奧威控股有限公司
AOWEI HOLDING LIMITED

(Incorporated in the British Virgin Islands and continued in the Cayman Islands with limited liability)
(formerly known as Hengshi Mining Investments Limited 恒實礦業投資有限公司)
Stock Code: 1370

INTERIM REPORT 2018


CREATE
Wealth for the Society
CREATE
Value for our Shareholders
CREATE
Prospects for our Employees

CORE VALUE

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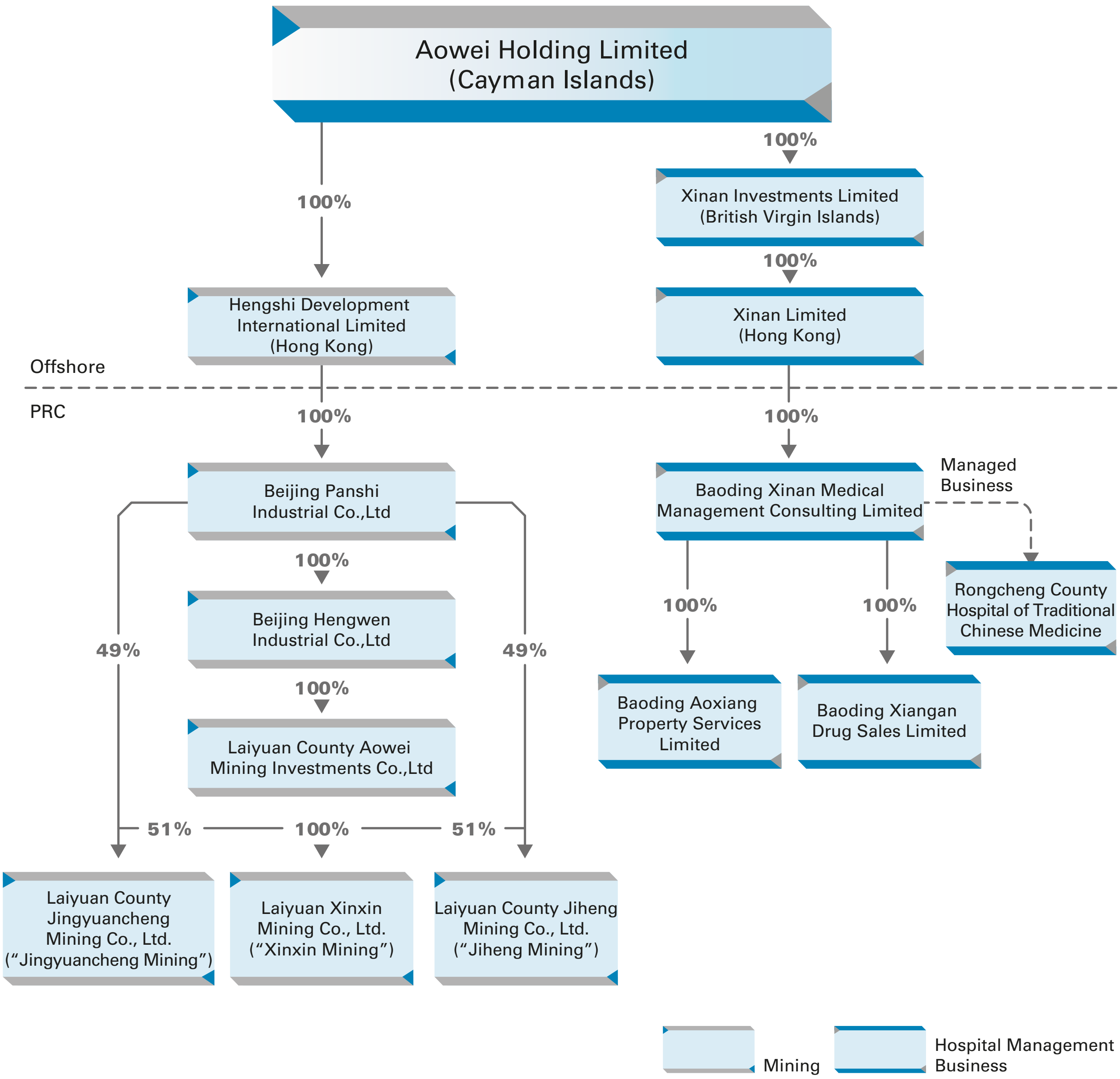
CORPORATE INFORMATION

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

The Company and its subsidiaries (collectively, the "Group" or "we" or "our") are principally engaged in two major businesses, namely (i) the exploration, mining, processing and trading of iron ore products and major products including iron ores, in People's Republic of China (the "PRC" or "China") preliminary concentrates and iron ore concentrates, and (ii) the provision of hospital management services.The Group owns and operates four mines in Hebei Province, which has the largest steel production and iron ore consumption volumes in the People's Republic of China (the "PRC" or "China").



CORPORATE INFORMATION

COMPANY'S STATUTORY CHINESE NAME
奧威控股有限公司

COMPANY'S STATUTORY ENGLISH NAME
Aowei Holding Limited

STOCK CODE
1370

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Ms. Kwong Yin Ping, Yvonne

JOINT COMPANY SECRETARIES
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Ms. Kwong Yin Ping, Yvonne

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INVESTOR INQUIRIES

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DIRECTORS

Executive Directors

Mr. Li Yanjun *(Chairman)*
Mr. Li Ziwei *(CEO)*
Mr. Sun Jianhua *(CFO)*
Mr. Li Jinsheng
Mr. Tu Quanping
Mr. Huang Kai *(resigned on 23 August 2018)*

Independent Non-executive Directors

Mr. Ge Xinjian
Mr. Meng Likun
Mr. Kong Chi Mo

AUDIT COMMITTEE

Mr. Ge Xinjian *(Chairman)*
Mr. Meng Likun
Mr. Kong Chi Mo

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Li Yanjun *(Chairman)*
Mr. Meng Likun
Mr. Kong Chi Mo

FINANCIAL HIGHLIGHTS

The revenue of the Group in the first half of 2018 (the "Reporting Period") was approximately RMB412.2 million, representing an increase of approximately RMB16.0 million or 4.1% as compared with the corresponding period last year.

The Group's gross profit was approximately RMB146.0 million in the first half of 2018, representing an increase of approximately RMB28.8 million or 24.5% as compared with the corresponding period last year; the Group's gross profit margin in the first half of 2018 was approximately 35.4%.

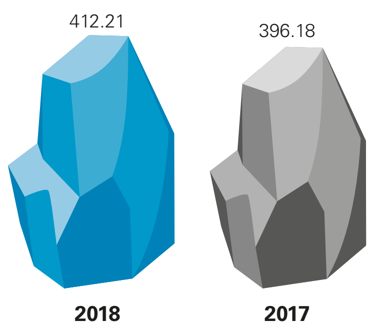
The Group's profit for the period in the first half of 2018 amounted to approximately RMB49.9 million, representing an increase of approximately RMB37.8 million or 312.0% as compared with the corresponding period last year.

The basic earnings per share attributable to equity holders of the Company's ordinary shares were RMB3.05 cents per share, representing an increase of RMB2.31 cents per share as compared with the corresponding period last year.

