lease prepayments		**–**	93,508
Intangible assets	*8*	**84,304**	312,674
Long-term receivables		**41,340**	55,760
Deferred tax assets		**166,944**	146,375
Other non-current assets		**221,931**	326,682
Total non-current assets		**1,311,093**	1,598,499
Current assets			
Inventories	*10*	**113,411**	121,027
Trade and other receivables	*11*	**448,192**	436,245
Cash and cash equivalents		**461,639**	65,984
Total current assets		**1,023,242**	623,256
Current liabilities			
Short-term borrowings	*12*	**555,000**	280,000
Trade and other payables	*13*	**172,652**	112,297
Current portion of lease liabilities		**3,990**	–
Current taxation		**68,016**	69,491
Current portion of long-term payables	*14*	**38,971**	111,785
Current portion of accrued reclamation obligations		**3,048**	4,512
Total current liabilities		**841,677**	578,085
Net current assets		**181,565**	45,171
Total assets less current liabilities		**1,492,658**	1,643,670

Note: The Group has initially applied IFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated, see Note 2.

	Note	31 December 2019	31 December 2018
			(Note)
		RMB'000	*RMB'000*
Non-current liabilities			
Lease liabilities, less current portion		**3,452**	–
Long-term payables, less current portion	*14*	**131,664**	123,113
Accrued reclamation obligations, less current portion		**36,272**	57,729
Deferred tax liabilities		**–**	42,854
Total non-current liabilities		**171,388**	223,696
NET ASSETS		**1,321,270**	1,419,974
CAPITAL AND RESERVES			
Share capital		**131**	131
Reserves		**1,321,139**	1,419,843
TOTAL EQUITY		**1,321,270**	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, See Note 2.

NOTES

1 CORPORATION 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.

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 2019 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.

(c) 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.

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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, Leases, and the related interpretations, IFRIC 4, Determining whether an arrangement contains a lease, SIC 15, Operating leases – incentives, and SIC 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in Note 7. For an explanation of how the Group applies lessee accounting.

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 6.30%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

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.

(i) Disaggregation of revenue

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

	2019	2018
	RMB'000	*RMB'000*
Mining Segment		
Iron ore concentrates	**814,093**	854,008
Gravel materials	**500**	–
Medical Segment		
Hospital management service	**956**	775
	815,549	854,783

During the year ended 31 December 2019, there were three customers with whom transactions have exceeded 10% of the Group's revenue (2018: three customers) and revenue from sale of iron ore concentrates to these customers amounted to RMB749,786,000 (2018: RMB850,588,000).

(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.

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 gravel materials; 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 year ended 31 December 2019 is set out below.

	Year ended 31 December 2019		
	Mining segment	**Medical segment**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Reportable segment revenue	**814,593**	**956**	**815,549**
Cost of sales	**(539,081)**	**(6,233)**	**(545,314)**
Reportable segment gross profit/(loss)	**275,512**	**(5,277)**	**270,235**
Distribution costs	**(2,645)**	**–**	**(2,645)**
Administrative expenses	**(80,757)**	**(1,049)**	**(81,806)**
Net finance (cost)/income	**(42,984)**	**7**	**(42,977)**
Impairment losses	**(94,366)**	**(165,420)**	**(259,786)**
Net gain on disposal of a subsidiary	**5,424**	**–**	**5,424**
Reportable segment profit/(loss) before taxation	**60,184**	**(171,739)**	**(111,555)**
Income tax	**(27,037)**	**42,854**	**15,817**
Reportable segment profit/(loss)	**33,147**	**(128,885)**	**(95,738)**

	Year ended 31 December 2018		
	Mining segment	Medical segment	Total
			(Note)
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment revenue	854,008	775	854,783
Cost of sales	(556,292)	(6,233)	(562,525)
Reportable segment gross profit/(loss)	297,716	(5,458)	292,258
Distribution costs	(21,093)	–	(21,093)
Administrative expenses	(87,263)	(806)	(88,069)
Net finance (costs)/income	(30,608)	9	(30,599)
Impairment losses	(55,769)	(107)	(55,876)
Reportable segment profit/(loss) before taxation	102,983	(6,362)	96,621
Income tax	(52,931)	1,558	(51,373)
Reportable segment profit/(loss)	50,052	(4,804)	45,248

Note: The Group has initially applied IFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated, see Note 2.

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

	2019	2018
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**815,549**	854,783
Consolidated revenue (Note 3(a))	**815,549**	854,783
Profit		
Reportable segment (loss)/profit	**(95,738)**	45,248
Unallocated head office and corporate expense	**(3,233)**	(3,706)
Consolidated (loss)/profit	**(98,971)**	41,542

(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:

	2019	2018
	RMB'000	*RMB'000*
Interest income	**(130)**	(7,674)
Finance income	**(130)**	(7,674)
Interest on interest-bearing borrowings	**33,594**	23,184
Interest on lease liabilities	**13**	–
Unwinding of interest on		
– long-term payables	**8,148**	11,691
– accrued reclamation obligations	**1,344**	3,395
Foreign exchange difference, net	**–**	(1)
Finance costs	**43,099**	38,269
Net finance costs	**42,969**	30,595

During the year ended 31 December 2019, no borrowing costs were capitalised in relation to construction in progress (2018: RMB nil).

(b) Staff costs:

	2019	2018
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**64,590**	69,972
Retirement scheme contributions	**4,552**	5,233
	69,142	75,205

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:**

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Cost of inventories (Note (i))	**529,953**	546,934
Depreciation charge		
– owned property, plant and equipment	**83,800**	80,032
– right-of-use assets	**197**	–
Amortisation charge		
– owned mining rights and software	**13,058**	43,065
– interests in leasehold land held for own use under operating lease	**–**	18,603
– right-of-use assets	**12,438**	–
Operating lease charges	**4,450**	4,623
Auditor's remuneration		
– audit services	**3,250**	3,500
Net losses/(gains) on disposal of property, plant and equipment	**104**	(66)
Impairment losses on property, plant, equipment and intangible assets (Note 9)	**256,970**	43,428
Impairment losses on trade and other receivables (Note 11(d))	**2,816**	12,448

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, see Note 2.

Note:

(i) During the year ended 31 December 2019, cost of inventories includes RMB122,944,000 (2018: RMB165,219,000) 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 2019, production stripping costs recognised in profit or loss as part of cost of inventories amounted to RMB325,372,000 (2018: RMB261,887,000).

5 INCOME TAX

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

	2019	2018
	RMB'000	*RMB'000*
Current tax		
Provision for PRC enterprise income tax	**49,174**	69,454
Deferred tax		
Origination and reversal of temporary differences	**(64,991)**	(18,081)
	(15,817)	51,373

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

	2019	2018
	RMB'000	*RMB'000*
(Loss)/profit before taxation	**(114,788)**	92,915
Notional tax on (loss)/profit before taxation, calculated at tax rate of 25% (Note (i))	**(28,697)**	23,229
Differential tax rates on subsidiaries' income (Note (ii))	**444**	(505)
Tax effect of non-deductible expenses	**1,266**	11,701
Tax effect of utilisation of tax loss not recognised during prior years	**(1,356)**	–
Tax effect of unused tax losses not recognised	**12,526**	16,948
Actual tax expense	**(15,817)**	51,373

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) 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 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 results attributable to equity shareholders of the Company for the year ended 31 December 2019 of loss of RMB98,971,000 (2018: profit of RMB41,542,000) and the weighted average number of shares in issue during the year ended 31 December 2019 of 1,635,330,000 shares (2018: 1,635,330,000 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

As discussed in Note 2(c), 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. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in Note 2(c).

The Group's property, plant and equipment are substantially located in the PRC. As at 31 December 2019, the Group has not obtained title certificate of certain of its buildings and plants with an aggregate carrying amount of approximately RMB41,564,000 (31 December 2018: RMB45,587,000).

