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 2019

CORE VALUE

CREATE
Wealth for the Society

CREATE
Value for OUR Shareholders

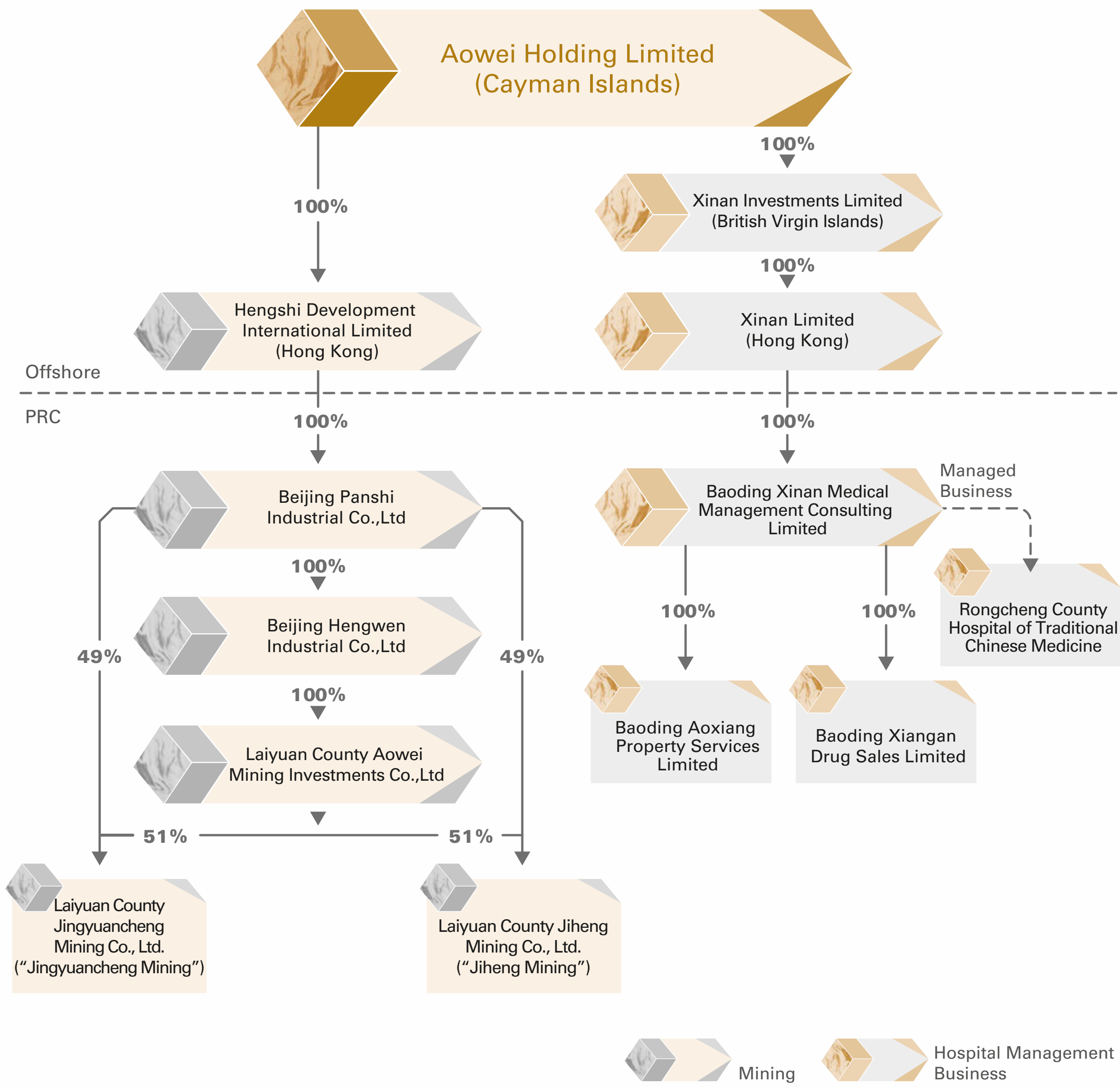
CREATE
Prospects for OUR Employees

CONTENTS

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, preliminary concentrates and iron ore concentrates, and (ii) the provision of hospital management services in People's Republic of China (the "PRC" or "China").The Group owns and operates mines in Hebei Province, which has the largest steel production and iron ore consumption volumes in the PRC.



