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奧威控股
AOWEI HOLDING LIMITED

AOWEI HOLDING LIMITED

奧威控股有限公司

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

(Stock Code: 1370)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

FINANCIAL HIGHLIGHTS

The revenue of the Group for the Reporting Period was approximately RMB226.8 million, representing a decrease of approximately RMB203.8 million or 47.3% as compared with the corresponding period last year.

The Group's gross profit for the Reporting Period was approximately RMB9.3 million, representing a decrease of approximately RMB154.0 million or 94.3% as compared with the corresponding period last year; the Group's gross profit margin for the Reporting Period was approximately 4.1%.

The Group's loss attributable to the equity shareholders for the Reporting Period was approximately RMB85.3 million, while the profit attributable to the equity shareholders of the Company for the corresponding period last year was approximately RMB74.0 million.

The Group's basic and diluted losses per share attributable to equity shareholders for the Reporting Period was RMB0.05 per share, while the basic and diluted earnings per share for the corresponding period last year were RMB0.05 per share.

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

The board (the “**Board**”) of directors (the “**Directors**”) of Aowei Holding Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2020 RMB'000	2019 RMB'000
Revenue	4	226,775	430,617
Cost of sales		<u>(217,509)</u>	<u>(267,295)</u>
Gross profit		9,266	163,322
Distribution costs		(12,072)	(1,577)
Administrative expenses		(68,160)	(43,603)
Impairment reversal/(losses)	5(b)	<u>533</u>	<u>(179)</u>
(Loss)/profit from operations		<u>(70,433)</u>	<u>117,963</u>
Finance income	5(a)	42	86
Finance costs	5(a)	<u>(22,412)</u>	<u>(19,896)</u>
Net finance costs	5(a)	<u>(22,370)</u>	<u>(19,810)</u>
Gains from disposal of a subsidiary		<u>–</u>	<u>5,424</u>
(Loss)/profit before taxation	5	(92,803)	103,577
Income tax	6	<u>7,479</u>	<u>(29,616)</u>
(Loss)/profit attributable to equity shareholders of the Company for the period		(85,324)	73,961
Other comprehensive income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		<u>169</u>	<u>114</u>
Total comprehensive income attributable to equity shareholders of the Company for the period		<u>(85,155)</u>	<u>74,075</u>
(Losses)/earnings per share			
Basic and diluted (RMB)	7	<u>(0.05)</u>	<u>0.05</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 – unaudited

(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>(audited)</i> <i>RMB'000</i>
Non-current assets			
Property, plant and equipment, net	8	755,756	795,145
Construction in progress		1,955	1,429
Intangible assets	9	81,296	84,304
Long-term receivables		30,340	41,340
Deferred tax assets		175,789	166,944
Other non-current assets		242,534	221,931
Total non-current assets		1,287,670	1,311,093
Current assets			
Inventories	11	85,123	113,411
Trade and other receivables	12	542,963	448,192
Cash and cash equivalents		360,221	461,639
Total current assets		988,307	1,023,242
Current liabilities			
Short-term borrowings	13	440,000	555,000
Trade and other payables	14	174,406	172,652
Current taxation		46,410	68,016
Current portion of long-term payables	15	19,904	38,971
Current portion of accrued reclamation obligations		3,392	3,048
Lease liabilities		3,668	3,990
Total current liabilities		687,780	841,677
Net current assets		300,527	181,565
Total assets less current liabilities		1,588,197	1,492,658

		At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 (audited) <i>RMB'000</i>
	<i>Note</i>		
Non-current liabilities			
Lease liabilities		3,672	3,452
Long-term borrowings	13	178,000	—
Long-term payables, less current portion	15	134,890	131,664
Accrued reclamation obligations, less current portion		35,520	36,272
		<u>352,082</u>	<u>171,388</u>
Total non-current liabilities		<u>352,082</u>	<u>171,388</u>
NET ASSETS		<u>1,236,115</u>	<u>1,321,270</u>
CAPITAL AND RESERVES			
Share capital		131	131
Reserves		1,235,984	1,321,139
TOTAL EQUITY		<u>1,236,115</u>	<u>1,321,270</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 CORPORATE INFORMATION

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

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

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 26 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *COVID-19-Related Rent Concessions*

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

4 REVENUE AND OPERATING SEGMENTS

(a) Disaggregation of revenue

The Group is principally engaged in the mining, processing and sale of iron ores, preliminary concentrates, iron ore concentrates and gravel materials, and the provision of hospital management service (see (b) below). Revenue mainly represents the sales value of goods sold to customers. Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Mining Segment		
Iron ore concentrates	207,775	430,266
Gravel Materials	19,000	–
Medical Segment		
Hospital management service	–	351
	226,775	430,617

During the six months ended 30 June 2020, there were two customers with whom transactions have exceeded 10% of the Group's revenue (six months ended 30 June 2019: two customers) and revenue from sale of iron ore concentrates to these customers amounted to RMB172,862,000 (six months ended 30 June 2019: RMB355,086,000).

(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 gravel materials, 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. The Group has ceased to provide management services to its only operating hospital namely Rongcheng County Traditional Chinese Medicine Hospital (the "Hospital") since 1 January 2020. On 3 March 2020, the Group and the Hospital entered into an agreement terminating hospital management right between the Group and the Hospital (also see Note 9 and 10). Since then, the Group has operated no other substantial business under this segment.