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 RMB74,834,000 (31 December 2018: RMB77,995,000). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned properties and leasehold land.

Transferred from construction in progress is mainly related to gravel materials business related plant, machinery and equipment.

As at 31 December 2019, mine properties include capitalised stripping activity asset with a carrying amount of RMB59,865,000 (31 December 2018: RMB142,385,000).

As at 31 December 2019, certain of the Group's borrowings were secured by the Group's property, plant and equipment and right of use assets (see Note 12(a)) with a carrying amount of RMB39,626,000 and RMB10,382,000 (31 December 2018: RMB43,055,000 and RMB10,662,000), respectively.

8 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 2019, the impairment provision on mining rights of Laiyuan County Jingyuancheng Mining Co., Ltd. ("Jingyuancheng Mining") amounted to RMB18,268,000 (see Note 9(a)), and the impairment of RMB165,184,000 has been recognised in respect of the hospital management right of Baoding Xinan Medical Management Consulting Co., Ltd. (see Note 9(b)).

As at 31 December 2019, the Group's borrowings were secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. ("Jiheng Mining") (see Note 12(a)) with a carrying amount of approximately RMB55,000 (31 December 2018: RMB55,000).

9 IMPAIRMENT LOSSES

(a) Property, plant and equipment

When any indication of impairment is identified, property, plant and equipment are reviewed for impairment based on CGU. The carrying values of the CGU was compared to the recoverable amount. The recoverable amount is the higher of the CGU's FVLCD and 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 totalling 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. The Group recognised impairment loss of RMB54,645,000 of which RMB37,294,000 in property, plant and equipment and RMB17,351,000 in intangible assets.

During the year ended 31 December 2018, the Group anticipated 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 RMB43,428,000, which has been recognised in the profit or loss for the year ended 31 December 2018, of which RMB29,458,000 was recognised in the property, plant and equipment and RMB13,970,000 was recognised in intangible assets, and this CGU has been reduced to its recoverable amount of RMB99,194,000.

As at 31 December 2019, the management identified impairment indications of non-financial assets in Jingyuancheng Mining. 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 RMB91,786,000, which has been recognised in the profit or loss for the year ended 31 December 2019, of which RMB73,518,000 was recognised in the property, plant and equipment and RMB18,268,000 was recognised in intangible assets, and this CGU has been reduced to its recoverable amount of RMB423,812,000.

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 10.6% (2018: 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) Hospital management right

On 4 July 2016, the Group entered into a Sale and Purchase Agreement to acquire the 100% issued share capital of Xinan Investments Limited, which indirectly holds 100% equity interest of Baoding Xinan Medical Management Consulting Company Limited ("Baoding Xinan"). As at the date of the signing of the Sale and Purchase Agreement, Baoding Xinan has entered into the Agreement on Management of Rongcheng County Hospital of Traditional Chinese Medicine with the Healthcare and Family Planning Bureau of Rongcheng County, Baoding, Hebei Province relating to the management of the Rongcheng County Hospital of Traditional Chinese Medicine (hereafter referred to as "Rongcheng Hospital") and the Management Agreement with Rongcheng Hospital relating to the management. Both agreements are collectively referred to as the "Hospital Management Agreements" hereafter. The Group obtained hospital management right through the 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.

On 17 December 2019, in order to comprehensively improve the county's medical service level and effectively improve people's livelihood to provide solid medical and health service guarantee for the planning and construction of Xiong'an New District in accordance with the implementation plan of Rongcheng County People's Government, the Rongcheng County Hygiene and Health Bureau (the "Bureau") communicated with the Rongcheng County Traditional Chinese Medicine Hospital (the "Hospital") in writing in relation to the termination of the Hospital Management Agreements between the Hospital and Baoding Xinan Medical Management Consulting Company Limited ("Baoding Xinan") in light of the spirit of the Implementation plan of "Three-year Improvement Project of Medical Service Capacity" of Rongcheng County.

Management has performed an impairment assessment of the Xinan CGU as at 31 December 2019 based on the prevailing circumstances, and determined the recoverable amount of the Xinan CGU by using discounted cash flow techniques. Based on the impairment assessment, impairment loss of RMB165,184,000 million was identified and allocated to reduce the carrying amount of the intangible assets in 2019.

The Hospital Management Termination Agreements has been officially signed between the Hospital and Baoding Xinan in March 2020.

(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 intended to grant one mining right certificate in replace of a few separate mining right certificates. As at 31 December 2018, the Group was 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 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. For the year ended 31 December 2019, the management considered no further impairment or reversal for the above-mentioned mining rights.

10 INVENTORIES

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

	2019	2018
	RMB'000	*RMB'000*
Iron ores	**27,081**	67,611
Preliminary concentrates	**38,842**	22,572
Iron ore concentrates	**6,270**	5,837
Gravel materials	**23,654**	–
	95,847	96,020
Consumables and supplies	**17,564**	25,007
	113,411	121,027

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

	2019	2018
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**539,081**	546,934

11 TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Accounts receivable	**88,817**	72,702
	88,817	72,702
Less: allowance for doubtful debts	**15,074**	12,358
Trade receivables (Note (b))	**73,743**	60,344
Other receivables (Note (c))	**374,449**	375,901
	448,192	436,245

(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:

	2019	2018
	RMB'000	*RMB'000*
Within 6 months	**73,743**	59,975
Over 1 year	**–**	369
	73,743	60,344

(b) 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:

	2019	2018
	RMB'000	*RMB'000*
Neither past due nor impaired (Note (i))	**73,743**	59,975
Over 1 year past due	**–**	369
	73,743	60,344

Notes:

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

(c) Other receivables

	2019	2018
	RMB'000	*RMB'000*
Prepayments and deposits#	**369,394**	371,045
Value added tax recoverable	**741**	1,651
Others	**4,738**	3,581
	374,873	376,277
Allowance for doubtful debts	**(424)**	(376)
	374,449	375,901

Prepayments and deposits mainly represent advance payments made to the Group's mining contractors. As at 31 December 2019, prepayments to Laiyuan County Huiguang Logistics Co., Ltd ("Laiyuan Huiguang") for on-site loading services and Laiyuan County Ao Tong Transportation Co., Ltd. ("Laiyuan Aotong") and Laiyuan County Rui Tong Transportation Co., Ltd. ("Laiyuan Ruitong") for transportation services amounted to RMB181,303,000, RMB283,538,000 and RMB86,524,000, respectively (31 December 2018: RMB361,397,000, RMB308,605,000 and RMB3,884,000, respectively).

As at 31 December 2019, other than deposits amounted to RMB2,585,000 (31 December 2018: 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.

(d) Impairment of trade and other receivables

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

	2019	2018
	RMB'000	*RMB'000*
At 1 January 2019	**12,734**	286
Impairment loss recognised on		
– trade receivables	**2,716**	12,072
– other receivables	**100**	376
	2,816	12,448
Disposal of a subsidiary	**(52)**	–
At 31 December 2019	**15,498**	12,734

12 BORROWINGS

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

	2019		2018	
	Interest rate per annum		Interest rate per annum	
	%	***RMB'000***	*%*	*RMB'000*
Renminbi denominated				
Short-term borrowings:				
– secured bank loans#	**4.35 ~ 7.80**	**555,000**	4.35 ~ 6.53	280,000
		555,000		280,000

\# As at 31 December 2019, the Group's bank loans of RMB170,000,000, RMB85,000,000 and RMB300,000,000 (2018: RMB180,000,000, RMB100,000,000 and nil) were secured by the Group's mining right, right-of-use assets (land use rights), properties and equipment (see Notes 7 and 8), by the right-of-use assets (land use rights) and properties of a related party of the Group, and collectively secured by land and properties of third parties and a related party, respectively.