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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PRC

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AUTHORIZED REPRESENTATIVES
Mr. Li Yanjun
Ms. Kwong Yin Ping, Yvonne

COMPANY SECRETARY
Ms. Kwong Yin Ping, Yvonne

AUDITOR
KPMG
Certified Public Accountants
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HONG KONG LEGAL ADVISOR
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HONG KONG SHARE REGISTRAR

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Services Limited
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INVESTOR INQUIRIES

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DIRECTORS

Executive Directors

Mr. Li Yanjun *(Chairman)*
Mr. Li Ziwei *(Chief Executive Officer)*
Mr. Sun Jianhua *(Chief Financial Officer)*
Mr. Jin Jiangsheng *(Appointed as executive director on 25 June 2019)*
Mr. Tu Quanping
Mr. Li Jinsheng *(resigned on 25 June 2019)*

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 for the period ended 30 June 2019 (the "Reporting Period") was approximately RMB430.6 million, representing an increase of approximately RMB18.4 million or 4.5% as compared with the corresponding period last year.

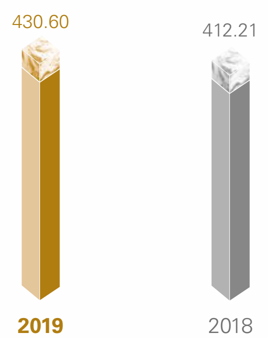
The Group's gross profit was approximately RMB163.3 million for the Reporting Period, representing an increase of approximately RMB17.3 million or 11.9% as compared with the corresponding period last year; the Group's gross profit margin for the Reporting Period was approximately 37.9%.

The Group's profit for the Reporting Period amounted to approximately RMB74.0 million, representing an increase of approximately RMB24.1 million or 48.2% as compared with the corresponding period last year.

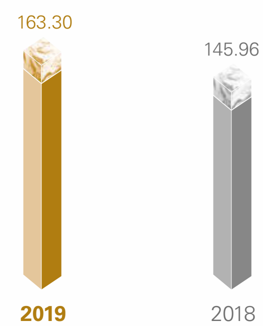
The basic earnings per share attributable to equity holders of the Company's ordinary shares for the Reporting Period were RMB4.52 cents per share, representing an increase of RMB1.47 cents per share as compared with the corresponding period last year.

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

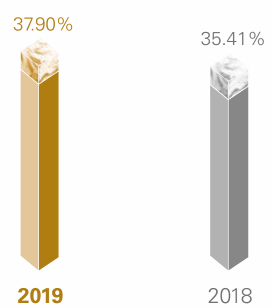
REVENUE (RMB million)
for the six months ended 30 June



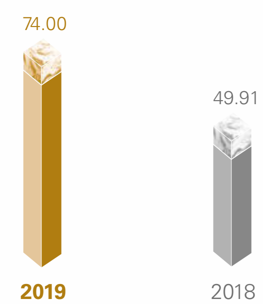
GROSS PROFIT (RMB million)
for the six months ended 30 June



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

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

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

Business Review

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

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

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

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

Notes:

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

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

MINES IN OPERATION

Zhijiazhuang Mine

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

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

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

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

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

Iron ore concentrates

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

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

Wang'ergou Mine and Shuanmazhuang Mine

Wang'ergou Mine and Shuanmazhuang Mine, which are both wholly owned and operated by our wholly owned subsidiary, Jingyuancheng Mining, are located in Zoumayi Village, Laiyuan County, the PRC. The areas covered by the mining licenses for Wang'ergou Mine and Shuanmazhuang Mine are 1.5287 sq.km. and 2.1871 sq.km. respectively. Wang'ergou Mine and Shuanmazhuang Mine have comprehensive basic infrastructures such as water, electricity and highway infrastructures. As at 30 June 2019, the aggregate annual mining capacity of Wang'ergou Mine and Shuanmazhuang Mine was 14.0 Mtpa, and the dry processing capacity and wet processing capacity were 17.6 Mtpa and 3.5 Mtpa, respectively.