(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 Groups reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2020 is set out below.

	Six months ended 30 June 2020		
	Mining segment RMB'000	Medical segment RMB'000	Total RMB'000
Reportable segment revenue	226,775	–	226,775
Cost of sales	<u>(217,509)</u>	<u>–</u>	<u>(217,509)</u>
Reportable segment gross profit	9,266	–	9,266
Distribution costs	(12,072)	–	(12,072)
Administrative expenses	(65,943)	(463)	(66,406)
Reversal of impairment losses on receivables (Note 5(b))	189	344	533
Net finance (costs)/income	<u>(22,372)</u>	<u>2</u>	<u>(22,370)</u>
Reportable segment loss before taxation	(90,932)	(117)	(91,049)
Income tax	<u>7,565</u>	<u>(86)</u>	<u>7,479</u>
Reportable segment loss	<u>(83,367)</u>	<u>(203)</u>	<u>(83,570)</u>

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

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Revenue		
Reportable segment revenue	<u>226,775</u>	<u>430,617</u>
Consolidated revenue (Note 4(a))	<u>226,775</u>	<u>430,617</u>
(Loss)/profit		
Reportable segment (loss)/profit	<u>(83,570)</u>	<u>75,044</u>
Unallocated head office and corporate expenses	<u>(1,754)</u>	<u>(1,083)</u>
Consolidated (loss)/profit	<u>(85,324)</u>	<u>73,961</u>

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

5 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Net finance costs:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Interest income	(42)	(86)
Finance income	(42)	(86)
Interest on interest-bearing borrowings	19,307	14,319
Interest on lease liabilities	229	4
Unwinding interest on		
– long-term payables	2,458	4,695
– accrued reclamation obligations	418	878
Finance costs	22,412	19,896
Net finance costs	22,370	19,810

During the six months ended 30 June 2020, no borrowing costs have been capitalised in relation to construction in progress (six months ended 30 June 2019: RMB nil).

(b) Other items:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Cost of inventories (<i>Note</i>)	217,509	267,295
Depreciation charge		
– owned property, plant and equipment	52,717	31,383
– right-of-use assets	1,989	26
Amortisation charge		
– owned mining rights and software	3,008	6,444
– right-of-use assets	10,089	7,836
Impairment losses (reversed)/recognised on trade and other receivables (<i>Note 12(c)</i>)	(533)	179

Note: During the six months ended 30 June 2020, production stripping costs recognised in profit or loss as part of cost of inventories amounted to RMB94,829,000 (six months ended 30 June 2019: RMB225,726,000).

6 INCOME TAX

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current tax		
Provision for the period	1,366	30,630
Deferred tax		
Origination and reversal of temporary differences	(8,845)	(1,014)
	<u>(7,479)</u>	<u>29,616</u>

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(Loss)/profit before taxation	<u>(92,803)</u>	<u>103,577</u>
Notional tax on profit before taxation, calculated at tax rate of 25% (Note (i))	(23,201)	25,894
Differential tax rates on subsidiaries' income (Note (ii))	(712)	(49)
Tax effect of non-deductible items	3,477	423
Tax effect of utilisation of tax loss not recognised during prior years	–	(1,356)
Tax effect of unused tax losses not recognised	<u>12,957</u>	<u>4,704</u>
Actual tax expense	<u>(7,479)</u>	<u>29,616</u>

Notes:

- (i) The PRC enterprise income tax rate is adopted as the Group's operations are mainly conducted in the PRC. Pursuant to the prevailing income tax rules and regulations of the PRC, the applicable enterprise income tax is at a rate of 25%.
- (ii) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.
- (iii) According to the PRC Enterprise Income Tax Law and its implementation rules, interest receivables by non-PRC-resident corporate investors from PRC-resident enterprises are subject to withholding income tax at a rate of 7%.
- (iv) According to the PRC Enterprise Income Tax Law and its implementation rules, dividends (for profit earned since 1 January 2008) and interest income receivable by non-PRC-resident corporate investors from PRC-resident enterprises are subject to withholding income tax at a rate of 10% each, unless reduced by tax treaties or arrangements. Undistributed profit earned prior to 1 January 2008 are exempted from such withholding income tax.

7 (LOSSES)/EARNINGS PER SHARE

The calculation of basic (losses)/earnings per share is based on the loss attributable to equity shareholders of the Company for the six months ended 30 June 2020 of RMB85,324,000 (profit attributable to equity shareholders of the Company for the six months ended 30 June 2019: RMB73,961,000) and the weighted average number of shares in issue during the six months ended 30 June 2020 of 1,635,330,000 shares (six months ended 30 June 2019: 1,635,330,000 shares).

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

8 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Right-of-use assets

During the six months ended 30 June 2020, the Group did not enter into any lease agreements, and therefore no additions to right-of-use assets have been recognised (six months ended 30 June 2019: RMB946,000). The annual lease payment terms are fixed.

The Group's property, plant and equipment are substantially located in the PRC. As of 30 June 2020, the Group had not obtained title certificates of certain of its buildings and plants with an aggregate carrying amount of RMB38,304,000 (31 December 2019: RMB41,564,000). The directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned properties.