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

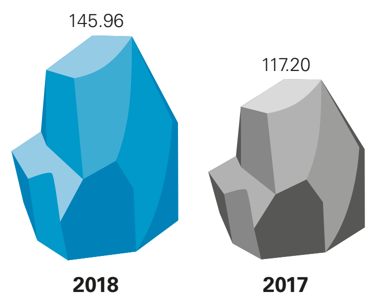
REVENUE (RMB million)

for the six months ended 30 June



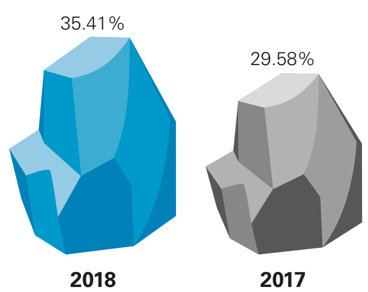
GROSS PROFIT (RMB million)

for the six months ended 30 June



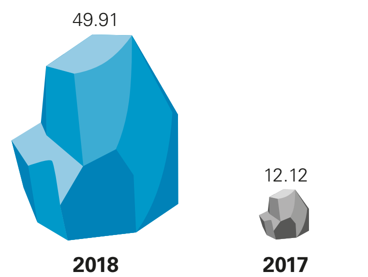
GROSS PROFIT MARGIN

for the six months ended 30 June



PROFIT FOR THE PERIOD (RMB million)

for the six months ended 30 June



MANAGEMENT DISCUSSION AND ANALYSIS

MINING SERVICE

Market Review

After the vigorous promotion of the supply-side reform policy in the past three years, various decapacity policies such as the elimination of "ground steel" and the release of high-quality capacity in the steel industry have been successively introduced, which has had a significant effect on the development of the steel industry in the PRC. According to the 2018 Government Work Report disclosed on 5 March 2018, China will continue to adhere to the market-oriented and law-based means and strictly enforce environmental, quality, safety and other regulatory standards, with an aim to cut overcapacity and eliminate backward production capacity of steel in 2018. According to the Major Tasks of Cutting Overcapacity of Steel for 2018 (《2018年鋼鐵化解過剩產能工作要點》) jointly promulgated by six departments including the National Development and Reform Commission and the Ministry of Industry and Information Technology on 20 April 2018, it is clearly stated that the production capacity of crude steel will be reduced by 30 million tons and "zombie companies" will be the focus of cutting overcapacity in 2018.

The supply-side reform has effectively eliminated the backward production capacity of steel and improved efficiency and quality, thus significantly improving the contradiction between supply and demand in the industry, which made both the output of the steel industry and the capacity utilization rate increase in the first half of 2018. As consumption gradually picked up and the steel price fluctuated with an upward trend, the profitability of steel companies increased substantially.

However, the global iron ore is still in the expansion cycle. It is expected that the global iron ore output will increase by more than 80 million tons in 2018. In addition, the accelerated release of steel scrap supply and the increase in the proportion of added steel scrap during the steelmaking process further weakened the demand for iron ore. As a result, the price of iron ore continued to remain low in the first half of 2018. Platts 62% Iron Ore Index has continued to be stable at about US$71/ton since the beginning of this year and then started falling in early March of 2018. As at June 2018, Platts 62% Iron Ore Index was at a low point of about US$64/ton.

According to relevant data, as at the end of June 2018, the inventory of iron ore in China's ports was about 156 million tons, and although the overall inventory of ports continued falling, it was still at a high level and the market layout of supply exceeding demand remained unchanged.

Business Review

In the first half of 2018, the average selling price of iron ore concentrates of the Group declined slightly as a whole at the beginning of the second quarter due to the market environment. In the first half of 2018, the Group recorded revenue of approximately RMB412.2 million, representing an increase of approximately 4.1% as compared with the corresponding period last year. The gross profit was approximately RMB146.0 million, representing an increase of approximately RMB28.8 million as compared with the corresponding period last year, and the gross profit margin was approximately 35.4%.

In the first half of 2018, production of iron ore concentrates amounted to approximately 831.4 thousand tons (corresponding period last year: approximately 749.6 thousand tons), representing a period-on-period increase of approximately 10.9%; sales of iron ore concentrates amounted to approximately 812.9 thousand tons (corresponding period last year: approximately 765.3 thousand tons), representing a period-on-period increase of approximately 6.2%. The average unit cash operating cost was approximately RMB275.2/ton (corresponding period last year: approximately RMB310.2/ton), representing a period-on-period decrease of approximately 11.3%. The stripping ratio of Jiheng Mining decreased, resulting in the decline of per unit cash cost. The average unit cash operating cost of Jiheng Mining decreased to approximately RMB161.4/ton from RMB219.6/ton for the corresponding period last year. In light of the sustainable mining and safety factors, the stripping ratio of Jingyuancheng Mining increased, which resulted in the rise of per unit cash cost. The average unit cash operating cost of Jingyuancheng Mining increased to approximately RMB492.6/ton from RMB420.5/ton for the corresponding period last year.

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

	For the six months ended 30 June Output (Kt)			For the six months ended 30 June Sales Volume (Kt)			For the six months ended 30 June Average Sales Price (RMB)		
The Group	**2018**	**2017**	**% change**	**2018**	**2017**	**% change**	**2018**	**2017**	**% change**
Jiheng Mining[1]	**545.77**	411.72	32.56%	**525.00**	413.83	26.86%	**486.40**	483.73	0.55%
Jingyuancheng Mining[2]	**285.67**	337.85	-15.44%	**287.90**	351.47	-18.09%	**543.56**	557.34	-2.47%
Xinxin Mining	**–**	–	–	**–**	–	–	**–**	–	–
Total									
Iron ore concentrates	**831.44**	749.57	10.92%	**812.90**	765.30	6.22%	**506.64**	517.54	-2.11%

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 an area of 0.3337 sq.km. covered by its mining permit and has comprehensive basic infrastructures such as water, electricity, highway and railway, etc. The annual mining capacity of Zhijiazhuang Mine was 3.3 Mtpa, and the dry processing capacity and the wet processing capacity were 4.2 Mtpa and 1.8 Mtpa respectively, as at 30 June 2018.

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

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

		For the six months ended 30 June		
Item	**Unit**	**2018**	**2017**	**% change**
Mine				
Of which: (≥8%) raw ores	Kt	**1,745.40**	1,494.59	16.78%
Stripping in production	Kt	**362.13**	1,073.88	-66.28%
Stripping ratio in production	t/t	**0.21**	0.72	-70.83%
Dry processing				
Raw ore feed	Kt	**1,904.19**	1,924.37	-1.05%
Preliminary concentrates output	Kt	**995.25**	810.53	22.79%
By-product feed/preliminary concentrates output	t/t	**1.91**	2.37	-19.41%
Wet processing				
Preliminary concentrates feed	Kt	**971.36**	833.00	16.61%
Iron ore concentrates output	Kt	**545.77**	411.72	32.56%
Preliminary concentrates feed/ iron ore concentrates output	t/t	**1.78**	2.02	-11.88%

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

Iron ore concentrates

	For the six months ended 30 June		
Unit: RMB per ton	**2018**	**2017**	**% change**
Mining costs	**50.68**	98.70	-48.66%
Dry processing costs	**18.37**	20.43	-10.09%
Wet processing costs	**48.32**	56.80	-14.92%
Administrative expenses	**23.52**	24.75	-4.97%
Distribution costs	**4.14**	–	–
Taxation	**16.33**	18.90	-13.57%
In total	**161.36**	219.58	-26.51%

The unit cash operating cost of the iron ore concentrates decreased as compared with that of the corresponding period last year, mainly due to the decrease in the stripping ratio. The distribution costs were the freight charges borne by Jiheng Mining.

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 and Shuanmazhuang have comprehensive basic infrastructures such as water, electricity and highway. As at 30 June 2018, the aggregate annual mining capacity of Wang'ergou Mine and Shuanmazhuang Mine was 14.0 Mtpa, and the dry processing capacity and wet processing capacity were 17.6 Mtpa and 3.5 Mtpa, respectively.

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

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

		For the six months ended 30 June		
Item	**Unit**	**2018**	**2017**	**% change**
Mine				
Of which: raw ores	Kt	**5,045.14**	6,400.16	-21.17%
Stripping in production	Kt	**3,843.48**	2,473.74	55.37%
Stripping ratio in production	t/t	**0.76**	0.39	94.87%
Dry processing				
Raw ore feed	Kt	**5,037.62**	6,470.45	-22.14%
Preliminary concentrates output	Kt	**853.38**	1,117.68	-23.65%
By-product feed/preliminary concentrates output	t/t	**5.90**	5.79	1.90%
Wet processing				
Preliminary concentrates feed	Kt	**843.72**	1,101.38	-23.39%
Iron ore concentrates output	Kt	**285.67**	337.85	-15.44%
Preliminary concentrates feed/iron ore concentrates output	t/t	**2.95**	3.26	-9.51%

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

	For the six months ended 30 June		
Unit: RMB per ton	**2018**	**2017**	**% change**
Mining costs	**246.45**	204.46	20.54%
Dry processing costs	**105.81**	101.00	4.76%
Wet processing costs	**59.42**	59.78	-0.60%
Administrative expenses	**34.54**	24.10	43.32%
Distribution costs	**26.31**	9.82	167.92%
Taxation	**20.11**	21.37	-5.91%
In total	**492.64**	420.53	17.15%

The unit cash operating cost of the iron ore concentrates increased as compared with that of last year, mainly due to the increase in the stripping ratio and the increase in administrative expenses and distribution costs.