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

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

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

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

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

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

Gufen Mine

Gufen Mine, which is operated by our former wholly-owned subsidiary, Laiyuan Xinxin Mining Company Limited ("Xinxin Mining"), is located in Shuibao Village, Laiyuan County, the PRC and the area covered by the mining right for Gufen Mine is 1.3821 sq.km. Gufen Mine has comprehensive basic infrastructures such as water, electricity and highway, etc. As at 30 June 2019, Gufen Mine's annual mining capacity was 3.90 Mtpa, and the dry processing capacity and the wet processing capacity were 5.75 Mtpa and 1.60 Mtpa, respectively.

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

Green Construction Materials – Construction Sand and Gravel Materials Business

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

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

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

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

Save as disclosed in this report, there were no other significant events affecting the Company and its subsidiaries occurred after the end of the Reporting Period.

MEDICAL SERVICE

Business Review

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

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

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

The above-mentioned Entrusted Hospital is located in the Xiong'an New Area which is newly constructed. Before actual implementation of the planning for the Xiong'an New Area, the local government prohibited the approval and construction of relevant projects. As a result, the renovation and expansion of the Entrusted Hospital have not been proceeded so far. The hospital management fee income of the Group for the Reporting Period was approximately RMB0.4 million. During the Reporting Period, the hospital management fee was calculated by the increase in the revenue of the above-mentioned Entrusted Hospital generated during the Reporting Period over that generated in the corresponding period of 2015 multiplying 6% based on the revenue of the Entrusted Hospital generated in the corresponding period of 2015 of approximately RMB12.7 million. During the Reporting Period, the number of patient consultation visits of the Entrusted Hospital was approximately 50,616 times, which increased by approximately 4,286 times as compared to the corresponding period last year; incomes from clinic and hospital fees were approximately RMB21.5 million, which increased by approximately RMB2.7 million as compared to the corresponding period last year.

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

Rongcheng County Hospital of Traditional Chinese Medicine

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

SAFETY AND ENVIRONMENTAL PROTECTION

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

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

FINANCIAL REVIEW

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Distribution costs

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

Administrative expenses

The Group's administrative expenses for the Reporting Period were approximately RMB43.6 million, representing an increase of approximately RMB0.4 million or 0.9% as compared with the corresponding period last year. Administrative expenses included salaries paid to the management and administrative staff of the Group, depreciation and amortization, rental and office expenses, business development expenses, professional consulting and services expenses, taxation expenses, bank charges and other expenses.

Impairment losses on receivables

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

Finance costs

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

Income tax expenses

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

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

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

Properties, plants and equipment

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

Intangible assets

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

Inventories

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

Trade and other receivables

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

Trade and other payables

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

Analysis of cash usage

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

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

Net cash flow generated from operating activities

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

Net cash flow used in investment activities

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

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

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

Cash and borrowings

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

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

Save as disclosed above, the Group has no outstanding mortgages, pledges, bonds or other loan capital (whether issued or agreed to be issued), bank overdrafts, borrowings, acceptance liabilities or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that there had been no material change in the liabilities and contingent liabilities of the Group since 30 June 2019 and up to the date of this report.

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

Gearing ratio

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

Interest rate risk and foreign currency risk

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

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

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

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

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

Pledge of assets, contingent liabilities

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

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

Future plan and outlook

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

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

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

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

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 2019, 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 settlor, 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 settlor, 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 2019 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 2019.

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 2019.

CHANGE OF DIRECTORS INFORMATION

On 25 June 2019, Mr. Li Jinsheng resigned as executive Director of the Company, Mr. Jin Jiangsheng ("Mr. Jin") has been appointed as an executive Director. Mr. Jin is not entitled to any director's fee, but he is entitled to receive a salary of RMB420,000 per annum for his management services to the Group and a discretionary bonus as approved by the Board. Mr. Jin entered into a director's service agreement with the Company for a term of three years commencing from 25 June 2019 which is subject to termination in accordance with the terms thereof. Please refer to the announcement of the Company dated 25 June 2019 for details.