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 RMB84,819,000 (31 December 2019: RMB74,834,000). 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.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2020, additions of property, plant and equipment of the Group, representing mainly processing plant and mining related buildings, machinery and equipment amounted to RMB23,017,000 (six months ended 30 June 2019: RMB6,521,000).

As at 30 June 2020, mine properties include capitalised stripping activity asset with a carrying amount of RMB45,213,000 (31 December 2019: RMB59,865,000).

As at 30 June 2020, certain of the Group's borrowings were secured by the Group's property, plant and equipment and right of use assets (see Note 13(c)) with a carrying amount of RMB31,280,000 and RMB10,281,000 (31 December 2019: RMB39,626,000 and RMB10,382,000), respectively.

9 INTANGIBLE ASSETS

In August and December 2014, the Group acquired two mining rights with an aggregate carrying amount of approximately RMB321,000,000 from two third parties. These two mining rights fall within the local government's resources integration plan. Given the fact that the local government has carried out policies such as gradually closing down and ceasing new license of open-pit under scale recently, the directors considered indication of impairment exist and carried out the review of the recoverable amount of the above-mentioned mining rights. An impairment loss of RMB321,000,000 has been recognised in the profit or loss for the year ended 31 December 2017 after taking into account the uncertainties associated with the consolidation works in the foreseeable future. The directors have been closely monitoring the local policies since then, and are of the opinion that no reversal of impairment provision identified as at 30 June 2020.

In connection with the acquisition of Xinan Investments Limited completed in July 2016, the Group obtained hospital management right through the related hospital management agreements. The management right was recognised at its fair value amounting to RMB187,000,000, and is amortised on a straight-line basis over 30 years as agreed in the hospital management agreements. 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 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 was identified and allocated to reduce the carrying amount of the intangible assets as at 31 December 2019. On 3 March 2020, the Group and the Hospital terminated the hospital management agreement and such hospital management right has been disposed of at RMB nil consideration. As full impairment losses on the carrying value of the hospital management right have been provided for in previous years, there is no impact on the profit or loss for the six months ended 30 June 2020.

As at 30 June 2020, certain of the Group's borrowings were secured by the Group's mining right (see Note 13(c)) with a carrying amount of RMB55,000 (31 December 2019: RMB55,000).

10 GOODWILL

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

Impairment losses of RMB73,410,000 was recognised during the year ended 31 December 2017, and the carrying value of goodwill has been reduced to RMB nil as at 31 December 2017. As mentioned in Note 9, following the termination of the corresponding hospital management right on 3 March 2020, goodwill in connection with the hospital management business has been written off during the six months ended 30 June 2020.

11 INVENTORIES

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

	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Iron ores	28,020	27,081
Preliminary concentrates	17,292	38,842
Iron ore concentrates	3,441	6,270
Gravel materials	20,011	23,654
	<u>68,764</u>	<u>95,847</u>
Consumables and supplies	16,359	17,564
	<u>85,123</u>	<u>113,411</u>

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

	Six months ended 30 June 2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Carrying amount of inventories sold	<u>217,509</u>	<u>264,178</u>

12 TRADE AND OTHER RECEIVABLES

	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Accounts receivable	83,118	88,817
Less: allowance for doubtful debts (<i>Note 12(c)</i>)	<u>14,640</u>	<u>15,074</u>
Trade receivables (<i>Note 12(a)</i>)	68,478	73,743
Other receivables (<i>Note 12(b)</i>)	474,485	374,449
	<u>542,963</u>	<u>448,192</u>

(a) Ageing analysis

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 6 months	68,478	73,743

(b) Other receivables

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Prepayments and deposits (<i>Note</i>)	465,148	369,394
Value added tax recoverable	741	741
Others	8,921	4,738
	474,810	374,873
Allowance for doubtful debts (<i>Note 12(c)</i>)	(325)	(424)
	474,485	374,449

Note: Prepayments and deposits mainly represent advance payments made to the Group's mining contractors and transportation services providers. As at 30 June 2020, prepayments to Laiyuan County Huiguang Logistics Co., Ltd. ("Huiguang") for on-site loading services, and to Laiyuan County Aotong Transportation Co., Ltd. ("Aotong"), Laiyuan County Ruitong Transportation Co., Ltd. ("Ruitong") and Rongcheng County Ronghui Logistics Co., Ltd. ("Ronghui") for transportation services were amounted to RMB287,358,458, RMB52,590,911, RMB30,908,341 and RMB46,995,000 (31 December 2019: RMB181,303,000, RMB283,538,000, RMB86,524,000 and RMB nil).

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

As at 30 June 2020, other than deposits amounted to RMB2,585,000 (31 December 2019: RMB2,585,000), which are included in prepayments and deposits, all other receivables were aged within one year and were expected to be recovered or expensed off within one year.