Gufen Mine

Gufen Mine, which is operated by our wholly owned subsidiary, Xinxin Mining, is located in Shuibao Village, Laiyuan County, the PRC and the area covered by the mining right for Gufen Mine is 1.3821 sq.km. Gufen Mine has comprehensive basic infrastructures such as water, electricity and highway, etc. As at 30 June 2018, Gufen Mine's annual mining capacity was 3.90 Mtpa, and the dry processing capacity and the wet processing capacity was 5.75 Mtpa and 1.60 Mtpa, respectively.

At the end of 2015, since the domestic and global price of iron ore remained low, the management of the Group decided to temporarily suspend the production of Xinxin Mining after considering the market outlook, the production and operation of Xinxin Mining, especially the relationship between the mining, processing costs and the expected selling price and its percentage in the whole business. During the Reporting Period, although the iron ore price remained stable, based on the reasons above and a comprehensive consideration of the benefits and risks of the resumption of production of the relatively small-scale Xinxin Mining, the management of the Group decided to continue the suspension of production of Xinxin Mining's mining and processing activities.

MEDICAL SERVICE

Business Review

After the completion of the acquisition on 13 July 2016 (the particulars of which are set out in the announcement of the Company dated 5 and 13 July 2016), the Group possessed hospital management business. The hospital management business is mainly operated by the Group's subsidiary Baoding Xinan Medical Management Consulting Company Limited ("Baoding Xinan").

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

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

The above-mentioned Entrusted Hospital is located in the Xiong'an New Area. 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. The hospital management fee income of the Group for the first half of 2018 was approximately RMB0.4 million. During the Reporting Period, the hospital management fee was calculated by the increase in the revenue of the above-mentioned Entrusted Hospital generated in the first half of 2018 over that generated in the corresponding period of 2015 multiplying 6% based on the revenue of the Entrusted Hospital generated in the corresponding period of 2015 of approximately RMB12.7 million. During the Reporting Period, the number of patient consultation visits of the Entrusted Hospital was approximately 46,330 times, which increased by approximately 3,323 times as compared to the corresponding period of the last year; incomes from clinic and hospital fees were approximately RMB18.8 million, which increased by approximately RMB4.2 million as compared to the corresponding period last year.

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

Rongcheng County Hospital of Traditional Chinese Medicine

		For the six months ended 30 June		
	Unit	2018	2017	Rate of increase
Patient visits	times	**46,330**	43,007	7.73%
Inpatient visits	times	**1,818**	1,494	20.15%
Outpatient visits	times	**44,535**	41,513	7.28%
Average spending per inpatient visit	RMB	**5,765**	4,805	21.54%
Average spending per outpatient visit	RMB	**187**	177	5.41%
Average length of stay	day	**6.8**	6.6	3.03%
Number of beds in operation	bed	**150**	150	-

SAFETY AND ENVIRONMENTAL PROTECTION

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

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

FINANCIAL REVIEW

Revenue

The Group's revenue for the first half of 2018 was approximately RMB412.2 million, representing an increase of approximately RMB16.0 million or 4.1% over the corresponding period last year, which was mainly due to the increase in sales volume of iron ore concentrates during the Reporting Period as compared with the corresponding period last year.

Cost of sales

The Group's cost of sales for the first half of 2018 was approximately RMB266.2 million, representing a decrease of approximately RMB12.7 million or 4.6% as compared with the corresponding period last year, which was mainly due to lower cash operating costs recorded for iron ore concentrates during the Reporting Period.

Gross profit and gross profit margin

The Group's gross profit for the first half of 2018 was approximately RMB146.0 million, representing an increase of approximately RMB28.8 million or 24.5% as compared with the corresponding period last year, which was mainly due to lower cash operating costs recorded for iron ore concentrates and the increase in sales volume of iron ore concentrates during the Reporting Period. Gross profit margin was 35.4%, representing an increase of approximately 5.8% as compared with the corresponding period last year.

Distribution costs

The Group's distribution costs for the first half of 2018 were approximately RMB9.7 million, representing an increase of approximately RMB6.4 million or 192.0% as compared with the corresponding period last year, which was mainly due to the increase in total volume of the products whose freight charges were borne by the Group during the Reporting Period.

Administrative expenses

The Group's administrative expenses for the first half of 2018 were approximately RMB43.2 million, representing an increase of approximately RMB5.1 million or 13.4% as compared with the corresponding period last year. Administrative expenses included salaries paid to the management and administrative staff of the Group, depreciation and amortization, rental and office expenses, business development expenses, professional consulting and services expenses, taxation expenses, bank charges and other expenses.

Impairment losses

The Group recorded an impairment loss of approximately RMB10.6 million in the first half of 2018, which was attributable to the bad debt provision made for trade receivables. It was mainly due to the default of payment for trade receivables due to Jiheng Mining from Laiyuan County Xiongxin Mining Co., Ltd. ("Xiongxin Mining") in respect of supply of preliminary concentrates. As of 31 December 2016, the overdue payment for preliminary concentrates owed by Xiongxin Mining to Jiheng Mining amounted to approximately RMB27.3 million, as compared with that of approximately RMB17.3 million as of 31 December 2017. The Group had taken various measures to collect the receivables during the period while there was still RMB17.3 million remained unrecovered as at 30 June 2018. In view of Xiongxin Mining's current repayment ability, the Group has prudently made a bad debt provision for such trade receivables. Despite the bad debt expense provided, the Group will continue to take actions to collect the payments, including but not limited to filing of legal actions. In addition, the Group made a bad debt provision of approximately RMB0.6 million in accordance with the expected credit loss model under the new IFRS 9 Financial Instruments as a result of changes in the international accounting standards.

Finance costs

The Group's finance costs in the first half of 2018 were approximately RMB15.2 million, representing a decrease of approximately RMB10.7 million or 41.4% as compared with the corresponding period last year. The decrease is mainly due to the decrease of the Group's bank borrowings during the Reporting Period. Finance costs include interest expenses of bank borrowings, and other finance expenses.

Income tax expenses

The Group's income tax expenses in the first half of 2018 were approximately RMB22.5 million, while the income tax expenses for the corresponding period last year were approximately RMB15.8 million. Income tax expense comprises the sum of current tax payable and deferred tax, including current tax payable of approximately RMB38.9 million.

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

The Group's profit for the period in the first half of 2018 amounted to approximately RMB49.9 million, representing an increase of approximately RMB37.8 million or 312.0% as compared with the corresponding period last year. The Group's net profit ratio was approximately 12.1% for the first half year of 2018, while that of the corresponding period last year was approximately 3.1%, which was mainly due to the combined effect of the above factors.

Properties, plants and equipment

The net value of the Group's property, plant and equipment amounted to approximately RMB734.4 million as at 30 June 2018, representing a decrease of approximately RMB21.1 million or 2.8% as compared with the end of last year, which was mainly due to the accrued depreciation of the property, plant and equipment of the Group.

Intangible assets and goodwill

Intangible assets of the Group mainly include mining rights and related premium paid to obtain the mining rights, and the hospital management right acquired in 2016. As at 30 June 2018, the net intangible assets of the Group were approximately RMB351.4 million (the net intangible assets as at 31 December 2017 was approximately RMB369.7 million. Based on the valuation of Xinan Investments Limited and its subsidiaries on 31 December 2017 by the independent valuer, the goodwill impairment was confirmed as approximately RMB73.4 million and the goodwill after impairment was RMB nil), thus the carrying amount of goodwill was RMB nil.

Inventories

Inventories of the Group amounted to approximately RMB87.0 million as at 30 June 2018, representing a decrease of approximately RMB4.6 million or 5.0% as compared with the end of last year. The decrease was mainly due to the increase in the sales of the Group's iron ore concentrates.