Mr. Kong Chi Mo resigned as an independent non-executive director of Starlight Culture Entertainment Group Limited (its shares are listed on the Stock Exchange, Stock Code: 1159) with effect from 14 May 2019.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

EMPLOYEES AND REMUNERATION POLICY

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

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

STAFF TRAINING SCHEME

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

SUBSEQUENT EVENT

From 30 June 2019 to the date of this report, save as disclosed in the section "Green Construction Materials – Construction Sand and Gravel Materials Business" contained in this report, there were no other significant events affecting the Company and its subsidiaries after the Reporting Period.

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 during the Reporting Period.

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 2019 are unaudited but have 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 Reporting Period 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 2019.

MAJOR LEGAL PROCEEDING

During the Reporting Period, 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 25 to 63 which comprises the consolidated statement of financial position of Aowei Holding Limited (the "Company") as at 30 June 2019 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 2019 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

28 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2019 - unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 RMB'000 (Note)
Revenue	*4*	**430,617**	412,209
Cost of sales		**(267,295)**	(266,247)
Gross profit		**163,322**	145,962
Distribution costs		**(1,577)**	(9,689)
Administrative expenses		**(43,603)**	(43,200)
Impairment losses on receivables	*5(c)*	**(179)**	(10,645)
Profit from operations		**117,963**	82,428
Finance income	*5(a)*	**86**	5,184
Finance costs	*5(a)*	**(19,896)**	(15,187)
Net finance costs	*5(a)*	**(19,810)**	(10,003)
Net gain on disposal of a subsidiary	*25*	**5,424**	–
Profit before taxation	*5*	**103,577**	72,425
Income tax	*6*	**(29,616)**	(22,511)
Profit attributable to equity shareholders of the Company for the period		**73,961**	49,914
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**114**	436
Total comprehensive income attributable to equity shareholders of the Company for the period		**74,075**	50,350
Earnings per share			
Basic and diluted (RMB cents)	*7*	**4.52**	3.05

Note: The Group has initially applied IFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated, See note 3.

The notes on pages 29 to 62 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 20(a).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019 - unaudited
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000 *(Note)*
Non-current assets			
Property, plant and equipment, net	*8*	**658,521**	663,500
Construction in progress	*9*	**196,038**	–
Lease prepayments		**–**	93,508
Intangible assets	*10*	**274,370**	312,674
Goodwill	*11*	**–**	–
Long-term receivables	*12*	**41,340**	55,760
Prepayments		**189,357**	326,682
Deferred tax assets		**145,041**	146,375
Total non-current assets		**1,504,667**	1,598,499
Current assets			
Inventories	*13*	**118,913**	121,027
Trade and other receivables	*14*	**349,017**	436,245
Cash and cash equivalents	*15*	**548,788**	65,984
Total current assets		**1,016,718**	623,256
Current liabilities			
Short-term borrowings	*16*	**570,000**	280,000
Trade and other payables	*17*	**140,676**	112,297
Lease liabilities	*3(c)*	**319**	–
Current taxation		**67,272**	69,491
Current portion of long-term payables	*18*	**19,075**	111,785
Current portion of accrued reclamation obligations	*19*	**2,749**	4,512
Total current liabilities		**800,091**	578,085
Net current assets		**216,627**	45,171
Total assets less current liabilities		**1,721,294**	1,643,670

Note: The Group has initially applied IFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated, See note 3.

The notes on pages 29 to 62 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019 - unaudited
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000 *(Note)*
Non-current liabilities			
Lease liabilities	*3(c)*	**301**	–
Long-term payables, less current portion	*18*	**148,107**	123,113
Accrued reclamation obligations, less current portion	*19*	**36,762**	57,729
Deferred tax liabilities		**42,075**	42,854
Total non-current liabilities		**227,245**	223,696
NET ASSETS		**1,494,049**	1,419,974
CAPITAL AND RESERVES			
Share capital	*20*	**131**	131
Reserves	*20*	**1,493,918**	1,419,843
TOTAL EQUITY		**1,494,049**	1,419,974

Note: The Group has initially applied IFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated, See note 3.