(c) **Impairment of trade and other receivables**

	2020 RMB'000	2019 <i>RMB'000</i>
At 1 January	15,498	12,734
Impairment losses (reversed)/recognised on		
– trade receivables	(434)	2,716
– other receivables	(99)	100
	(533)	2,816
Disposal of a subsidiary	–	(52)
At 30 June/31 December	14,965	15,498

13 BORROWINGS

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

	At 30 June 2020		At 31 December 2019	
	Interest rate		Interest rate	
	per annum		per annum	
	%	RMB'000	%	RMB'000
Short-term borrowings:				
– secured bank loans	3.80 ~ 9.23	440,000	4.35 ~ 7.80	555,000
Long-term borrowings:				
– secured bank loans	9.185	178,000	–	–
		618,000		555,000

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

	At 30 June 2020 RMB'000	At 31 December 2019 <i>RMB'000</i>
Within 1 year	440,000	555,000
After 1 year but within 2 years	178,000	–
	618,000	555,000

(c) The Group's banking facilities comprise:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Secured by:		
Mining right, right-of-use assets (land use rights) and properties of the Group (<i>Notes 8 and 9</i>)	140,000	170,000
Land use rights and properties of a related party and third parties	480,000	460,000
	<u>620,000</u>	<u>630,000</u>

As at 30 June 2020, the above banking facilities of the Group were utilised to the extent of RMB618,000,000 (31 December 2019: RMB555,000,000).

14 TRADE AND OTHER PAYABLES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade payables	83,149	73,925
Other taxes payable	12,812	15,732
Receipts in advance	7,207	10,283
Payables for construction work, equipment purchases	8,013	5,620
Amounts due to related parties	7	7
Interest payables	1,127	1,522
Others (<i>Note</i>)	62,091	65,563
	<u>174,406</u>	<u>172,652</u>

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

15 LONG-TERM PAYABLES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Consideration payables for the acquisition of mining rights	154,794	170,635
Less: current portion of long-term payables	19,904	38,971
	<u>134,890</u>	<u>131,664</u>

In March 2012 and January 2013, the Group acquired the Wang'ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine from Hebei Provincial Department of Land and Resources for considerations of RMB278,798,000 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 consideration payables and the payment periods were extended to 2022.

In 2017, the Group filed an administrative reconsideration to Ministry of Land and Resources. The result of administrative reconsideration showed that the above annual instalment schedule for Wang'ergou Mine and Shuanmazhuang Mine had been reversed. The amounts beared by the Group would be assessed by Hebei Provincial Department of Land and Resources. The directors are of the opinion that the remaining parts of mining right consideration payable amounting to RMB78,364,000 for Wang'ergou Mine and Shuanmazhuang Mine as at 30 June 2020 will not be payable or paid within one year, in this connection, the Group reclassified the amounts originally accounted for in current portion into the non-current portion.

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

	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Within 1 year	19,904	38,971
After 1 year but within 2 years	20,730	18,996
After 2 years but within 5 years	114,160	112,668
	<u>154,794</u>	<u>170,635</u>

16 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought certain 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 business and has put in place contingency measures such as temporary adjustment to levels of production. The Group will keep the contingency measures under review as the situation evolves.

MANAGEMENT DISCUSSION AND ANALYSIS

Mining Service

Market Review

In the first half of the year, the global economy suffered a setback in its development from the COVID-19 and changes in the international situation. Synchronously, the domestic economy slowed down. Our country's GDP was RMB45.66 trillion, down by 1.6% year on year when calculated at comparable prices. As a result, the market demand for the domestic steel industry fell. In the first half of the year, the average steel PMI was 45.3%, a 5.5% fall as compared with the corresponding period last year. Although the new orders index rose slightly after the impact of the COVID-19 in China gradually moderated in the second half of the year, the market demand remained weak. In the first half of the year, the new orders index was 42.4%, 10.8 percentage points lower than it was last year. Due to the continuous spread of the COVID-19 overseas, the economy recovered slowly, which continued to affect the terminal demand of steel products and subject the export of related products to a graver situation. In the first half of the year, the new export orders index was 35.1%, 10.6 percentage points lower than it was last year. According to the General Administration of Customs, 28.704 million tons of steel products were exported in the first half of the year, representing a year-on-year decrease of 16.5%.

Affected by certain factors such as the Australian hurricane, heavy rain in Brazil, and slowed production due to the spread of the COVID-19 overseas, the global supply of iron ore was tight, resulting in the continuous increase in iron ore prices. According to the monitoring of China Iron and Steel Industry Association (中國鋼鐵工業協會), China Iron Ore Price Index (CIOPI) was 364.36 points as at the end of June 2020, representing a growth of 1.17% as compared with the figure as at the end of May 2020, among which, the domestic iron ore price index was 349.55 points, representing a decrease of 0.27% as compared with the figure as at the end of May 2020; and the imported iron ore price index was 367.16 points, representing a growth of 1.44% as compared with the figure as at the end of May 2020. As of June 2020, the port inventory of imported iron ore in the PRC was 108 million tons, representing a year-on-year decrease of approximately 7.84 million tons as compared with the figure as at the end of June 2019. Although the port inventory for iron ore was gradually cleared, the iron ore market was still in short supply, and the iron ore prices still remained high. Under the dual impact of falling prices of rolled steel and rising prices of imported iron ore, the economic benefits of the entire industry were vulnerable to a greater slump.