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

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**555,000**	280,000

(c) The Group's banking facilities comprise

	2019	2018
	RMB'000	*RMB'000*
Secured by:		
Mining rights, right-of-use assets (land use rights) and properties of the Group (Notes 7 and 8)	**170,000**	243,000
Land and properties of related parties and third parties	**460,000**	160,000
	630,000	403,000

As at 31 December 2019, the above banking facilities of the Group were utilised to the extent of RMB555,000,000, which was bank loan facilities of RMB555,000,000 (31 December 2018: RMB280,000,000, including bank loan facilities of RMB280,000,000).

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. During the year ended 31 December 2019, none of the covenants relating to drawn down facilities had been breached.

13 TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**73,925**	43,655
Other taxes payable	**15,732**	14,038
Receipts in advance	**10,283**	3,528
Payables for construction work, equipment purchase and others	**5,620**	7,363
Amounts due to related parties	**7**	107
Interest payables	**1,522**	444
Others#	**65,563**	43,162
	172,652	112,297

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

As at 31 December 2019, 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.

14 LONG-TERM PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Consideration payables for the acquisition of mining rights	**170,635**	234,898
Less: current portion of accrued reclamation obligations	**38,971**	111,785
	131,664	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. [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.

In 2017, the Group filed an administrative reconsideration to Ministry of Land and Resources. The result of administrative reconsideration showed that the above annual instalment schedule for Wang'ergou Mine and Shuanmazhuang Mine had been reversed. The amounts borne by the Group would be assessed by Hebei Provincial Department of Land and Resources. The directors are of the opinion that the remaining parts of mining right consideration payable amounting to RMB77,818,000 for Wang'ergou Mine and Shuanmazhuang Mine as at 31 December 2019 would not be payable or paid within one year, in this connection, the Group reclassified the amounts originally accounted for in current portion into the non-current portion.

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

	2019 *RMB'000*	2018 *RMB'000*
Within 1 year	**38,971**	111,785
After 1 year but within 2 years	**18,996**	49,428
After 2 years but within 5 years	**112,668**	73,685
	170,635	234,898

15 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments outstanding at 31 December 2019 not provided for in the financial statements were as follows:

	2019 *RMB'000*	2018 *RMB'000*
Contracted for		
– property, plant and equipment	**–**	–

(b) At 31 December 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 *RMB'000*	2018 *RMB'000*
Within 1 year	**4,230**	4,408
After 1 year but within 5 years	**7,938**	–
	12,168	4,408

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 2(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position.

(c) Environmental contingencies

To date, the Group has not incurred any significant expenditure for environment remediation and has not accrued any significant 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. However, environmental laws and regulations continue to evolve. Management of the Group regularly reassesses environmental remediation for its operations. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include:

(i) the exact nature and extent of the contamination at the mines and processing plants;

(ii) the extent of required clean-up efforts;

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed for future environmental legislation cannot be reasonably estimated at present and could be material.

(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.

16 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The coronavirus outbreak since early 2020 may have brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's businesses. As far as the Group's businesses are concerned, there are not any material or entity-specific post-year-end impact on the financial information as of 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

IRON ORE BUSINESS

Market Review

During the Year, global economic growth further slowed down, and negative effects such as trade protectionism and geopolitical crisis deepened. In such a context, major economies pursued loose monetary policies to boost the economy, forming a situation of bottoming out and stabilizing. In the complex international situation, China's economy maintained stable in 2019 with GDP amounting to approximately RMB99.08 trillion, representing a year-on-year growth of 6.1%. During the Year, supply-side structural reform was further pressed ahead in the iron and steel industry. As a result, the growth rate of the overall output of iron and steel decelerated, with the iron and steel price fluctuating. The output of crude steel hit a record high, reaching approximately 996 million tons. The capacity utilization rate of the steel industry was 80.0%, with the production capacity constantly being released. In addition, the Year saw a prominent rise in iron ore price and a marked improvement in the prospects of the industry.

In 2019, the output of crude steel, rolled steel and cast iron in China were approximately 996 million tons, 1.205 billion tons and 809 million tons, representing a year-on-year increase of 8.3%, 9.8% and 5.3% respectively, which demonstrated slower growth rates. The output of crude steel reached another record high, approaching 1 billion tons. During the Year, steel price in China fluctuated and the China Steel Price Index (CSPI) of China Iron and Steel Association (CISA) fluctuated in a downward trend. According to the steel data indicated that, at the end of December 2019, the CSPI was 106.10 points, which dropped by 1.91% from the previous period and had a year-on-year decrease of 0.95%. The upstream iron ore price was on a rise, leading to a significant drop in the profits of the steel industry. According to the statistics from General Administration of Customs, during the Year, both of China's steel imports and exports fell year on year. Specifically, a total of 64.293 million tons of steel was exported with a year-on-year decrease of 7.3%, and the total export amount was US$53.76 billion with a year-on-year decrease of 11.3%; a total of 12.304 million tons of steel was imported with a year-on-year decrease of 6.5%, and the total import amount was US$14.11 billion with a year-on-year decrease of 14.1%.

Besides, according to the statistics from General Administration of Customs, during the Year, China totally imported 1.07 billion tons of iron ore with a year-on-year increase of 0.5%; and the total import amount was US$101.46 billion with a year-on-year increase of 33.6%, a significant rise in the import amount. The total import volume of iron ore remained stable throughout the year, but the amount of imports rose sharply, which was mainly due to the impacts of rising price of international iron ores.

The China Iron Ore Price Index (CIOPI) of CISA states that, as at the end of December 2019 was 333.04, up by 31.4% compared with that at the end of December 2018. CIOPI dropped back down after a rise during the Year, with a marked increase in the average compared with that in 2018. As for factors that affect prices, in terms of demand, global economic growth was sluggish; domestic policies supported the recovery of manufacturing industry; steel plants experienced increased seasonal volatility in the operation time; and the production and price of steel also fluctuated. As a result, the demand for iron ore fell low after rising high. In terms of supply, several major mines around the globe reduced production during the Year and released limited production capacity after resuming production, which opened up space for a price rise in iron ore. However, in the second half of the year, iron ore inventories at ports increased, steel mills were affected by environmental protection policies, and demand for iron ore weakened. Iron ore prices rose slightly.

During the Reporting Period, iron ore sales prices have risen as compared to the same period last year. But the environmental protection policy of Hebei Province was upgraded, and the work and production of industrial and mining enterprises in its jurisdiction was suspended through the orange alert for severe pollution weather and the initiation of class II emergency response measures. As a result, the Group's wholly-owned subsidiary, Jingyuancheng Mining, incurred a book loss and recorded an asset impairment loss of about RMB91.8 million, which made the Group's performance in 2019 fall short of the ideal expectation.

RISKS MANAGEMENT

2019 saw a further fall in global economic growth. Trade protectionism and geopolitical risks hit the market, imposing negative impacts on the demand of steel industry. During the Year, China's economic growth rate was 6.1%, falling back to a historically low level. Economic restructuring was still in progress. The government paid closer attention to high-quality economic growth, and the industry was still in pain after the supply-side structural reform. Both of global economy and domestic economy were under pressure, and the steel industry was confronted with limits to its development, which brought challenges to the Group's business. In order to improve the economic situation, major economies have adopted loose monetary policies, which, to some extent, eased the downward trend of the economy and showed signs of a bottom-out and slight rebound. Thanks to the joint effects of monetary and fiscal policies, our government achieved success in stabilizing the economy with measures taken. In the fourth quarter of last year, signs of recovery appeared in manufacturing and service industries. The overall loose environment around the globe and the relatively loose credit environment in China were also in favor of reducing the financing cost for the Group. Affected by the COVID-19 outbreak in 2020, all walks of life in China were subsequently affected. The Chinese government has adjusted macroeconomic policies early, increased financial support to ensure the smooth operation of enterprises and reduce the impact of the outbreak on the economy. The Group will keep a close watch on national favorable policies, maintain good communication and cooperation with banks and financial institutions, and maximize financial support from banks and financial institutions. As of 31 December 2019, the bank loans of the Group were not significantly affected.