Trade and other receivables

The Group's trade and bills receivables amounted to approximately RMB68.0 million as at 30 June 2018, representing a decrease of approximately RMB21.6 million as compared with the end of last year, which was mainly due to the positive policy of sales receipt adopted by the Group. The Group's other receivables amounted to approximately RMB118.4 million as at 30 June 2018, representing a decrease of approximately RMB87.6 million as compared with the end of last year, which was mainly due to the decease of the Group's prepayment, which was within one year, to third-party contractors in the first half of 2018.

Trade and other payables

The Group's trade payables amounted to approximately RMB49.8 million as at 30 June 2018, representing a decrease of approximately RMB60.0 million as compared with the end of last year, which was mainly due to the decrease of trade payables to main suppliers. The Group's other payables amounted to approximately RMB59.8 million as at 30 June 2018, representing a decrease of approximately RMB17.9 million as compared with the end of last year, which was mainly due to the decrease in the payables for construction work, equipment purchases and other taxes payable.

Cash usage analysis

Summary of the Group's consolidated cash flow statement in the first half of 2018 is set out as follows.

	For the six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Net cash flow generated from operating activities	**110,935**	142,502
Net cash flow used in investing activities	**(24,359)**	(96,058)
Net cash flow (used in)/generated from financing activities	**(38,099)**	22,259
Net increase in cash and cash equivalents	**48,477**	68,703
Cash and cash equivalents at the beginning of the period	**65,745**	46,577
Effect of foreign exchange rate changes on cash and cash equivalents	**433**	(556)
Cash and cash equivalents at the end of the period	**114,655**	114,724

Net cash flow generated from operating activities

The Group's net cash generated from operating activities in the first half of 2018 amounted to approximately RMB110.9 million, which mainly included the profit before tax of approximately RMB72.4 million, certain non-cash expenses in aggregate of approximately RMB89.2 million (e.g. depreciation and amortization, and impairment losses) and decrease in inventories of approximately RMB4.6 million, less increase in trade and other receivables of approximately RMB7.9 million and decrease in trade and other payables of approximately RMB14.1 million and less income tax paid of approximately RMB33.3 million.

Net cash flow used in investment activities

The Group's net cash outflow from investing activities in the first half of 2018 was approximately RMB24.4 million, which primarily represented payment of approximately RMB8.2 million for purchase of property, plant and equipment and other non-current assets, and bank fixed deposits of approximately RMB21.5 million. Other cash inflow from investing activities was approximately RMB5.4 million, which primarily represented the interest income from bank fixed deposits.

Net cash flow used in financing activities

The Group's net cash outflow used in financing activities in the first half of 2018 was approximately RMB38.1 million, which was mainly due to increase of bank loans of RMB180.0 million, repayment of bank loans of RMB210.0 million and bank interests of approximately RMB8.1 million.

Cash and borrowings

As at 30 June 2018, cash balance of the Group amounted to approximately RMB114.7 million, representing an increase of approximately RMB48.9 million as compared with the end of last year.

As at 30 June 2018, bank borrowings balance of the Group was RMB290.0 million, representing decrease of RMB30.0 million or 9.4% as compared with the end of last year. The annual interest rates of the borrowings as at 30 June 2018 ranged from 4.35% to 6.53% per annum. All of the borrowings was accounted for as current liabilities of the Group. The above borrowings were denominated in RMB.

Save as disclosed above, the Group has no outstanding mortgages, pledges, bonds or other loan capital (whether issued or agreed to be issued), bank overdrafts, borrowings, acceptance liabilities or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that there had been no material change in the liabilities and contingent liabilities of the Group since 30 June 2018 and up to the date of this report.

As at 30 June 2018, the overall financial status of the Group is sound and stable.

Gearing ratio

The gearing ratio of the Group decreased from approximately 39.6% on 31 December 2017 to approximately 36.1% on 30 June 2018, 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 first half of 2018.

Pledge of assets, contingent liabilities

The Group's certain bank loans were secured by the mining rights, land-use rights and properties, and the carrying amounts of the pledged mining rights, land-use rights and properties of the Group amounted to approximately RMB28.1 million, RMB10.8 million and RMB44.8 million respectively as at 30 June 2018.

Save as disclosed above and this report, the Group had no material contingent liabilities as at 30 June 2018.

Future plan and outlook

Looking forward to the second half of 2018, the finished product prices of the steel industry will continue to maintain a strong trend under the high pressure of environmental protection policies. At the same time, due to the recent depreciation of the RMB and the impact of the exchange rate, the cost of imported iron ore will also increase, which would strongly support the price of iron ore in China.

Meanwhile, in cases that steel prices continue to rise, steel enterprises' production enthusiasm will not reduce, thus maintain a great demand for iron ore with higher grades. The Group expects iron ore market to be generally stable with a strong trend in the second half of the year and the price of iron ore tends to rise but hardly fall.

The Group will also make full use of its advantages of low cash production costs to maintain stable operation of existing production units, and continuously improve operation and management to reduce costs and expand sales, in order to improve profitability in the cyclical rebound of prices of iron ore.

The Group's medical services business was affected by the planning policy of Xiong'an New Area, as a result, the construction and reconstruction projects were postponed. However, with the deep understanding of the medical industry, the Group will continue to steadily promote the continuous transformation into the medical business while maintaining the stable operation of its existing businesses, with a view to seeking maximum returns for shareholders through a limited diversification strategy.

OTHER INFORMATION

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

As at 30 June 2018, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Interests in the Shares of the Company:

Name of Directors and Senior Management	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding
Mr. Li Ziwei	Founder of a discretionary trust(2)	1,221,877,000(L)	74.72%
Mr. Li Yanjun	Interests held jointly with another person(2)	1,221,877,000(L)	74.72%

Notes:

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

2. Mr. Li Ziwei is the settler, protector and a beneficiary of the Chak Trust with Credit Suisse Trust Limited as the trustee which holds the entire issued share capital of Hengshi Holdings Limited (holding 100% issued share capital of Hengshi International Investments Limited) through Chak Limited and is the settler, protector and a beneficiary of the Seven Trust with Credit Suisse Trust Limited as the trustee which holds the entire issued share capital of Aowei International Developments Limited through Seven Limited. Pursuant to the Confirmation Letters, Mr. Li Ziwei and Mr. Li Yanjun acted and will continue to act in concert to make decisions and exercise discretions in respect of the matters of the Chak Trust and the Seven Trust and exercise all voting rights attached to the shares of Hengshi International Investments Limited and Aowei International Developments Limited, respectively. Therefore, Mr. Li Ziwei and Mr. Li Yanjun are deemed to be interested in the 1,188,127,000 Shares held by Hengshi International Investments Limited (which is 100% owned by Hengshi Holdings Limited) as disclosed above and the 33,750,000 Shares held by Aowei International Developments Limited.

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

As at 30 June 2018 and so far as is known to the Directors, the interests or short positions of the substantial shareholders, other than the Directors or the chief executives of the Company whose interests and short positions in the shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, who had 5% or more interests or short positions in the Shares and underlying Shares as recorded in the register required to be maintained by the Company under Section 336 of the SFO, were as follows:

Interests in the Shares of the Company:

Name of Shareholders	Capacity/Nature of interest	Number of Shares	Approximate Percentage in issued Shares
Aowei International Developments Limited	Beneficial owner[2]	1,221,877,000[L]	74.72%
Chak Limited	Interest in controlled corporation[2]	1,221,877,000[L]	74.72%
Credit Suisse Trust Limited	Trustee	1,221,877,000[L]	74.72%
Hengshi Holdings Limited	Interest in controlled corporation[2]	1,221,877,000[L]	74.72%
Hengshi International Investments Limited	Beneficial owner[2]	1,221,877,000[L]	74.72%
Seven Limited	Interest in controlled corporation[2]	1,221,877,000[L]	74.72%

Notes:

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

(2) Hengshi Holdings Limited holds 100% issued share capital of Hengshi International Investments Limited, thus Hengshi Holdings Limited is deemed to be interested in the 1,188,127,000 Shares held by Hengshi International Investments Limited. Chak Limited holds 100% issued share capital of Hengshi Holdings Limited, thus Chak Limited is deemed to be interested in the 1,188,127,000 Shares held by Hengshi International Investments Limited. Seven Limited holds 100% issued share capital of Aowei International Developments Limited, thus Seven Limited is deemed to be interested in the 33,750,000 Shares held by Aowei International Developments Limited.