Business Review

In the first half of 2020, the Group's production, sales and financial performance failed to meet expectations as a result of COVID-19 outbreak and the suspension of green mines construction by Jiheng Mining. During the Reporting Period, the Group's output of iron ore concentrates was approximately 332.5 thousand tons, representing a decrease of approximately 54.4% as compared with the corresponding period last year. During the Reporting Period, the Group's sales of iron ore concentrates were approximately 338.0 thousand tons, representing a decrease of approximately 53.4% as compared with the corresponding period last year. During the Reporting Period, unit cash operating cost for iron ore concentrates of Jingyuancheng Mining was approximately RMB570.0 per ton, while unit cash operating cost of Jiheng Mining is not representative due to its short operating period.

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

The Group	Six months ended 30 June Output (Kt)			Six months ended 30 June Sales Volume (Kt)			Six months ended 30 June Average Sales Price (RMB)		
	2020	2019	% change	2020	2019	% change	2020	2019	% change
Jiheng Mining	72.68	455.44	-84.04%	76.70	473.94	-83.82%	584.78	575.34	1.64%
Jingyuancheng Mining	259.84	273.29	-4.92%	261.26	252.07	3.64%	623.60	625.17	-0.25%
Total									
Iron ore concentrates	332.52	728.73	-53.47%	337.96	726.01	-53.45%	614.79	592.64	3.74%

Notes:

- (1) The TFe grade of iron ore concentrates sold by Jiheng Mining was 63%;
- (2) The TFe grade of iron ore concentrates sold by Jingyuancheng Mining was 66%.

Mines in Operation

Zhijiazhuang Mine

Zhijiazhuang Mine, which is wholly-owned and operated by the Group's wholly-owned subsidiary, Jiheng Mining, is located in Yangjiazhuang Village, Laiyuan County, the PRC. It has a mining permit covering the area of 0.3337 sq.km. and has comprehensive basic infrastructure such as water, electricity, highway and railway. The annual mining capacity of Zhijiazhuang Mine was 3.3 Mtpa, and the dry processing capacity and the wet processing capacity were 4.2 Mtpa and 1.8 Mtpa respectively, as at 30 June 2020.

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

Affected by the COVID-19 epidemic in 2020, Jiheng Mining has ceased production since late January 2020. In addition, as disclosed in the Company's inside information announcement published on 17 June 2020, in view of sustainable operational development in the future, Jiheng Mining decides to continue to suspend operations and focus on building of green mines. During the Reporting Period, the output of Jiheng Mining's various production links has decreased significantly as compared with the corresponding period last year.

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

Items	Unit	Six months ended 30 June		
		2020	2019	% change
Mine				
Of which: (≥8%) raw ores	Kt	450.46	522.16	-13.73%
Stripping in production	Kt	319.62	1,742.49	-81.66%
Stripping ratio in production	t/t	0.71	3.34	-78.74%
Dry processing				
Raw ore feed	Kt	216.28	1,861.99	-88.38%
Preliminary concentrates output	Kt	135.22	901.11	-84.99%
By-product feed/preliminary concentrates output	t/t	1.60	2.07	-22.59%
Wet processing				
Preliminary concentrates feed	Kt	138.30	886.43	-84.40%
Iron ore concentrates output	Kt	72.68	455.44	-83.32%
Preliminary concentrates feed/iron ore concentrates output	t/t	1.90	1.95	-2.23%

Given the short operating period of Jiheng Mining during the Reporting Period, its unit cash operating cost data is not representative.

Wang’ergou Mine and Shuanmazhuang Mine

Wang’ergou Mine and Shuanmazhuang Mine, which are both wholly owned and operated by our wholly owned subsidiary, Jingyuancheng Mining, are located in Zoumayi Village, Laiyuan County, the PRC. The areas covered by the mining licenses for Wang’ergou Mine and Shuanmazhuang Mine are 1.5287 sq.km. and 2.1871 sq.km. respectively. Wang’ergou Mine and Shuanmazhuang Mine have comprehensive basic infrastructure such as water, electricity and highway. As at 30 June 2020, the aggregate annual mining capacity of Wang’ergou Mine and Shuanmazhuang Mine was 14.0 Mtpa, and the dry processing capacity and wet processing capacity were 17.6 Mtpa and 3.5 Mtpa, respectively.

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

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

Items	Unit	Six months ended 30 June		
		2020	2019	% change
Mine				
Of which: raw ores	<i>Kt</i>	3,999.16	4,215.04	-5.12%
Stripping in production	<i>Kt</i>	3,072.50	4,295.70	-28.48%
Stripping ratio in production	<i>t/t</i>	0.77	1.02	-24.61%
Dry processing				
Raw ore feed	<i>Kt</i>	4,193.60	4,475.38	-6.30%
Preliminary concentrates output	<i>Kt</i>	803.17	831.06	-3.36%
By-product feed/preliminary concentrates output	<i>t/t</i>	5.22	5.39	3.04%
Wet processing				
Preliminary concentrates feed	<i>Kt</i>	872.29	831.45	4.91%
Iron ore concentrates output	<i>Kt</i>	259.84	273.29	-4.92%
Preliminary concentrates feed/iron ore concentrates output	<i>t/t</i>	3.36	3.04	10.34%