In 2019, regulatory policies for environmental protection became increasingly stricter, especially in the Hebei area around Beijing, Tianjin and Hebei where the Company operated its mines. The People's Government of Hebei Province has started orange warning of level II emergency response, and has taken measures to limit supply and production to each industrial and mining enterprise in its jurisdiction. Production can be resumed after the orange warning of level II emergency response is lifted. Open-pit mining has become one of the industries to which the environmental protection supervision agency pays close attention. The Company strictly implemented the requirements of local environmental protection policies, and pursued prudent strategies and a number of environmental protection measures such as dust suppression by means of watering and dust removal facilities as well as afforestation and reclamation, to improve the operating efficiency of the Group and avoid or mitigate the impact of the Group's operation on the environment as far as possible. Meanwhile, in strict compliance with the philosophy of "lucid waters and lush mountains are invaluable assets" put forward by General Secretary Xi and with "priority in ecology, green development" as the guidance, the Company initiated by the Central Government firmly followed a civilized way of development which balanced production, development and ecological preservation. It strictly abided by the requirements of competent departments at provincial, municipal and county levels in combination with the construction standards for green mines and established a development plan for green mines. Starting with the recycling of tailings and solid wastes and aiming at the restoration of ecological environment, the Company actively advanced the upgrading and transformation of mines and strove to complete the green mine construction as soon as practical to build a green, environmentally-friendly and civilized eco-economic system.

Additionally, the iron and steel industry faced various challenges during the Year, with a relatively conservative demand and a continuous release of supply-side capacity, which imposed greater pressure on production restriction. Moreover, due to the collective production reduction in major iron ore mines, the iron ore price rose significantly during the Year, which, together with the pressure of environmental protection, led to poor performance of the steel industry as a whole. Runaway iron ore price and high steel price are unsustainable. The steel industry will face the risk of over supply if the capacity keeps expanding, and the iron ore price will tighten as macroeconomic recovery is limited. Facing the complicated market environment, the Group will, with a close eye on the market development, adopt positive sales strategies, optimize operation, management and financial performance, and strictly control the cash operating cost, so as to improve the profitability and market competitiveness of the Group's iron ore business.

In view of the market environment and uncertainties in the industry in which the Group operates the business, the Group has pursued prudent strategies in respect of the progress of customers' repayment to conduct an overall evaluation of the customer's financial reimbursement and sustainability of the customers. The Group has set up relevant credit periods, with a credit period of up to 180 days granted to customers that have a good track record with the Group and in good credit condition. The management of the Group also monitors the balances on a regular basis and takes appropriate actions against overdue balances.

BUSINESS REVIEW

In 2019, iron ore demand showed a trend of strong first and then weak. After the iron ore price reached its peak in July 2019, domestic demand began to decline, and iron ore prices fluctuated downward and continued to slow down. For the year ended 31 December 2019, the Group's output of iron ore concentrates amounted to approximately 1,288.9 kt, representing a decrease of approximately 21.8% compared to the corresponding period of last year, which is mainly affected by the local environment protection policy of production restriction. During the Reporting period, the sales of iron ore concentrates was approximately 1,302.0 kt, representing a decrease of approximately 20.1% compared to the corresponding period of last year. The average unit cash operating cost for iron ore concentrates was approximately RMB389.7 per ton, increased by about 30.7% compared to the corresponding period of last year.

As at 31 December 2019, the Group recorded the revenue of approximately RMB814.6 million for iron ore business, representing a decrease of approximately 4.6% compared with the corresponding period of last year; the gross profit of the Group was approximately RMB275.5 million and the gross profit margin was basically flat at 33.8%; as at 31 December 2019, the Group iron ore business recorded an impairment loss of approximately RMB94.3 million, which was mainly because that during the Reporting Period, the Company has engaged an independent valuer to review the carrying amount of long-term assets for Jingyuancheng Mining, and made provisions for impairment of value in use of its long-term operating assets and intangible assets; the Group achieved the profits of approximately RMB5.4 million generated from disposal of equity interest in the subsidiary, Xinxin Mining; as at 31 December 2019, the sales expenses and administrative expenses of the Group's iron ore business amounted a total of approximately RMB83.4 million, representing an decrease of approximately RMB25.0 million compared to the corresponding period of the last year; as at 31 December 2019, the Group's iron ore business recorded net profits after tax of approximately RMB33.1 million, representing an decrease of approximately RMB17.0 million compared to the corresponding period of the last year, mainly due to the increase of impairment provisions during the Reporting Period compared to the corresponding period of the last year.

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

The Group	As at 31 December Output (Kt)			As at 31 December Sales volume (Kt)			As at 31 December Average sales price (RMB)			As at 31 December Cash operating costs (RMB)		
	2019	2018	% of change	**2019**	2018	% of change	**2019**	2018	% of change	**2019**	2018	% of change
Jiheng Mining												
Iron ore concentrates	**790.3**	1,019.9	-22.5%	**810.0**	1,001.0	-19.1%	**606.0**	495.3	22.4%	**272.2**	161.1	69.0%
Jingyuancheng Mining												
Iron ore concentrates	**498.6**	629.2	-20.8%	**492.0**	629.2	-21.8%	**656.9**	569.3	15.4%	**576.0**	520.2	10.7%
Total												
Iron ore concentrates	**1,288.9**	1,649.1	-21.8%	**1,302.0**	1,630.2	-20.1%	**625.3**	523.9	19.4%	**389.7**	298.1	30.7%

Notes:

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

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

Resources and Reserves

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

The results of the ore reserves and resources in this announcement are calculated by deducting the consumption estimated amount from 1 July 2013 to 31 December 2019 from the estimated amount of ore reserves and resources stated in the SRK's Competent Person's Report in November 2013. The estimation assumptions contained in the SRK's Competent Person's Report in 2013 were not changed and the figures were reviewed by internal experts of the Group.

The iron ore reserves which complied with JORC Code (2004 Edition) in respect of each mine of the Group as at 31 December 2019 are shown in the following table:

Company	Mine	Exploration approach	Reserve category	Ore reserves		
				(Kt)	*TFe (%)*	*mFe (%)*
Jiheng Mining	Zhijiazhuang	Open-pit	Probable	2,103	28.10	18.78
Jingyuancheng Mining	Wang'ergou	Open-pit	Probable	6,578	12.73	8.46
		Underground	Probable (graded above 12%)	18,077	15.87	8.50
	Shuanmazhuang	Open-pit	Probable	84,600	13.57	5.54
		Underground	Probable (graded above 12%)	35,723	16.00	7.11
Total		Open-pit	Probable	93,281	13.84	6.04
		Underground	Probable (graded above 12%)	53,800	15.96	7.58
		Total	Probable	147,081	14.61	6.61

The iron ore resources which complied with JORC Code (2004 Edition) in respect of each mine of the Group as at 31 December 2019 are shown in the following table:

Company	Mine	Controlled resource			Inferred resource		
		(Kt)	*TFe (%)*	*mFe (%)*	*(Kt)*	*TFe (%)*	*mFe (%)*
Jiheng Mining	Zhijiazhuang	2,103	26.69	17.84	2,827	29.42	25.06
Jingyuancheng Mining	Wang'ergou	50,883	13.96	6.67	22,739	12.67	5.95
	Shuanmazhuang	149,532	14.00	5.73	71,190	12.78	4.89
Total		202,518	14.12	6.09	96,756	13.24	5.73

Note: The Company disposed of all equity of Xinxin Mining on 23 May 2019, and the the disposal is completed on 3 June 2019.

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 PRC was lower than their respective remaining mines during the Reporting Period, no production and stripping costs were capitalized.