Mr. Li Ziwei and Mr. Li Yanjun are the ultimate controlling shareholders of Chak Limited, Hengshi Holdings Limited, Hengshi International Investments Limited, Seven Limited and Aowei International Developments Limited. Therefore, Chak Limited,Hengshi Holdings Limited, Hengshi International Investments Limited, Seven Limited and Aowei International Developments Limited are deemed to be interested in all the 1,221,877,000 shares. Pursuant to the Confirmation Letters, Mr. Li Ziwei and Mr. Li Yanjun have acted and will continue to act in concert to make decisions and exercise discretions in respect of the matters of the Chak Trust and the Seven Trust and exercise all voting rights attached to the shares of Hengshi International Investments Limited and Aowei International Developments Limited, respectively.

Save as disclosed above, so far as is known by or otherwise notified to the Directors, no other person or entity (other than the Director(s) or chief executive(s) of the Company) had interests or short positions in the Shares or underlying Shares representing 5% or more of the issued share capital of the Company as at 30 June 2018.

SHARE OPTION SCHEME

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

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

The Company has adopted the Model Code 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 2018.

CHANGE OF DIRECTORS INFORMATION

On 23 August 2018, Mr. Li Ziwei resigned as vice chairman and was appointed as chief executive officer of the Company and is entitled to receive a salary of HK$960,000 per annum. Please refer to the announcement of the Company dated 23 August 2018 for details.

Save as disclosed above, there are no changes of information of the Directors required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

As at 30 June 2018, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective close associates (as defined under the Listing Rules) is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has any other conflicts of interests with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

In the first half of 2018, 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 2018, the Group had 845 employees in total (911employees in total as at 30 June 2017). The total remuneration expenses and the amounts of other employees' benefit were approximately RMB35.0 million (the corresponding period in 2017: approximately RMB37.5 million). Employee costs include basic remuneration, incentive salary, social pension insurance, medical insurance, work-related injury insurance and other insurances required by the PRC government. According to the Group's remuneration policy, the employees' income is linked to the performance of individual employee and the operation performance of the Group.

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

STAFF TRAINING SCHEME

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

CORPORATE GOVERNANCE

Our Directors consider that good corporate governance is important in achieving effectiveness and integrity in management and internal procedures. We have complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules for the first half of 2018.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") with 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 2018 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float required by the Listing Rules for the first half of 2018 and up to the date of this report.

INTERIM DIVIDEND

The Board has resolved not to distribute any interim dividend for the six months ended 30 June 2018.

MAJOR LEGAL PROCEEDING

During the six months ended 30 June 2018, 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 report.

INDEPENDENT REVIEW REPORT

Independent review report to the board of directors of Aowei Holding Limited
(Incorporated in the British Virgin Islands and continued in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 24 to 60 which comprises the consolidated statement of financial position of Aowei Holding Limited (the "Company") as at 30 June 2018 and the related consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim financial reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim financial reporting.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2018	2017
	Note	**RMB'000**	RMB'000
Revenue	*4*	**412,209**	396,183
Cost of sales		**(266,247)**	(278,979)
Gross profit		**145,962**	117,204
Distribution costs		**(9,689)**	(3,318)
Administrative expenses		**(43,200)**	(38,082)
Impairment losses	*5(c)*	**(10,645)**	(24,500)
Profit from operations		**82,428**	51,304
Finance income	*5(a)*	**5,184**	2,468
Finance costs	*5(a)*	**(15,187)**	(25,899)
Net finance costs	*5(a)*	**(10,003)**	(23,431)
Profit before taxation	*5*	**72,425**	27,873
Income tax	*6*	**(22,511)**	(15,758)
Profit attributable to equity shareholders of the Company for the period		**49,914**	12,115
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**436**	(557)
Total comprehensive income attributable to equity shareholders of the Company for the period		**50,350**	11,558
Earnings per share			
Basic and diluted (RMB cents)	*7*	**3.05**	0.74

The notes on pages 29 to 60 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 22(a).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Non-current assets			
Property, plant and equipment, net	8	**734,438**	755,528
Construction in progress	9	**–**	696
Lease prepayments	10	**104,501**	112,111
Intangible assets	11	**351,442**	369,709
Goodwill	12	**–**	–
Long-term receivables	13	**55,537**	55,760
Prepayments		**151,587**	59,412
Deferred tax assets		**145,596**	129,853
Total non-current assets		**1,543,101**	1,483,069
Current assets			
Inventories	14	**86,962**	91,570
Trade and other receivables	15	**186,455**	295,598
Restricted bank deposits	16	**301,300**	342,836
Cash and cash equivalents	17	**114,665**	65,745
Total current assets		**689,382**	795,749
Current liabilities			
Short-term borrowings	18	**290,000**	320,000
Trade and other payables	19	**109,570**	188,057
Current taxation		**55,031**	49,249
Current portion of long-term payables	20	**49,054**	77,889
Current portion of accrued reclamation obligations	21	**5,637**	7,316
Total current liabilities		**509,292**	642,511
Net current assets		**180,090**	153,238
Total assets less current liabilities		**1,723,191**	1,636,307

The notes on pages 29 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Non-current liabilities			
Long-term payables, less current portion	*20*	**197,048**	162,446
Accrued reclamation obligations, less current portion	*21*	**54,972**	52,260
Deferred tax liabilities		**43,633**	44,413
Total non-current liabilities		**295,653**	259,119
NET ASSETS		**1,427,538**	1,377,188
CAPITAL AND RESERVES			
Share capital	*22*	**131**	131
Reserves	*22*	**1,427,407**	1,377,057
TOTAL EQUITY		**1,427,538**	1,377,188

Approved and authorised for issue by the board of directors on 23 August 2018.

Li Yanjun
Chairman and Executive Director

Li Ziwei
Chief Executive Officer and Executive Director

The notes on pages 29 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							
	Share capital RMB'000 Note 22(b)	Share premium RMB'000 Note 22(c)	Statutory surplus reserve RMB'000 Note 22(c)	Specific reserve RMB'000 Note 22(c)	Exchange reserve RMB'000 Note 22(c)	Other reserve RMB'000 Note 22(c)	Retained earnings RMB'000	Total equity RMB'000
At 1 January 2017	131	1,142,640	84,556	59,923	(452)	(126,229)	570,718	1,731,287
Changes in equity for the six months ended 30 June 2017								
Profit for the period	–	–	–	–	–	–	12,115	12,115
Other comprehensive income	–	–	–	–	(557)	–	–	(557)
Total comprehensive income	–	–	–	–	(557)	–	12,115	11,558
Transfer to specific reserve, net of utilisation	–	–	–	(1,872)	–	–	1,872	–
Deferred tax liabilities arising from undistributed profit of subsidiaries in Mainland China	–	–	–	–	–	–	(1,234)	(1,234)
At 30 June 2017 and 1 July 2017	131	1,142,640	84,556	58,051	(1,009)	(126,229)	583,471	1,741,611
Changes in equity for the six months ended 31 December 2017								
Loss for the period	–	–	–	–	–	–	(369,123)	(369,123)
Other comprehensive income	–	–	–	–	(654)	–	–	(654)
Total comprehensive income	–	–	–	–	(654)	–	(369,123)	(369,777)
Transfer to specific reserve, net of utilisation	–	–	–	(1,257)	–	–	1,257	–
Reversal of deferred tax liabilities arising from undistributed profits of subsidiaries in Mainland China	–	–	–	–	–	–	5,354	5,354
Balance at 31 December 2017 and 1 January 2018	**131**	**1,142,640**	**84,556**	**56,794**	**(1,663)**	**(126,229)**	**220,959**	**1,377,188**
Changes in equity for the six months ended 30 June 2018								
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**49,914**	**49,914**
Other comprehensive income	**–**	**–**	**–**	**–**	**436**	**–**	**–**	**436**
Total comprehensive income	**–**	**–**	**–**	**–**	**436**	**–**	**49,914**	**50,350**
Transfer to specific reserve, net of utilisation	**–**	**–**	**–**	**(2,276)**	**–**	**–**	**2,276**	**–**
At 30 June 2018	**131**	**1,142,640**	**84,556**	**54,518**	**(1,227)**	**(126,229)**	**273,149**	**1,427,538**

The notes on pages 29 to 60 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2018	2017
	Note	**RMB'000**	RMB'000
Operating activities			
Cash generated from operations		**144,186**	163,375
Income tax paid		**(33,251)**	(20,873)
Net cash generated from operating activities		**110,935**	142,502
Investing activities			
Payments for the purchase of property, plant and equipment and other non-current assets		**(8,233)**	(15,953)
Placement of restricted deposits for investing purpose		**(21,500)**	(130,616)
Other cash flows arising from investing activities	*18*	**5,374**	50,511
Net cash used in investing activities		**(24,359)**	(96,058)
Financing activities			
Proceeds from borrowings		**180,000**	240,000
Repayments of borrowings		**(210,000)**	(200,000)
Other cash flows arising from financing activities		**(8,099)**	(17,741)
Net cash (used in)/generated from financing activities		**(38,099)**	22,259
Net increase in cash and cash equivalents		**48,477**	68,703
Cash and cash equivalents at 1 January		**65,745**	46,577
Effect of foreign exchange rate changes		**443**	(556)
Cash and cash equivalents at 30 June	*17*	**114,665**	114,724

The notes on pages 29 to 60 form part of this interim financial report.