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

<i>Unit: RMB per ton</i>	Six months ended 30 June		
	2020	2019	% change
Mining costs	326.91	310.57	5.26%
Dry processing costs	86.61	106.29	-18.52%
Wet processing costs	69.32	63.37	9.39%
Administrative expenses	64.3	37.50	69.41%
Distribution costs	4.1	5.77	-29.03%
Taxation	18.71	23.87	-18.39%
Total	569.95	547.37	4.12%

Green Construction Materials – Construction Sand and Gravel Materials Business

Green construction materials solid waste comprehensive utilization project is recycling the tailings and solid wastes and then processing into construction sand and gravel materials, realizing energy conservation and emission reduction as well as resources sustainable development. This project is wholly owned and operated by Jiheng Mining, a wholly-owned subsidiary of the Group. It is built in the neighbourhood of dry processing workshop and fully equipped with infrastructures such as water, electricity and roads. As of 30 June 2020, the treatment capability of solid waste comprehensive utilization project of Jiheng Mining is 3.70 Mtpa.

In view of the ongoing outbreak of COVID-19 and sustainable operational development in the future, Jiheng Mining decides to continue to suspend operations and focus on building of green mines in 2020. For details, please refer to the Company's inside information announcement published on 17 June 2020. Therefore, solid waste comprehensive utilization project of Jiheng Mining failed to formally reach target output. The output of sand and gravel materials totaled 177.6 kt during the trial operating period, among which the output of gravel materials and machine-processed sand amounted 146.1 kt and 31.5 kt respectively.

Safety and Environmental Protection

The Group attached great importance to the health and safety of employees and all on-site staff, strictly abode 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 adhering to ecological priority and practicing the concept of green development, and for the purpose of building of green mines, 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. As disclosed in the announcement of the Company dated 17 June 2020, taking into account Jiheng Mining's sustainable operation and development in the future, the Group has decided to keep the operation of Jiheng Mining suspended and implement works on green mine construction in it. The suspension of operation is expected to lead to a decrease in the revenue of the Group during the period, but the Company believes that the suspension of operation will benefit the sound operation and sustainable development of Jiheng Mining in the future.

Medical Service

As disclosed in our inside information announcement dated 3 March 2020 and our 2019 Annual Report, the Group entered into termination agreements with Rongcheng County Health Bureau and the Entrusted Hospital respectively on 3 March 2020. For details, please refer to the aforesaid announcement and our 2019 Annual Report. The Company will also rely on the team of medical experts to actively seek opportunities and carry out relevant medical business.

Financial Review

Revenue

The Group's revenue for the Reporting Period was approximately RMB226.8 million, representing a decrease of approximately RMB203.8 million or 47.3% as compared with the corresponding period last year, which was mainly due to the decrease in production and sales of iron ore concentrates as a result of COVID-19 outbreak and the suspension of green mines construction by Jiheng Mining during the Reporting Period.

Cost of sales

The Group's cost of sales for the Reporting Period was approximately RMB217.5 million, representing a decrease of approximately RMB49.8 million or 18.6% as compared with the corresponding period last year, which was mainly due to the comprehensive influence from various factors, such as decrease in total operating cost caused by decrease in sales of iron ore concentrates and increase in operating costs as a result of the decrease in output of iron ore concentrates of Jingyuancheng Mining.

Gross profit and gross profit margin

The Group's gross profit for the Reporting Period was approximately RMB9.3 million, while the gross profit for the corresponding period last year was approximately RMB163.3 million, and the decrease in gross profit was mainly due to the comprehensive influence of above changes of revenue and cost of sales during the Reporting Period. Gross profit margin was 4.1%, representing a decrease of approximately 33.8% as compared with the corresponding period last year.

Distribution costs

The Group's distribution costs for the Reporting Period were approximately RMB12.1 million, representing an increase of approximately RMB10.5 million or 665.5% as compared with the corresponding period last year, which was mainly as the sand and gravel products produced during the trial production of sand and gravel materials of Jiheng Mining were sold, and the Group has borne transportation costs during the Reporting Period.

Administrative expenses

The Group's administrative expenses for the Reporting Period were approximately RMB68.2 million, representing an increase of approximately RMB24.6 million or 56.3% as compared with the corresponding period last year, which was mainly as loss of stoppage incurred during the suspension of operation of the Group's mining companies is included in administrative expenses during the Reporting Period.

Finance costs

The Group's finance costs for the Reporting Period were approximately RMB22.4 million, representing an increase of RMB2.5 million or 12.6% as compared with the corresponding period last year, which was mainly due to increase in bank borrowings. Finance costs include interest expenses of bank borrowings and other finance expenses.

Income tax expenses

The Group's income tax expenses for the Reporting Period were approximately RMB7.5 million (credit), while the income tax expenses for the corresponding period last year were approximately RMB29.6 million. The income tax expenses comprise the sum of current tax expenses of approximately RMB1.4 million, offset by deferred tax credit of approximately RMB8.9 million.

Loss/profit, total comprehensive income of the Group for the Reporting Period

The Group's loss after tax for the Reporting Period was approximately RMB85.3 million, while profit was recorded in the corresponding period last year with a balance of RMB74.0 million, and loss after tax for the Reporting Period was mainly due to decrease in gross profit during the Reporting Period.