Zhijiazhuang Mine

Zhijiazhuang Mine, which is wholly owned and operated by Jiheng Mining, is located in Yangjiazhuang Town, Laiyuan County. The area covered by the mining license for Zhijiazhuang Mine is 0.3337 sq.km. Zhijiazhuang Mine has comprehensive basic infrastructures such as water, electricity, highway and railway. As at 31 December 2019, the annual mining capacity of Zhijiazhuang Mine was 2.4 Mtpa, and the dry processing capacity and the wet processing capacity were 4.2 Mtpa and 1.8 Mtpa, respectively.

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

Iron ore concentrates

Unit: RMB per tonne of iron ore concentrates	For the year ended 31 December **2019**	2018	% of change
Mining costs	**140.5**	54.7	156.9%
Dry-processing costs	**16.0**	18.4	-13.6%
Wet-processing costs	**66.1**	51.3	28.8%
Administrative expenses	**29.7**	19.5	52.3%
Distribution costs	**–**	2.2	–
Taxation	**19.9**	15.0	32.7%
Total	**272.2**	161.1	69.0%

During the Reporting Period, the cash operating cost per unit of iron ore concentrates of Zhijiazhuang mine increased compared with the same period last year. The main reason was that increasing the amount of rock stripping in the mining process led to a greater increase in stripping ratio, and at the same time, the safety costs invested by Jiheng Mining, as well as freight and wage costs in production operations increased.

Wang'ergou Mine and Shuanmazhuang Mine

Wang'ergou Mine and Shuanmazhuang Mine, which are both wholly-owned and operated by our wholly-owned subsidiary, Jingyuancheng Mining, are located in Zoumayi Town, Laiyuan County. The areas covered by the mining licenses for Wang'ergou Mine and Shuanmazhuang Mine are 1.5287 sq.km and 2.1871 sq.km, respectively. Wang'ergou and Shuanmazhuang have comprehensive basic infrastructures such as water, electricity and highway. As of 31 December 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.

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	**For the year ended 31 December**		
	2019	2018	% of change
Mining costs	**324.0**	262.1	23.6%
Dry-processing costs	**108.0**	111.2	-2.9%
Wet-processing costs	**67.8**	62.1	9.2%
Administrative expenses	**45.9**	33.6	36.6%
Distribution costs	**5.3**	30.1	-82.4%
Taxation	**25.0**	21.1	18.5%
Total	**576.0**	520.2	10.7%

During the Reporting Period, the cash operating cost per unit of iron ore concentrates of Wang'ergou Mine and Shuanmazhuang Mine increased compared with the same period last year, mainly because the stripping ratio in the mining process increased, and the safety costs invested by Jingyuancheng Mining, as well as wage costs increased as compared with that in the same period in the previous year.

Gufen Mine

Gufen Mine, which is owned and operated by our wholly-owned subsidiary, Xinxin Mining, is located in Shuibao Town, 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 of 31 December 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, Laiyuan County Aowei Mining Investments Co., Ltd. (an indirect wholly owned subsidiary of 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 Business

Sand and gravel materials used for construction are key raw materials for constructing skeletons of cement concrete and asphalt concrete, and also are indispensable, irreplaceable and most consumable building materials for infrastructure construction. With the coordinated development of Beijing-Tianjin-Hebei and the construction of Xiong'an New Area, the demand for sand and gravel for construction is bound to keep growing. In recent years, as natural resources gradually decline, General Secretary Xi has repeatedly stressed that "lucid waters and lush mountains are invaluable assets", with a view to advocate energy conservation and emission reduction, promote ecological and environmental protection and develop green concepts. As the river sand which used to be used as sand and gravel for construction has been banned by the government, the machine-processed sand and gravel is facing new development opportunities.

The Company strictly complied with green environmental protection policies. With ecological preservation as the priority and green development as the orientation, the Company has begun its preparation work for the construction of Jiheng Mining 3.7 million t/year solid waste utilization project in early 2019. It has entered into the Main Construction Contract – Civil Works at a contract price of RMB85.0 million and Main Construction Contract – Steel Structure Installation at a contract price of RMB110.0 million with Rongcheng County Construction Engineering Co., Ltd., Third Project Manager Department* (容城縣建築工程有限公司第三項目經理部)(an Independent Third Party) on 15 April 2019 and 26 July 2019 (after trading hours), respectively. For further details of the contracts, please refer to the announcement of the Company dated 26 July 2019 relating to Discloseable transaction-Main Construction Contracts. Jiheng Mining 3.7 million t/year solid waste utilization project was completed in December 2019 and has begun trial production and commissioning. Through the investment of Jiheng Mining in the construction of solid waste comprehensive utilization project, the Group used the tailings and solid wastes to process sand and gravel for construction, which can not only promote energy conservation and emission reduction and effectively carry out governance and recovery of regional ecological environment, but also realize sustainable development of mine resources, thus reducing the operating costs of the Company's iron ore business and achieving economic benefits. To carry out green construction materials business through solid waste utilization will be a favorable development direction for the Company to build green, environment friendly and civilized eco-economic system.

During the Reporting Period, Jiheng Mining signed a gravel and mechanism gravel sales contract for a total of approximately RMB58.9 million with a concrete company established in China, which undertook the major task of infrastructure construction in Xiongan new area. The signing of the sales contract for construction sand and gravel with the company is a solid step for the Group to carry out construction sand and stone business, which not only helps the Company to develop the construction sand and stone market in Xiongan new area, but also lays a foundation for the Company's subsequent market development and project undertaking.

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 entrustment management business. The hospital entrustment management business is mainly operated by the Group's subsidiary Baoding Xinan Medical Management Consulting Company Limited ("**Baoding Xinan**").

The Rongcheng County Hospital of Traditional Chinese Medicine (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 existing employees in total, among which 156 employees are healthcare personnel. The Entrusted Hospital has 150 beds in total and 13 first-level clinical departments.

Upon taking over of the hospital entrustment management business, 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 and quality services to the patients, so as to create long-term stable return for the Shareholders. However, since the Entrusted Hospital is located in the new administrative district of the Xiong'an New Area, before implementation of the planning for the Xiong'an New Area, the local government prohibited the approval and construction of non-relevant projects. As a result, the renovation and expansion of the Entrusted Hospital have not been proceeded so far.

With the establishment of Xiongan new area, the administrative region where the Entrusted Hospital is located has been upgraded. In order to comprehensively improve the medical level of the whole county, effectively improve people's livelihood, and provide a solid medical and health service guarantee for the planning and construction of Xiongan new area, Rongcheng County Health Bureau ordered the Entrusted Hospital to cooperate with the designated Beijing medical and health department, and to terminate the entrusted service business with Baoding Xinan. The Company has also sought legal advice from its Chinese legal counsel and has been informed that the termination of the hospital entrustment agreement is due to changes in laws, regulations and related policies and is a kind of force majeure. Upon due consideration, the Group entered into termination agreements with Rongcheng County Health Bureau and the Entrusted Hospital respectively on 3 March 2020. The termination of the hospital entrustment agreements causes the Group an impairment loss of intangible assets of about RMB165.2 million. Rongcheng County Health Bureau also promised that for other medical projects under its jurisdiction, Baoding Xinan should have priority under the same conditions. The Company will also rely on the medical expert team to actively seeking opportunities and carrying out related medical business.(for details, please refer to our inside information announcement published on 3 March 2020).

During the Reporting Period, the entrustment fee of the Group was approximately RMB1.0 million, which was recognized using the income generated by the above-mentioned Entrusted Hospital in the same period of 2015 as basis, i.e. approximately RMB25.0 million. 6% of the increase in the income generated by the Entrusted Hospital during the Reporting Period compared to the same period of 2015 was the entrustment fee. During the Reporting Period, the number of patient visits of the Entrusted Hospital was approximately 104,574 times, which increased by approximately 14,540 times compared to the corresponding period of last year; incomes from clinic and hospital fees were approximately RMB41.4 million, which increased by approximately RMB3.1 million compared to the corresponding period of 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

	Unit	**For the year ended 31 December 2019**	2018	Rate of increase
Patient visits	times	**104,574**	90,034	16.1%
Inpatient visits	times	**3,281**	3,616	-9.3%
Outpatient visits	times	**101,293**	86,418	17.2%
Average spending per inpatient visit	RMB	**5,416**	5,609	-3.4%
Average spending per outpatient visit	RMB	**234**	209	12.0%
Average length of stay	day	**8**	7	14.3%
Number of beds in operation	bed	**150**	150	–

SAFETY AND ENVIRONMENTAL PROTECTION

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

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had 849 full-time employees in total (31 December 2018: 830 employees). For the year ended 31 December 2019, expenses of employees' benefit (including salaries, wages, pension plan contributions and other benefits) were approximately RMB69.1 million (2018: RMB75.2 million).