The notes on pages 29 to 62 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019 - unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							
	Share capital RMB'000 *Note 20(b)*	Share premium RMB'000 *Note 20(c)*	Statutory surplus reserve RMB'000 *Note 20(c)*	Specific reserve RMB'000 *Note 20(c)*	Exchange reserve RMB'000 *Note 20(c)*	Other reserve RMB'000 *Note 20(c)*	Retained earnings RMB'000	Total equity RMB'000
At 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 and 1 July 2018	131	1,142,640	84,556	54,518	(1,227)	(126,229)	273,149	1,427,538
Changes in equity for the six months ended 31 December 2018								
Loss for the period	–	–	–	–	–	–	(8,372)	(8,372)
Other comprehensive income	–	–	–	–	808	–	–	808
Total comprehensive income	–	–	–	–	808	–	(8,372)	(7,564)
Transfer to specific reserve, net of utilisation	–	–	–	1,980	–	–	(1,980)	–
Balance at 31 December 2018 *(Note)* and 1 January 2019	**131**	**1,142,640**	**84,556**	**56,498**	**(419)**	**(126,229)**	**262,797**	**1,419,974**
Changes in equity for the six months ended 30 June 2019								
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**73,961**	**73,961**
Other comprehensive income	**–**	**–**	**–**	**–**	**114**	**–**	**–**	**114**
Total comprehensive income	**–**	**–**	**–**	**–**	**114**	**–**	**73,961**	**74,075**
Transfer to specific reserve, net of utilisation	**–**	**–**	**–**	**(5,788)**	**–**	**–**	**5,788**	**–**
At 30 June 2019	**131**	**1,142,640**	**84,556**	**50,710**	**(305)**	**(126,229)**	**342,546**	**1,494,049**

Note: The Group has initially applied IFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated, See note 3.

The notes on pages 29 to 62 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2019 - unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2019 RMB'000	2018 RMB'000 (Note)
Operating activities			
Cash generated from operations		**420,510**	144,186
Income tax paid		**(32,694)**	(33,251)
Net cash generated from operating activities		**387,816**	110,935
Investing activities			
Payments for the purchase of property, plant and equipment and other non-current assets		**(205,891)**	(8,233)
Payment for lease prepayments		**(11,444)**	–
Placement of restricted deposits for investing purpose		**–**	(21,500)
Net cash inflow from disposal of a subsidiary	*24*	**35,776**	–
Other cash flows arising from investing activities		**245**	5,374
Net cash used in investing activities		**(181,314)**	(24,359)
Financing activities			
Proceeds from borrowings		**470,000**	180,000
Repayments of borrowings		**(180,000)**	(210,000)
Capital element of lease rentals paid		**(330)**	–
Interests paid		**(13,466)**	(8,099)
Net cash generated from/(used in) financing activities		**276,204**	(38,099)
Net increase in cash and cash equivalents		**482,706**	48,477
Cash and cash equivalents at 1 January		**65,984**	65,745
Effect of foreign exchange rate changes		**98**	443
Cash and cash equivalents at 30 June	*15*	**548,788**	114,665

Note: The Group has initially applied IFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated, See note 3.

The notes on pages 29 to 62 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.

2 BASIS OF PREPARATION

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

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

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

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

In preparing the interim financial report at the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year. Management has made accounting judgements in respect of the asset impairment of which assumptions concerning the future and other major sources of estimation uncertainty are also required. Details and information about the assumptions are set out in notes 8 and 10.

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 page 24.

2 BASIS OF PREPARATION *(continued)*

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

3 CHANGES IN ACCOUNTING POLICIES

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

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

IFRS 16, Leases

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

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach. Comparative information has not been restated and continues to be reported under IAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

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

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(Expressed in Renminbi unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) Changes in the accounting policies *(continued)*

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment, and lease prepayments as disclosed in note 8 and 10.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred.