Property, plant and equipment

The net value of the Group's property, plant and equipment amounted to approximately RMB755.8 million as at 30 June 2020, representing a decrease of approximately RMB39.3 million or 4.9% as compared with the end of last year, which was mainly due to the depreciation and amortization of the property, plant and equipment of the Group during the Reporting Period.

Intangible assets

Intangible assets of the Group mainly include mining rights and related premium paid to obtain the mining rights. As at 30 June 2020, the net intangible assets of the Group were approximately RMB81.3 million, representing a decrease of approximately RMB3.0 million as compared with the end of last year, which was mainly due to the amortisation of intangible assets of the Group during the Reporting Period.

Inventories

Inventories of the Group amounted to approximately RMB85.1 million as at 30 June 2020, representing a decrease of approximately RMB28.3 million or 25.0% as compared with the end of last year, which was mainly due to the consumption of preliminary concentrates from the beginning inventory by Jingyuancheng Mining for the production of iron ore concentrates during the Reporting Period.

Trade and other receivables

The Group's trade and other receivables amounted to approximately RMB68.5 million as at 30 June 2020, representing a decrease of approximately RMB5.2 million as compared with the end of last year, which was mainly due to decrease in amount of credit sale. The Group's other receivables amounted to approximately RMB474.5 million as at 30 June 2020, representing an increase of approximately RMB100.1 million as compared with the end of last year, which was mainly due to increase in advances to suppliers during the Reporting Period.

Trade and other payables

The Group's trade payables amounted to approximately RMB83.1 million as at 30 June 2020, representing an increase of approximately RMB9.2 million as compared with the end of last year, which was mainly due to the increase in trade payables to main suppliers. The Group's other payables amounted to approximately RMB91.3 million as at 30 June 2020, representing a decrease of approximately RMB7.5 million as compared with the end of last year, which was mainly due to reduction of government tax to meet relevant state requirements of cutting taxes and administrative fees during the Reporting Period.

Analysis of cash usage

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Net cash flow (used in)/generated from operating activities	(111,471)	387,816
Net cash flow used in investing activities	(33,049)	(181,384)
Net cash flow generated from financing activities	42,967	276,204
Net (decrease)/increase in cash and cash equivalents	(101,553)	482,706
Cash and cash equivalents at the beginning of the period	461,639	65,984
Effect of foreign exchange rate changes on cash and cash equivalents	135	98
Cash and cash equivalents at the end of the period	360,221	548,788

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

The Group's net cash outflow used in operating activities for the Reporting Period amounted to approximately RMB111.5 million, which mainly included loss before tax amounting to approximately RMB92.8 million, certain non-cash expenses (such as depreciation, amortization, impairment loss, and net loss from assets disposed of) totaling approximately RMB67.8 million, net interest expenses amounting to approximately RMB22.4 million, decrease in inventories of approximately RMB28.3 million and less loss on disposal of fixed assets of RMB0.5 million, increase in trade and other receivables of approximately RMB113.4 million, decrease in trade and other payables of approximately RMB0.3 million, and income tax paid amounting to approximately RMB23.0 million.

Net cash flow used in investment activities

The Group's net cash outflow from investing activities for the Reporting Period was approximately RMB33.0 million, which primarily represented payment of approximately RMB44.3 million for purchase of property, plant and equipment and other non-current assets, repayment from third party of approximately RMB11.0 million and other cash inflow from investing activities of approximately RMB0.3 million.

Net cash flow generated from financing activities

The Group's net cash inflow from financing activities for the Reporting Period was approximately RMB43.0 million, which primarily represented new bank loans raised of RMB390.0 million, repayment of bank loans of RMB327.0 million, interest expense of approximately RMB19.7 million and repayment of lease liabilities of approximately RMB0.3 million.

Cash and borrowings

As at 30 June 2020, the cash balance of the Group amounted to approximately RMB360.2 million, representing a decrease of approximately RMB101.4 million as compared with the end of last year, which was mainly due to increase in cash flow used in operation activities during the Reporting Period.

As at 30 June 2020, bank loans of the Group were RMB618.0 million, representing an increase of approximately RMB63.0 million or 11.4% as compared with the end of last year. The interest rates of the borrowings as at 30 June 2020 ranged from 3.80% to 9.23% per annum. For all of bank borrowings, current liabilities amounted to RMB440.0 million and long-term borrowings amounted to RMB178.0 million. The above borrowings were denominated in RMB.

Save as disclosed above, the Group has no outstanding mortgages, pledges, bonds or other loan capital (whether issued or agreed to be issued), bank overdrafts, borrowings, acceptance liabilities or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that there had been no material change in the liabilities and contingent liabilities of the Group since 30 June 2020 and up to the date of this announcement.

As at 30 June 2020, the overall financial status of the Group was sound and stable.

Gearing ratio

The gearing ratio of the Group was approximately 45.7% as at 30 June 2020, representing an increase of approximately 2.3% as compared with the end of last year, which is calculated by dividing the total debts by total assets.

Interest rate risk and foreign currency risk

The fair value interest rate risk of the Group is primarily related to the bank borrowings. Most of the bank borrowings of the Group expire within one year; therefore, the fair value interest rate risk was low. The Company currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate risk and will consider to hedge significant interest rate risk when necessary.