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

FINANCIAL REVIEW

Revenue

The revenue of our Group during the Reporting Period was approximately RMB815.5 million, representing a decrease of approximately RMB39.2 million as compared to the corresponding period of last year, which was mainly attributable to the combined influence of the decrease in sales volume and the increase in average sales price of iron ore concentrates of the Group during the Reporting Period as compared to the corresponding period of last year.

Cost of sales

The Group's cost of sales for the Reporting Period was approximately RMB545.3 million, representing a decrease of approximately RMB17.2 million as compared to the corresponding period of last year, which was mainly attributable to the combined influence of the decrease in sales volume of iron ore concentrates and the increase in unit operating cost.

Gross profit and gross profit margin

The gross profit of the Group for the Reporting Period was approximately RMB270.2 million, representing a decrease of approximately RMB22.0 million or 7.5% as compared to the corresponding period of last year, which was mainly attributable to the decrease in revenue as compared to the corresponding period of last year; the Group's gross profit margin also decreased slightly during the Reporting Period from 34.2% to 33.1% as compared to the corresponding period of last year.

Sales and distribution expenses

The Group's sales and distribution expenses for the Reporting Period were approximately RMB2.6 million, representing a decrease of approximately RMB18.5 million or 87.5% as compared to the corresponding period of last year, which was mainly due to the decrease in the total sales volume of the products, of which the Group were responsible for the delivery to customers and the related transportation cost. 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 RMB85.0 million, representing a decrease of approximately RMB6.7 million or 7.3% as compared to RMB91.8 million in the corresponding period of last year. The decrease in administrative expenses was mainly attributable to the continuous improvement of refined management and enhancement of control over administrative expenses by the Group.

Impairment losses

The Group recorded an impairment loss of approximately RMB259.8 million during the Reporting Period, the calculation of which was based on the recoverable amount of the related assets at the end of the Reporting Period. Among the above-mentioned impairment loss, an impairment loss on assets of approximately RMB165.2 million was recorded in the entrustment management business of Rongcheng County Hospital of Traditional Chinese Medicine owned by the Group after acquisition of Xinan Investments Limited ("**Xinan**") due to related parties' failure to enforce the Hospital Management Agreement as a result of changes in laws, regulations and relevant policies; due to the impact of the local environmental protection policy upgrade, Jingyuancheng Mining suffered a loss in performance in 2019. The Company has appointed an independent valuer to review the carrying value of related subsidiaries' long-term assets, so as to determine the recoverable amount of assets in accordance with IAS 36 Impairment of Assets. As of 31 December 2019, Jingyuancheng Mining provided for an impairment loss on assets of approximately RMB91.8 million. In addition, the matrix provision of bad debts for expected credit loss of the Group was approximately RMB2.8 million. Set out below are the reasons, details of events and standard data for evaluating impairment test leading to the recognition of impairment loss during the Reporting Period:

Hospital management business after acquisition of Xinan Investments Limited ("Xinan")

In the first half of 2017, due to the announcement of the establishment of Xiong'an New Area, the new construction and renovation projects of the entrusted hospital in the planning area were postponed. The management of the Group believed that there were signs of impairment loss in relation to Xinan and such impairment loss was assessed based on the recoverable amount of the relevant assets as of 30 June 2017 during the relevant reporting period. The goodwill impairment loss of Xinan amounted to RMB10.5 million.

At the end of 2017, as the planning of Xiong'an New Area had not yet been implemented, the new construction and renovation projects of the entrusted hospital in the planning area cannot be launched on schedule. The business of Xinan did not achieve the Group's expectation at the time of acquisition. The Group instructed an independent valuer to conduct valuation (the "**2017 Xinan Valuation**") in respect of Xinan using 31 December 2017 as the valuation benchmark date. Based on the 2017 Xinan Valuation, the Group recognized a goodwill impairment loss amounting to approximately RMB73.4 million. For details of the 2017 Xinan Valuation, please refer to the 2017 Annual Report of the Company.

At the end of 2018, as the planning of Xiong'an New Area had been officially implemented, the management believed that the new construction and renovation projects of the entrusted hospital can be implemented and promoted according to the plan. Nevertheless, the Group engaged an independent valuer to conduct valuation (the "**2018 Xinan Valuation**") in respect of Xinan using 31 December 2018 as the valuation benchmark date after prudent consideration. Based on the 2018 Xinan Valuation, the Group did not recognize its impairment loss.

With the establishment of Xiong'an New Area, the level of the administrative jurisdiction where Rongcheng County Hospital of Traditional Chinese Medicine is located has also risen. According to Rongcheng County People's Government [2019] No. 26 Rongcheng County's "Three-year Improvement Project of Medical Service Capacity (2019-2021)" (容城縣人民政府2019第26號《容城縣「醫療衛生服務能力三年提升工程(2019-2021年)」實施方案》), in order to enhance the overall medical capacity across the county, effectively improve people's living conditions and provide solid healthcare services to support the planning and construction of Xiong'an New Area, the Health Bureau of Rongcheng County (容城縣衛生健康局) requires that Rongcheng County Hospital of Traditional Chinese Medicine cooperate with the healthcare departments in Beijing it designates and terminate the Hospital Management Agreement with Baoding Xinan Medical Management Consulting Company Limited. The Company has consulted its PRC Legal Adviser and has been advised that the termination of the Hospital Management Agreement is due to changes in laws, regulations and relevant policies, and that continuous enforcement of the Hospital Management Agreement by the parties will conflict with the existing laws, regulations or policies. PRC Legal Adviser further advised that it was a form of force majeure that resulted in the parties' inability to continuously perform their duties in accordance with the Hospital Management Agreement. According to the above government document and taking into full account the legal opinions of PRC Legal Adviser, Baoding Xinan Medical Management Consulting Company Limited has entered into a termination agreement with the Health Bureau of Rongcheng County and Rongcheng County Hospital of Traditional Chinese Medicine on 3 March 2020 to immediately terminate all rights and obligations under the Hospital Management Agreement, thus causing an impairment loss on assets of approximately RMB165.2 million to the Company.

Jingyuancheng Mining

In 2019, Hebei Province's environmental protection policy is increasingly upgraded, and through the orange warning of heavy pollution weather and the launch of Class II emergency response measures, it has restricted the industrial and mining enterprises in its jurisdiction from restricting work and production, resulting in Jingyuancheng Mining recording assets impairment losses in 2019. The Company has appointed an independent valuer to review the carrying value of Jingyuancheng Mining's long-term assets (including property, plant and equipment, projects under construction and its intangible assets) on then valuation date (i.e. 31 December 2019), so as to determine the recoverable amount of assets in accordance with IAS 36 Impairment of Assets. As of 31 December 2019, Jingyuancheng Mining provided for an impairment loss on assets of approximately RMB91.8 million, in which the property, plant and equipment recorded the impairment loss of RMB73.5 million, and the intangible assets recorded the impairment loss of RMB18.3 million; the details of independent valuation of Jingyuancheng Mining's asset impairment losses were as follows:

(a) Basis and Assumptions for Valuation adopted by Jingyuancheng Mining in 2019:

1. Transaction Assumption

   Transaction assumption is to assume that all the assets to be valued are already in the process of transaction and the valuer carries out the valuation based on a simulated market which involves the transaction conditions of the assets to be valued. Transaction assumption is the basic assumption for the valuation of assets.