The right-of-use asset is subsequently stated at cost less accumulated depreciation, amortisation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) Transitional impact

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

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

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

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	4,408
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	4,408
Present value of remaining lease payments, discounted using the incremental borrowing rate and total lease liabilities recognised at 1 January 2019	–

The Group presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment', and presents lease liabilities separately in the statement of financial position.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) Transitional impact *(continued)*

	Carrying amount at 31 December 2018 RMB'000	Capitalisation and reclassification of operating lease contracts RMB'000	Carrying amount at 1 January 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	663,500	93,508	**757,008**
Lease prepayments	93,508	(93,508)	**–**
Total non-current assets	1,598,499	–	**1,598,499**
Net assets	1,419,974	–	**1,419,974**

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period is as follows:

	At 30 June 2019 RMB'000	At 1 January 2019 RMB'000
Included in "Property, plant and equipment":		
Buildings leased for own use, carried at depreciated cost	920	–
Interest in leasehold land held for own use	84,860	93,508
Total	85,780	93,508

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

(c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period are as follows:

	At 30 June 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**319**	330
After 1 year but within 2 years	**301**	330
	620	660
Less: total future interest expenses		(40)
Present value of lease liabilities		620

(d) Impact on the financial result, segment results and cash flows of the group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation and amortisation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

(d) Impact on the financial result, segment results and cash flows of the group *(continued)*

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 (A) RMB'000	Add back: IFRS 16 depreciation and interest expense (B) RMB'000	Deduct: Estimated amounts related to operating leases as if under IAS 17 (C) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
Profit from operations	117,963	7,862	(7,864)	117,961	82,428
Finance costs	(19,810)	4	–	(19,806)	(10,003)
Profit before taxation	103,577	7,866	(7,864)	103,579	72,425
Profit for the year	73,961	5,900	(5,898)	73,963	49,914
Reportable segment profit/(loss) for the six months ended 30 June 2019 (note 4(b)) impacted by the adoption of IFRS 16:					
– Mining Segment	77,579	5,900	(5,898)	77,581	53,453
– Medical Segment	(2,535)	–	–	(2,535)	(2,437)
– Total	75,044	5,900	(5,898)	75,046	51,106

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

(d) Impact on the financial result, segment results and cash flows of the group *(continued)*

	2019			2018
	Amounts reported under IFRS 16 (A) RMB'000	Estimated amounts related to operating leases as if under IAS 17 (B) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (C=A+B) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	420,510	(330)	420,180	144,186
Net cash generated from operating activities	387,816	(330)	387,486	110,935
Capital element of lease rentals paid	(330)	330	–	–
Net cash generated from/(used in) financing activities	276,204	330	276,534	(38,099)

4 REVENUE AND OPERATING SEGMENTS

(a) Disaggregation of revenue

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

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

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

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

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

4 REVENUE AND OPERATING SEGMENTS *(continued)*

(b) Operating Segments

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

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

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

(i) Segment results, assets and liabilities

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

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

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

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

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

4 REVENUE AND OPERATING SEGMENTS *(continued)*

(b) Operating Segments *(continued)*

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

Information regarding the Groups reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2019 is set out below.

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

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND OPERATING SEGMENTS *(continued)*

(b) Operating Segments *(continued)*

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

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

Note: The Group has initially applied IFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated, See note 3.

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

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

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND OPERATING SEGMENTS *(continued)*

(b) Operating Segments *(continued)*

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

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs:

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

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

5 PROFIT BEFORE TAXATION *(continued)*

(b) Staff costs:

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

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

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

(c) Other items:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
		(Note)
Cost of inventories (*)	**267,295**	263,130
Depreciation charge		
– owned property, plant and equipment	**31,383**	35,488
– right-of-use assets	**26**	–
Amortisation charge		
– owned mining rights and software	**6,444**	18,267
– interests in leasehold land held for own use under operating lease	**–**	7,610
– right-of-use assets	**7,836**	–
Operating lease charges	**2,318**	1,875
Impairment losses		
– trade and other receivables *(note 14(c))*	**179**	10,422
– long-term receivables	**–**	223

Note:

The Group has initially applied IFRS16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated, See note 3.

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

6 INCOME TAX

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

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

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

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

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

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

7 EARNINGS PER SHARE

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

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

8 PROPERTY, PLANT AND EQUIPMENT, NET

(a) As discussed in note 3, the Group has initially applied IFRS 16 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 3.