The principal business of the Group is located in the PRC and the principal operation and transactions are carried out in RMB. Substantially all of the assets and liabilities of the Group are denominated in RMB. Since RMB is not freely convertible, there is a risk that Chinese government may take actions to affect the exchange rate exposure, which may affect the Group's net assets, earnings and any dividends it declares if such dividends are translated into foreign currency. The Group had no hedging in respect of the exchange rate risk.

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

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

Pledge of assets, contingent liabilities

As at 30 June 2020, the Group's bank loans amounting to RMB140.0 million, RMB178.0 million and RMB300.0 million respectively, which were secured by the mining rights, right-of-use asset (land-use rights), property and equipment of the Group, land-use rights and properties of a related party of the Group, and land-use rights and properties of a third party and a related party respectively.

As at 30 June 2020, the carrying amounts of the pledged mining rights, right-of-use asset (land-use rights) and properties of the Group used for bank loans amounted to approximately RMB0.1 million, RMB10.3 million and RMB31.3 million, respectively.

Save for those disclosed above in this announcement, the Group had no material contingent liabilities as at 30 June 2020.

Future plan and outlook

Looking forward to the second half of 2020, due to the impact of the epidemic, the shipment of major overseas places of production of iron ore is expected to be in a small quantity, and the port inventory of iron ore will remain at a low level, offering support for the prices of iron ore. With the active cooperation of various sectors, China's economy is reviving deeply from the shock of the epidemic. The steel industry is gradually shrugging off the impact of the epidemic, and production and sales have basically returned to normal. Overall, stable operation has been maintained. The year 2020 is the final year of completing the "13th Five-Year" construction plan. As the impact of the epidemic and flood is waning, the construction site will also speed up construction, and the demand for steel is expected to return to normal. In addition, the country will strengthen the countercyclical regulation policy in the second half of the year. Driven by the expansion of domestic demand, the initiation and implementation of the renovation of old communities, and the simultaneous construction of new and old infrastructure, major projects and emerging investments will be rapidly implemented. Meanwhile, infrastructure growth is expected to rebound and further boost the steel market demand. In the second half of the year, domestic capacity replacement will be carried out in a centralized manner, the production efficiency of steel mills will be improved, and the demand for iron ore is expected to remain strong. With the steady recovery of the domestic economy after the epidemic, the Group will continue to strengthen internal management, make overall arrangements for epidemic prevention and control, and ensure the physical safety of employees. The Group will also seize the historic opportunity brought by the construction of the Xiong'an New Area to ensure the smooth operation of the green construction materials construction sand and gravel material business. The Group will actively take corresponding measures to resume work and production, working for the restoration of the Company's annual performance.

The year 2020 is also the final year for cutting overcapacity in key industries such as steel, and structural adjustment, transformation and upgrading within the industry will continue. The on-going supply-side reform of the industry will help build a momentum for the green development of the steel industry. The environmental performance and management level of steel companies will be continuously enhanced, thus moving forward the overall industrial transformation and upgrading. The Group is making steady progress in the work related to the construction of green mines by Jiheng Mining. The Group keeps intensifying efforts to construct solid waste utilization projects and make maximum improvements to resource utilization. These efforts will be instrumental for Jiheng Mining in fully resuming operations by the end of November. With the goal of long-term stable operation, the Group will continue to achieve the green development in industrial integration to promise maximum value return for shareholders.

SHARE OPTION SCHEME

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

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

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own code of conduct regarding the dealings in the Company’s securities by the Directors. Specific enquiry has been made to all Directors and all Directors confirmed that they have complied with the code of conduct and the required standard set out in the Model Code regarding directors’ securities transactions for the six months ended 30 June 2020.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020 the Group had 900 employees in total (837 employees in total as at 30 June 2019). The total remuneration expenses and the amounts of other employees’ benefit were approximately RMB32.7 million (the corresponding period in 2019: approximately RMB36.9 million). Employee costs include basic remuneration, incentive salary, social pension insurance, medical insurance, work-related injury insurance and other insurances required by the PRC government. According to the Group’s remuneration policy, the employees’ income is linked to the performance of individual employee and the operation performance of the Group.

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

STAFF TRAINING SCHEME

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

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

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

The interim financial results of the Group for the six months ended 30 June 2020 is unaudited but has been reviewed by the Audit Committee, which was of the opinion that the results were prepared in accordance with and complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (2019: Nil).

MAJOR LEGAL PROCEEDING

During the six months ended 30 June 2020, the Group was not involved in any major legal proceedings or arbitrations. To the best knowledge of the Directors, there is no pending or potential major legal proceeding or claim as at the date of this announcement.

SUBSEQUENT EVENT

The Group has no important events after the Reporting Period.

PUBLICATION OF INTERIM RESULTS AND REPORT

This results announcement will be published on the website of Hong Kong Stock Exchange at www.hkexnews.hk and the Company’s website at <http://www.aoweiholding.com>.

The Company’s 2020 interim report containing all the information required under the Listing Rules will be dispatched to the Shareholders and will be published on the websites of the Company and Hong Kong Stock Exchange in due course.

APPRECIATION

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

By order of the Board
Aowei Holding Limited
Li Yanjun
Chairman

Beijing, PRC, 26 August 2020

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