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.

On 13 July 2016, the Company acquired the 100% issued share capital of Xinan Investments Limited.

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 23 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

In preparing the interim financial report at the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year. Management has made accounting judgements in respect of the asset impairment of which assumptions concerning the future and other major sources of estimation uncertainty are also required. Details and information about the assumptions are set out in notes 8, 11 and 12.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the board of directors is included on pages 22 and 23.

2 BASIS OF PREPARATION *(continued)*

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements.

3 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, Financial instruments
- IFRS 15, Revenue from contracts with customers
- IFRIC 22, Foreign currency transactions and advance consideration

None of these developments has 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 except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

Details of the changes in accounting policies are discussed in note 3(b) for IFRS 9 and note 3(c) for IFRS 15.

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation

IFRS 9 replaces IAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has assessed that the cumulative effect of initial application is not material, therefore no adjustment to the opening equity at 1 January 2018 was made. Comparative information continues to be reported under IAS 39.

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

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation *(continued)*

(i) Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The Group does not have financial assets classified as FVPL or FVOCI, and its financial assets previously measured at amortised cost continued with their classification and measurements upon the adoption of IFRS 9.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation *(continued)*

(i) Classification of financial assets and financial liabilities *(continued)*

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial adoption of IFRS 9.

The Group did not designate or de-designate any financial assets or financial liabilities at FVPL at 1 January 2018.

(ii) Credit loss

IFRS 9 replaces the "incurred loss" model in IAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates);

– contract assets as defined in IFRS 15 (see note 3(c)),

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation *(continued)*

(ii) Credit loss *(continued)*

Measurement of ECLs *(continued)*

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation *(continued)*

(ii) Credit loss *(continued)*

Significant increases in credit risk *(continued)*

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

(Expressed in Renminbi unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation *(continued)*

(ii) Credit loss *(continued)*

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

(c) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and applied IFRS 15 retrospectively to items existed at 1 January 2018 in accordance with the transition requirements. The Group has assessed that the cumulative effect of initial application is not material, therefore no adjustment to the opening equity at 1 January 2018 was made. Comparative information continues to be reported under IAS 18 and IAS 11.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

(c) IFRS 15, Revenue from contracts with customers *(continued)*

(i) Timing of revenue recognition *(continued)*

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard does not to have any significant impact on how it recognises revenue from service income and sales of iron ore products.

(ii) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

As the customer paid for the iron ore products in advance and the timing of the transfer of those goods is at the discretion of the customer, the Group's contract with customers would not have a significant financing component. As a practical expedient, an entity need not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

(iii) Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

(c) IFRS 15, Revenue from contracts with customers *(continued)*

(iii) Presentation of contract assets and liabilities *(continued)*

Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group has assessed that this new requirement does not have any significant impact on the Group upon adoption of IFRS 15.

(d) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

4 REVENUE AND OPERATING SEGMENTS

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Mining Segment		
Iron ore concentrates	**411,855**	396,070
Medical Segment		
Hospital management service	**354**	113
	412,209	396,183

4 REVENUE AND OPERATING SEGMENTS *(continued)*

(a) Disaggregation of revenue *(continued)*

During the six months ended 30 June 2018, there were three customers with whom transactions have exceeded 10% of the Group's revenue (six months ended 30 June 2017: four customers) and revenue from sale of iron ore concentrates to these customers amounted to RMB411,855,000 (six months ended 30 June 2017: RMB302,987,000).

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 4(b).

(b) Operating Segments

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

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

- the mining, processing and sale of iron ore products; and
- the provision of hospital management, establishment of specialist clinics, supply of medical consumables and nursing service.

(i) Segment results, assets and liabilities

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

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

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

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

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

4 REVENUE AND OPERATING SEGMENTS *(continued)*

(b) Operating Segments *(continued)*

(i) Segment results, assets and liabilities *(continued)*

Disaggregation of revenue from contacts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2018 is set out below.

	Six months ended 30 June 2018		
	Mining, processing and sale of iron ore RMB'000	Provision of hospital management, establishment of specialist clinics, supply of consumables and nursing service RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition			
Point in time	411,855	–	411,855
Overtime	–	354	354
Reportable segment revenue	411,855	354	412,209
Cost of sales	(263,130)	(3,117)	(266,247)
Reportable segment gross profit	148,725	(2,763)	145,962
Distribution costs	(9,689)	–	(9,689)
Administrative expenses	(41,800)	(452)	(42,252)
Impairment losses *(note 5(c))*	(10,642)	(3)	(10,645)
Net finance costs	(10,007)	2	(10,005)
Reportable segment profit/(loss) before taxation	76,587	(3,216)	73,371
Income tax	(23,044)	779	(22,265)
Reportable segment profit/(loss)	53,543	(2,437)	51,106

4 REVENUE AND OPERATING SEGMENTS *(continued)*

(b) Operating Segments *(continued)*

(i) Segment results, assets and liabilities *(continued)*

	Six months ended 30 June 2017		
	Mining, processing and sale of iron ore RMB'000	Provision of hospital management, establishment of specialist clinics, supply of consumables and nursing service RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition			
Point in time	396,070	–	396,070
Overtime	–	113	113
Reportable segment revenue	396,070	113	396,183
Cost of sales	(275,862)	(3,117)	(278,979)
Reportable segment gross profit	120,208	(3,004)	117,204
Distribution costs	(3,318)	–	(3,318)
Administrative expenses	(36,293)	(680)	(36,973)
Impairment losses *(note 5(c))*	(14,000)	(10,500)	(24,500)
Net finance costs	(23,438)	7	(23,431)
Reportable segment profit/(loss) before taxation	43,159	(14,177)	28,982
Income tax	(16,306)	779	(15,527)
Reportable segment profit/(loss)	26,853	(13,398)	13,455

4 REVENUE AND OPERATING SEGMENTS *(continued)*

(b) Operating Segments *(continued)*

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

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Revenue		
Reportable segment revenue	**412,209**	396,183
Consolidated revenue *(note 4(a))*	**412,209**	396,183
Profit		
Reportable segment profit	**51,106**	13,455
Unallocated head office and corporate expenses	**(1,192)**	(1,340)
Consolidated profit	**49,914**	12,115

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

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Interest income	**(5,184)**	(2,468)
Finance income	**(5,184)**	(2,468)
Interest on interest-bearing borrowings	**7,961**	17,776
Unwinding interest on		
– long-term payables	**5,765**	6,718
– accrued reclamation obligations *(note 21)*	**1,460**	1,404
Foreign exchange loss, net	**1**	1
Finance costs	**15,187**	25,899
Net finance costs	**10,003**	23,431

5 PROFIT BEFORE TAXATION *(continued)*

During the six months ended 30 June 2018, no borrowing costs were capitalised in relation to construction in progress (six months ended 30 June 2017: RMB nil).