2. Open Market Assumption

   Open market assumption is to assume that both parties of the assets transaction or the proposed assets transaction in the market are in equal position and have opportunities and time to obtain sufficient market information, so as to make rational judgments on the functions, purposes and transaction price of the assets. The open market assumption is based on the fact that the assets can be traded openly in the market.

3. Asset Going Concern Assumption

   Asset going concern assumption means that the valuation method, parameters and basis shall be determined in accordance with the condition that the valued assets will be continuously used in consistence with their current functions and methods, scale, frequency and environment of application, or used on the basis of certain changes thereof.

4. No Significant Changes of External Environment

   The valuation is to assume that the external economic environment remains unchanged and the current macroeconomic conditions in the PRC will not change significantly since the Reference Date;

5. No Significant Changes of Social and Economic Environment

   The social and economic environment, as well as the implemented policies in relation to tax and tax rates, etc. of the company will not change significantly;

6. Valuation based on the Existing Assets and Current Market Price

   All assets under valuation are based on the existing assets as at the Reference Date and the current market price of relevant assets is based on the effective domestic price as at the Reference Date.

7. Truthfulness and Completeness of Basic Information

   The valuation is to assume that the basic information and financial information provided by the principal and the property holding unit is true, accurate and complete.

8. Scope of the Valuation

   The scope of the valuation is subject to the application form for valuation provided by the principal and the property holding unit, without taking into account the contingent assets or contingent liabilities, if any, not included in the list provided by the principal and the property holding unit;

9. Exclusion of inflation factors

   The impact of inflation is not taken into account in the selection of the value of the parameters in the valuation.

(b) Valuation methods adopted by Jingyuancheng Mining in 2019 are as follows:

The valuation methods conducted generally include market method, discounted cash flow method and cost method. According to Appraisal Guide for Financial Reporting issued by the China Appraisal Society, the cost method does not apply to the asset impairment testing under the accounting standards.

The assessment conducted in relation to Jingyuancheng Mining is to serve the impairment test of the fixed assets group and mining rights of Jingyuancheng Mining. From the specific purpose of the assessment and the relevant provisions of the Accounting Standards for Business Enterprises, the market method is usually adopted for the net amount of the fair value of the assets minus the disposal expenses. However, due to the limited transaction cases of mines under construction, it is difficult to collect fair trading data. Therefore, it is not appropriate to adopt the market method to determine the recoverable amount of assets under the current valuation. The discounted cash flow method is a method of assessing the value of assets by estimating the present value of the future expected returns of the assets being assessed. The present value of the estimated future cash flow of assets is the discounted value of expected future cash flows of assets that an enterprise holds through production and operation or holds under liabilities with normal operating conditions. As both the cost method and market method are not appropriate for the impairment assessment of Jingyuancheng Mining, the 2019 Jingyuancheng Mining's Valuation has adopted the discounted cash flow method. Taking into consideration of the risk-free return, the market's expected return, Beta values and risk adjustment coefficients, the pre-tax discount rate was determined as 10.6%. In the valuation model, reasonable prediction was made based on the reasonable life of mine, recoverable reserves of mines, production capacity of mines, and waste rate. The production period for the 2019 Valuation Report is from 2020 to 2034.

There were no material changes in the relevant basis, assumptions and valuation methods adopted by Jingyuancheng Mining in 2019 as compared with historical periods.

Trade receivables and expected credit loss

The impairment loss of trade receivables is mainly affected by the changes in international accounting standards, the Group, in accordance with the new International Financial Reporting Standards No. 9 – Financial Instruments, provides for its expected credit loss matrix to bad debt reserve of approximately RMB2.8 million.

Finance costs

The Group's finance costs for the Reporting Period were approximately RMB43.1 million, representing an increase of approximately RMB4.8 million or 12.6% as compared to the corresponding period of last year. Finance costs included interest expenses of bank borrowings, discounted expenses, other finance expenses and the amortisation of discounted expenses of long-term payables.

Income tax expenses

The Group's income tax expenses for the Reporting Period were approximately RMB15.8 million, representing a decrease of approximately RMB67.2 million as compared to the corresponding period of last year, which was mainly due to the decrease in profit before taxation of the Group. Income tax expenses comprised the sum of current tax payable and deferred tax, among which current tax payable was approximately RMB49.2 million.

Loss (profit) for the year and total comprehensive income for the year

The Group recorded a loss after tax during the Reporting Period of approximately RMB99.0 million, which was mainly due to the impairment loss of assets recorded by the Group during the Reporting Period.

Property, plant and equipment

The property, plant and equipment, net of the Group as of 31 December 2019 were approximately RMB795.1 million, representing an increase of approximately RMB131.6 million or 19.8% as compared to the corresponding period of last year. The change was mainly due to the Group's addition of fixed assets such as property, plant and equipment, provision for depreciation and impairment, reclassification of prepaid land premium according to IFRS 16 Lease and the disposal of Xinxin Mining's assets.

Intangible assets

As of 31 December 2019, the net intangible assets of the Group were approximately RMB84.3 million, representing a decrease of approximately RMB228.4 million as compared to the corresponding period of last year, which was mainly due to the amortisation of intangible assets of the Group and the impairment provision made as Baoding Xinan ceased to own the entrustment management right over Rongcheng County Hospital of Traditional Chinese Medicine.

Inventories

As of 31 December 2019, inventories of the Group amounted to approximately RMB113.4 million, representing a decrease of approximately RMB7.6 million or 6.3% as compared to the corresponding period of last year, which indicated stable changes in inventories.

Trade and other receivables

As of 31 December 2019, trade receivables of the Group amounted to approximately RMB73.7 million, representing an increase of approximately RMB13.4 million as compared to RMB60.3 million in the corresponding period of last year, which was mainly due to the increase in credit sales during the credit period. As of 31 December 2019, other receivables of the Group amounted to approximately RMB374.4 million, representing a decrease of approximately RMB1.5 million as compared to RMB375.9 million in the corresponding period of last year. Other receivables mainly included prepayments to suppliers and deposits paid.

Trade and other payables

As of 31 December 2019, trade payables of the Group amounted to approximately RMB73.9 million, representing an increase of approximately RMB30.2 million as compared to RMB43.7 million in the corresponding period of last year. The increase was mainly attributable to the increase in trade payables due to suppliers.

As of 31 December 2019, other payables of the Group amounted to approximately RMB98.7 million, representing an increase of approximately RMB30.1 million as compared to RMB68.6 million in the corresponding period of last year. The increase was mainly attributable to increase in advances from customers and accrued payroll.

Analysis of cash usage

The summary of our Group's consolidated cash flow statement for 2019 is set out as follows:

	2019	2018
	RMB'000	*RMB'000*
Net cash flows generated from/(used in) operating activities	**394,217**	(182,538)
Net cash flows (used in)/generated from investing activities	**(237,038)**	244,990
Net cash flows generated from/(used in) financing activities	**238,254**	(63,296)
Net increase/(decrease) in cash and cash equivalents	**395,433**	(844)
Cash and cash equivalents at the beginning of the period	**65,984**	65,745
Effect of foreign exchange rate changes to cash and cash equivalents	**222**	1,083
Cash and cash equivalents at the end of the period	**461,639**	65,984

Net cash flows generated from/(used in) operating activities

The Group's net cash flow generated from operating activities for the Reporting Period amounted to approximately RMB394.2 million, which mainly included loss before tax amounting to approximately RMB114.8 million, certain non-cash expenses (such as depreciation, amortization, impairment loss, net loss from assets disposed of) totaling approximately RMB364.0 million, net interest expenses amounting to approximately RMB42.9 million, decrease in inventories of approximately RMB2.3 million, decrease in trade and other receivables of approximately RMB82.5 million, increase in trade and other payables of approximately RMB67.8 million and less income tax paid amounting to approximately RMB50.5 million.