(b) Staff costs:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Salaries, wages and other benefits	**32,533**	35,083
Retirement scheme contributions	**2,474**	2,433
	35,007	37,516

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

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

(c) Other items:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Cost of inventories (i)	**263,130**	275,862
Depreciation and amortisation	**61,365**	63,732
Operating lease charges	**1,875**	2,857
Impairment losses		
– trade and other receivables	**10,422**	–
– long-term receivables	**223**	–
– other long-term assets and goodwill	**–**	24,500

Notes:

(i) During the six months ended 30 June 2018, production stripping costs recognised in profit or loss as part of cost of inventories amounted to RMB115,441,000 (six months ended 30 June 2017: RMB136,224,000).

6 INCOME TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current tax		
Provision for the period	**38,852**	27,884
Deferred tax		
Origination and reversal of temporary differences	**(16,341)**	(12,126)
	22,511	15,758

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Profit before taxation	**72,425**	27,873
Notional tax on profit before taxation, calculated at tax rate of 25% *(note (i))*	**18,106**	6,968
Differential tax rates on subsidiaries' income *(note (ii))*	**(811)**	(811)
Tax effect of non-deductible items *(note (iii))*	**952**	2,973
Tax effect of unused tax losses not recognised	**4,264**	3,894
Tax provision for prior years	**–**	2,734
Actual tax expense	**22,511**	15,758

6 INCOME TAX *(continued)*

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

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) For the year ended 30 June 2018, it represents mainly non-deductible timing difference arising from the impairment loss amounting to RMB nil (six months ended 30 June 2017: RMB2,625,000).

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

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

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2018 of RMB49,914,000 (six months ended 30 June 2017: RMB12,115,000) and the weighted average number of shares in issue during the six months ended 30 June 2018 of 1,635,330,000 shares (six months ended 30 June 2017: 1,635,330,000 shares).

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

8 PROPERTY, PLANT AND EQUIPMENT, NET

(a) The Group's property, plant and equipment are substantially located in the PRC. As of 30 June 2018, the Group had not obtained title certificates of certain of its buildings and plants with an aggregate carrying amount of RMB46,985,000 (31 December 2017: RMB48,872,000). The directors are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned properties.

During the six months ended 30 June 2018, additions of property, plant and equipment of the Group, representing mainly processing plant and mining related buildings, machinery and equipment amounted to RMB14,588,000 (six months ended 30 June 2017: RMB12,237,000). As at 30 June 2018, mine properties include capitalised stripping activity asset with a carrying amount of RMB150,050,000 (31 December 2017: RMB163,528,000).

As of 30 June 2018, certain of the Group's borrowings were secured by the Group's property, plant and equipment (see note 18(c)) with a carrying amount of RMB44,770,000 (31 December 2017: RMB46,484,000).

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

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

As at 1 January 2018, the accumulated impairment losses of RMB448,282,000 were recognised as a result of the reviews of the recoverable amounts of the Group's CGU carried out by the directors.

The directors have been closely monitoring the market situation and the indication of variance to those key assumptions used in the estimation of carrying amounts of related CGUs. During the six months ended 30 June 2018, the directors carried out the review of the recoverable amounts of each CGU of which no further impairment or reversal of impairment was identified.

9 CONSTRUCTION IN PROGRESS

Construction in progress is mainly related to processing plant and mining related machinery and equipment under construction and/or installation.

10 LEASE PREPAYMENTS

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC, with original lease periods from 5 to 50 years.

As of 30 June 2018, certain of the Group's borrowings were secured by the Group's land use rights (see note 18(c)) with a carrying amount of RMB10,802,000 (31 December 2017: RMB10,942,000).

11 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 2018.

In connection with the acquisition of Xinan Investments Limited completed in July 2016, the Group obtained hospital management right through the related hospital management agreements. The management right was recognised at its fair value amounting to RMB187,000,000, and is amortised on a straight-line basis over 30 years as agreed in the hospital management agreements. During the six months ended 30 June 2018, the directors carried out the review of the recoverable amounts of Xinan CGU of which no indication of further impairment on non-financial assets were identified and any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

As of 30 June 2018, certain of the Group's borrowings were secured by the Group's mining right (see note 18(c)) with a carrying amount of RMB16,939,000 (31 December 2017: RMB28,106,000).

12 GOODWILL

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

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

Since the master plan for the Xiong'an New Area of where the operation is located is still under processing, the performance of the Group's hospital management business did not reach the original expectation. Impairment losses of RMB73,410,000 was recognised for the year ended 31 December 2017, and the carrying value of goodwill has been reduced to RMB nil.

13 LONG-TERM RECEIVABLES

Long-term receivables represent a five-year loan to the Rongcheng County Hospital of Traditional Chinese Medicine maturing in year 2021, which is unsecured and interest-free, and the environmental reclamation deposits placed with relevant government authorities in respect of the Group's reclamation obligations for mine closures. All of the balances are not expected to be refunded within the next 12 months.

14 INVENTORIES

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Iron ores	**42,758**	46,383
Preliminary concentrates	**17,163**	20,130
Iron ore concentrates	**4,058**	2,147
	63,979	68,660
Consumables and supplies	**22,983**	22,910
	86,962	91,570

14 INVENTORIES *(continued)*

(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	
	2018 **RMB'000**	2017 RMB'000
Carrying amount of inventories sold	**263,130**	275,862

15 TRADE AND OTHER RECEIVABLES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Accounts receivable	**78,274**	89,599
Bills receivable	**300**	300
	78,574	89,899
Less: allowance for doubtful debts *(note 15(c))*	**10,529**	286
Trade receivables *(note 15(a))*	**68,045**	89,613
Other receivables *(note 15(b))*	**118,410**	205,985
	186,455	295,598

(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 2018 RMB'000	At 31 December 2017 RMB'000
Within 6 months	**60,803**	71,336
Over 6 months but less than 1 year	**–**	–
Over 1 year	**7,242**	18,277
	68,045	89,613

15 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Other receivables

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Prepayments and deposits#	**113,821**	195,723
Value added tax recoverable	**1,133**	1,120
Amounts due from related parties *(note 25(b))*	**–**	15
Others	**3,635**	9,127
	118,589	205,985
Less: allowance for doubtful debts *(note 15(c))*	**179**	–
	118,410	205,985

\# Prepayments and deposits mainly represent advance payments made to the Group's mining contractors. As at 30 June 2018, prepayments to Tangshan Hengsheng Blasting Engineering Co., Ltd. for blasting services, to Laiyuan County Huiguang Logistics Co., Ltd. for on-site loading services and to Laiyuan County Ao Tong Transportation Co., Ltd. for transportation services amounted to RMB13,803,000, RMB113,907,000 and RMB118,863,000, respectively (31 December 2017: RMB10,378,000, RMB87,539,000 and RMB142,345,000, respectively).

Based on agreements with the respective mining contractors, all of which are external third parties, the prepaid amounts are interest-free and the Group anticipates the amounts to be subsequently utilised along with the provision of related services. As at 30 June 2018, the prepayments which were expected to be utilised after one year amounted to RMB151,569,000.

As at 30 June 2018, other than deposits amounted to RMB2,685,000 (31 December 2017: RMB2,685,000), which are included in prepayments and deposits, all other receivables were aged within one year and were expected to be recovered or expensed off within one year.

(c) Impairment of trade and other receivables

	2018 RMB'000	2017 RMB'000
At 1 January	**286**	286
Impairment loss recognised on		
– trade receivables	**10,243**	-
– other receivables	**179**	-
At 30 June/ 31 December	**10,708**	286

16 RESTRICTED BANK DEPOSITS

As at 30 June 2018, restricted deposits mainly represent bank deposits within one year amounting to RMB301,300,000 (31 December 2017: bank deposits within one year, deposits pledged as guarantee for bills payable and other deposits amounting to RMB279,800,000, RMB60,000,000 and RMB3,036,000, respectively).

17 CASH AND CASH EQUIVALENTS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Cash in hand	**113**	147
Cash at banks	**114,552**	65,598
	114,665	65,745

18 BORROWINGS

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

	At 30 June 2018		At 31 December 2017	
	Interest rate per annum %	**RMB'000**	Interest rate per annum %	RMB'000
Renminbi denominated				
Short-term borrowings:				
– secured bank loans *(note 18(c))* #	**4.35 ~ 6.53**	**290,000**	4.35 ~ 6.53	320,000

As at 30 June 2018, the Group's bank loans of RMB180,000,000 and RMB110,000,000 (31 December 2017: RMB200,000,000 and RMB120,000,000) were secured by the Group's mining right, land use rights and properties (see notes 8, 10, and 11) and by the land use rights and properties of a related party of the Group (see note 25(b)(iii)), respectively.