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

Net cash flow used in investing activities of the Group during the Reporting Period was approximately RMB237.0 million, which primarily represented payment of approximately RMB273.2 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 RMB0.4 million.

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

The Group's net cash outflow in financing activities for the Reporting Period was approximately RMB238.3 million, which mainly represented a total of approximately RMB555.0 million of newly raised loans, repayment of bank borrowings of approximately RMB280.0 million, payment of bank interests of approximately RMB32.5 million and repayment of lease liabilities of approximately RMB4.2 million.

Cash and borrowings

As of 31 December 2019, the balance of cash and cash equivalents of the Group amounted to approximately RMB461.6 million, representing an increase of approximately RMB395.6 million or 599.6% as compared to the corresponding period of last year.

As of 31 December 2019, bank loans of the Group was RMB555.0 million, representing an increase of RMB275.0 million or 98.2% as compared to the end of last year. The interest rates of the borrowings as of 31 December 2019 ranged between 4.35% to 7.8% per annum. All of the borrowings were accounted for as current liabilities of the Group (as of 31 December 2018: 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 2019 and up to the date of this announcement. As of 31 December 2019, the overall financial status of the Group remained in a good condition.

Restricted deposits

Restricted deposits of the Group generally represent bank deposits, deposits pledged as guarantee for bills payables and other deposits within one year. As of 31 December 2019, the Group had no restricted deposits.

Gearing ratio

The gearing ratio of the Group as of 31 December 2019 was approximately 43.4%, representing an increase of approximately 7.3% as compared to the corresponding period of last year. The gearing ratio was calculated by dividing the total debts by total assets.

Capital expenditure

The Group's total capital expenditure amounted to approximately RMB273.2 million, which consisted of installments for mining right costs, technical transformation of dry-processing plant and other sporadic projects.

Interest rate risk and foreign currency risk

The fair value interest rate risk of the Group is primarily related to bank borrowings. Most of the bank borrowings of the Group 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 risks and will consider to hedge significant interest rate risks 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

On 23 May 2019, Aowei Mining, a subsidiary of the Company, entered into an equity transfer agreement with Laiyuan County Zengzhi Construction Materials Co., Ltd. in relation to the disposal of the entire equity interest in Xinxin Mining Co., Ltd. at a consideration of RMB36.0 million. For details of the disposal, please refer to the announcement on the Discloseable Transaction for Disposal of a Subsidiary issued by the Company on 23 May 2019. 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.

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

Pledge of assets and contingent liabilities

As at 31 December 2019, the Group's bank loans of RMB170 million, RMB85 million and RMB300 million were secured by the Group's mining right, right-of-use assets (land use rights), properties and equipment, by the land use rights and properties of a related party of the Group, and collectively secured by land and properties of third parties and a related party, respectively.

The carrying amounts of the Group's mining rights, right-of-use assets (land use rights) and properties pledged for bank loans were approximately RMB55,000, RMB10.4 million and RMB39.6 million respectively as of 31 December 2019. The Group had no material contingent liabilities as of 31 December 2019.

Significant investments held

There were no significant investments held by the Company as at 31 December 2019.

OUTLOOK AND STRATEGY

The rise of international trade protectionism has exerted negative impacts on the global economy. Despite the fact that the United States has reached initial trade agreements with major economies, there is no guarantee that new conflicts would not emerge in the future. On the other hand, in order to stimulate economic recovery, major economies led by the US Federal Reserve have implemented loose monetary policies. In 2019, the Federal Reserve cut interest rates three times in total, and some emerging economies cut interest rates more frequently than expected. During the Year, the Chinese government pursued prudent monetary policies instead of using a deluge of stimulus policies, with a preference on targeted cuts in required reserve ratios. Active fiscal policies were also adopted, with a large scale of tax and fee cuts, constant adjustment to the structure of economic growth and a focus on high-quality development model. It is expected that in 2020, the liquidity of major global markets will remain loose. With the development of the COVID-19 outbreak, the Chinese government has also successively introduced a relatively loose credit policy to increase financial support. The Group will continue to keep a close watch on national favorable policies, strengthen good communication and cooperation with banks and financial institutions, and maximize financial support from banks and financial institutions, in an effort to ensure the stability of the Group's cash flow and, in turn, provide sufficient financial resources for the Group's business expansion.

Benefited from macro-economic recovery, the iron and steel industry is likely to enter a period of upswing, but it is not necessarily true in relation to profit from a prudent perspective. Production capacity needs to be released under the guidance of policies and alert shall be kept on excessive expansion of supply. The price of iron ore has experienced a significant increase in 2019. In 2020, it is expected that the price will maintain a narrow fluctuation; the supply and demand of iron ore will turn relatively loose; and the demand of downstream steel industry will recover. The Group will constantly improve its business management and financial performance and strictly control its cash operating costs, striving for continuous improvement in its profitability in the future.

Confronted with the severe market environment and operating pressure, the Group is fully aware of the importance of the relations with customers and suppliers for the sustainable development of its business. The Group has always adhered to the business principles of good faith and sincerity. Through long-term cooperation with major customers and suppliers, and the good communication mechanism established with them, the Group will keep good business relations with them on the basis of mutual benefit. At the same time, in order to prevent the loss of customers and suppliers from adversely affecting the Group, the Group will also expand new customers and suppliers through selection criteria to ensure the market share and sustainable development of the Group.

In 2020, Xiong'an New Area is expected to continue a promising development in its construction. It requires a guaranteed supply of enormous amounts of sand and gravel for construction to continue the undertaking of the non-capital functional planning at a high starting point and to continue the construction of a green and smart new city of Xiong'an New Area as well as the construction of urban transportation and municipal infrastructure. As required by environmental protection policies, however, the exploitation of natural sand and gravel has been banned. The government encourages and supports the construction of production bases for machine-processed sand and gravel using such resources as tailings and solid wastes. The Group will take full advantage of the opportunity to actively promote the solid waste comprehensive utilization project of Jiheng Mining, reduce operating costs and raise production efficiency through improvement of technical process or other effective measures, so as to consolidate the competitive advantage of the Group's sand and gravel business. The Group will also deeply explore and extend the industry chain of the solid waste comprehensive utilization project of Jiheng Mining and make full use of the recycled tailings and solid wastes to process other derivative green construction materials products, 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.

As Xiong'an New Area officially enters the construction stage, 67 key projects including the Beijing-Xiong'an Intercity Railway and the Beijing-Xiong'an Expressway have started construction in the Year, and a large amount of human and material resources have been put into the construction of the New Area. The Group will continue to pay close heed to the development status and policy trend of Xiong'an New Area, grasp the development opportunities so presented, and further explore and expand the market potential of the Group's businesses.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2019, 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 enquiries have been made to all Directors of the Company and all Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2019.

COMPLIANCE OF THE CORPORATE GOVERNANCE CODE

As a company with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company is committed to maintaining high level of corporate governance. Throughout the Reporting Period, the Company has fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for 2019 and the consolidated financial statements for the year ended 31 December 2019.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 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 2019 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. 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

After the Balance Sheet date, the COVID-19 outbreak began in early 2020. The Group closely monitors the development of the epidemic and evaluates its impact on the Group's operating environment, financial position, cash flow and operating performance from time to time, and actively adopts a series of corresponding measures to minimize the impact of the epidemic on the Group's business and protect the physical and mental health of employees. Up to the date of this announcement, Management was unaware that any employees of the Group were infected with the Coronavirus, and the Group had fully complied with the local government's epidemic prevention and control requirements to meet the conditions for resumption of work.

Save as disclosed specifically in this announcement and the announcement dated 3 March 2020 of the Company in relation to the termination of the hospital entrustment agreements, there were no significant subsequent events affecting the Group which occurred since 1 January 2020 and up to the date of this announcement.

PUBLICATION OF 2019 ANNUAL REPORT

The 2019 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, 25 March 2020

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.