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 year	**290,000**	320,000

18 BORROWINGS *(continued)*

(c) The Group's banking facilities comprise:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Secured by:		
Mining right, land use rights and properties of the Group *(notes 8, 9 and 11)*	**243,000**	243,000
Land use rights and properties of a related party *(note 25(b)(iii))*	**160,000**	160,000
	403,000	403,000

As at 30 June 2018, the above banking facilities of the Group were utilised to the extent of RMB290,000,000, including bank loan facilities of RMB290,000,000 and bank acceptance bill facilities of RMB nil (31 December 2017: RMB380,000,000, including bank loan facilities of RMB320,000,000 and bank acceptance bill facilities of RMB60,000,000).

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

19 TRADE AND OTHER PAYABLES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Trade payables	**49,798**	50,398
Bills payable	**–**	60,000
Receipts in advance	**421**	10,199
Payables for construction work, equipment purchases	**6,609**	7,792
Other taxes payable	**16,410**	24,607
Amounts due to related parties *(note 25(b))*	**107**	100
Interest payables	**418**	556
Others#	**35,807**	34,405
	109,570	188,057

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

As at 30 June 2018, all trade payables were due and payable on presentation or within one year. All of the other payables were expected to be settled within one year or repayable on demand.

20 LONG-TERM PAYABLES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Consideration payables for the acquisition of mining rights	**246,102**	240,335
Less: current portion of long-term payables	**49,054**	77,889
	197,048	162,446

In March 2012 and January 2013, the Group acquired the Gufen Mine, Wang'ergou 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 consideration payables and the payment periods were extended to 2022.

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 year	**49,054**	77,889
After 1 year but within 2 years	**48,622**	47,314
After 2 years but within 5 years	**148,426**	115,132
	246,102	240,335

21 ACCRUED RECLAMATION OBLIGATIONS

	2018 RMB'000	2017 RMB'000
At 1 January	**59,576**	57,326
Accretion expenses *(note 5(a))*	**1,460**	2,809
Utilised during the period/year	**(427)**	(559)
At 30 June/31 December	**60,609**	59,576
Less: current portion of accrued reclamation obligations	**5,637**	7,316
	54,972	52,260

The accrual for reclamation costs has been determined based on management's best estimates. The estimate of related costs may be subject to change in the near term when the reclamation on the land from current mining activities becomes apparent in future periods. The Group's management believes that the accrued reclamation obligations at the end of the reporting period are adequate and appropriate. The accrual is based on estimates and therefore, the ultimate liability may exceed or be less than such estimates.

22 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The board of directors of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

(b) Share capital

As of the end of the reporting period, the Company's share capital was as follows:

	Number of shares '000	RMB'000 (equivalent)
Ordinary shares, issued and fully paid:		
At 1 January 2017, 31 December 2017 and 30 June 2018	1,635,330	131

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

22 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Statutory surplus reserve

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

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

(iii) Specific reserve

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

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange adjustments arising from the translation of the Hong Kong dollars denominated financial statements to the Group's presentation currency.

(v) Other reserve

The other reserve comprises the following:

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

23 FAIR VALUE MEASUREMENT

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: valuation is based on unadjusted quoted prices in active markets for identical financial assets and liabilities.

Level 2: valuation is based on inputs (other than quoted prices included within Level 1) that are observable for the financial asset or liability, either directly or indirectly.

Level 3: valuation is based on unobservable inputs.

At 30 June 2018, none of the Group's financial assets or liabilities were measured at fair value (on a recurring or non-recurring basis) in the consolidated statement of financial position across the three levels of the fair value hierarchy as defined in IFRS 13, *Fair value measurement*. At 30 June 2018, no unlisted debt securities were measured at fair value and classified into Level 3.

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the six months ended 30 June 2018 (six months ended 30 June 2017: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

Apart from the debt securities measured at fair value which has been redeemed on 3 January 2017, all of the Group's other financial assets and liabilities are initially recognised at the fair value of consideration paid or received and subsequently carried at amortised costs or fair value, as appropriate.

The carrying amounts of the Group's financial instruments carried out at cost or amortised cost were not materially different from their fair values as at 31 December 2017 and 30 June 2018.

The fair values of the Group's cash and cash equivalents, restricted bank deposits, long-term receivables and borrowings approximates carrying amounts as a result of their short maturity or because they carry floating rates of interest.

The carrying amounts of trade and other receivables and trade and other payables are reasonable approximation of their fair values.

24 COMMITMENTS AND CONTINGENCIES

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

As at 30 June 2018 and 31 December 2017, the amount of capital commitments outstanding not provided for is RMB nil.

(b) Environmental contingencies

To date, the Group has not incurred any significant expenditure and/or has not accrued any amounts for environment remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. Laws and regulations protecting the environment have generally become more stringent in recent years and could become more stringent in the future. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include:

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

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

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

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

(c) Governmental and regulatory levies

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

25 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors. Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Basic salaries, allowances and benefits in kind	**3,195**	3,244
Retirement scheme contributions	**45**	44
	3,240	3,288

(b) Other related party transactions

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

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

25 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Other related party transactions *(continued)*

Particulars of significant transactions between the Group and the above related parties during the periods presented are as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Property leasing charges *(note (i))*	**4,270**	2,135
Advances from a related party *(note (ii))*	**549**	250
Advances to related parties	**–**	448

The outstanding balances arising from the above transactions at the end of the reporting period are as follows:

	At 30 June	At 31 December
	2018	2017
	RMB'000	RMB'000
Amounts due to a related party *(note (ii))*	**107**	100
Amounts due from related party *(note (ii))*	**–**	15

Notes:

(i) Property leasing charges represent office rental paid and payable to Hebei Aowei.

(ii) Advances received from a related party represent payments made by Mr. Li Yanjun on behalf of the Group. Advances paid to related parties represent payments made on behalf of Hengshi Holdings Limited, Aowei International Development Limited, Hengshi International Investments Limited and Mr. Li Yanjun. The amounts are unsecured, interest-free and have no fixed terms of repayment.

(iii) On 15 December 2015, the Group entered into a banking facility agreement with the aggregate amount of RMB160,000,000, including bank loan facilities of RMB110,000,000 and bank acceptance bill facilities of RMB50,000,000, respectively. The banking facility agreement has a term of 12 months from the date of drawdown and is collectively guaranteed by Laiyuan County Aowei Mining Investments Co., Ltd., Laiyuan County Jingyuancheng Mining Co., Ltd. and Laiyuan Xinxin Mining Co., Ltd., as well as the land use rights and properties of Beijing Tong Da Guang Yue Trading Co., Ltd., a company jointly owned by Mr. Li Yanjun.

The directors of the Company are of the opinion that the above transactions between the Group and the related parties were conducted in the ordinary course of business, on normal commercial terms and in accordance with the agreements governing such transactions.

25 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(c) Commitments with related parties

Pursuant to the property leasing agreement entered into by the Company and Hebei Aowei, the Company rents properties from Hebei Aowei as office premises.

The estimated total future minimum lease payments to Hebei Aowei under non-cancellable operating leases were payable as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 year	**4,270**	4,270
After 1 year but within 5 years	**2,135**	4,270
	6,405	8,540

26 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

There were no significant non-adjusting events which occurred since 1 July 2018 and up to the date of this report.

27 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. Except for the amendments to IFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as IFRS 9 (see note 3(b)), the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of IFRS 16, Leases, which may have impact on the Group's consolidated financial statements.

IFRS 16, Leases

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of IFRS 16, where the Group is the lessee under the lease the group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognize and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. IFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

27 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018 *(continued)*

IFRS 16, Leases *(continued)*

The following is an updated information about the Group's future minimum lease payments, based on the non-cancellable operating leases that have been entered into by 30 June 2018:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Amounts payable:		
Within 1 year	**4,573**	4,793
After 1 year but within 5 years	**2,135**	4,408
	6,708	9,201

Upon the initial adoption of IFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16.