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

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

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

As of 30 June 2019, certain of the Group's borrowings were secured by the Group's property, plant and equipment with a carrying amount of RMB41,341,000 (31 December 2018: RMB43,055,000), and right of use assets RMB10,522,000 (31 December 2018: RMB10,662,000) (see note 16(c)).

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

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

8 PROPERTY, PLANT AND EQUIPMENT, NET *(continued)*

(c) *(continued)*

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

The directors have been closely monitoring the market situation and the indication of variance to those key assumptions used in the estimation of carrying amounts of related CGUs. During the six months ended 30 June 2019, the directors carried out the review of the recoverable amounts of each CGU of which no further impairment or reversal of impairment was identified.

9 CONSTRUCTION IN PROGRESS

Construction in progress is mainly related to gravel materials business related plant, machinery and equipment under construction and/or installation.

10 INTANGIBLE ASSETS

In August and December 2014, the Group acquired two mining rights with an aggregate carrying amount of approximately RMB321,000,000 from two third parties. These two mining rights fall within the local government's resources integration plan. Given the fact that the local government has carried out policies such as gradually closing down and ceasing new license of open-pit under scale recently, the directors considered indication of impairment exist and carried out the review of the recoverable amount of the above-mentioned mining rights. An impairment loss of RMB321,000,000 has been recognised in the profit or loss for the year ended 31 December 2017 after taking into account the uncertainties associated with the consolidation works in the foreseeable future. The directors have been closely monitoring the local policies since then, and are of the opinion that no reversal of impairment provision identified as at 30 June 2019.

In connection with the acquisition of Xinan Investments Limited completed in July 2016, the Group obtained hospital management right through the related hospital management agreements. The management right was recognised at its fair value amounting to RMB187,000,000, and is amortised on a straight-line basis over 30 years as agreed in the hospital management agreements. During the six months ended 30 June 2019, the directors carried out the review of the recoverable amounts of Xinan CGU of which no indication of further impairment on non-financial assets were identified and any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

As of 30 June 2019, certain of the Group's borrowings were secured by the Group's mining right (see note 16(c)) with a carrying amount of RMB55,000 (31 December 2018: RMB55,000).

11 GOODWILL

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

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

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

12 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.

13 INVENTORIES

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

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

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

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

14 TRADE AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Accounts receivable	101,932	72,702
Less: allowance for doubtful debts *(note 14(c))*	12,439	12,358
Trade receivables *(note 14(a))*	89,493	60,344
Other receivables *(note 14(b))*	259,524	375,901
	349,017	436,245

14 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Ageing analysis

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

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

(b) Other receivables

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Prepayments and deposits#	**252,836**	371,045
Value added tax recoverable	**872**	1,651
Others	**6,236**	3,581
	259,944	376,277
Allowance for doubtful debts *(note 14(c))*	**(420)**	(376)
	259,524	375,901

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

Based on agreements with the respective mining contractors, all of which are external third parties, the prepaid amounts are interest-free and the Group anticipates the amounts to be subsequently utilised along with the provision of related services. As at 30 June 2019, the prepayments which were expected to be utilised after one year amounted to RMB187,034,000.

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

(Expressed in Renminbi unless otherwise indicated)

14 TRADE AND OTHER RECEIVABLES *(continued)*

(c) Impairment of trade and other receivables

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

15 CASH AND CASH EQUIVALENTS

	At 30 June **2019** **RMB'000**	At 31 December 2018 RMB'000
Cash in hand	**80**	94
Cash at banks	**548,708**	65,890
	548,788	65,984

16 BORROWINGS

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

	At 30 June 2019 Interest rate per annum %	At 30 June 2019 RMB'000	At 31 December 2018 Interest rate per annum %	At 31 December 2018 RMB'000
Short-term borrowings:				
– secured by mining right, properties and right of use assets of the Group	**4.35**	**170,000**	4.35	180,000
– secured by land and properties of a related party	**6.53**	**100,000**	6.53	100,000
– collectively secured by land and properties of third parties and a related party *(note 23(b)(iii))*	**7.80**	**300,000**	–	–
		570,000		280,000

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

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

16 BORROWINGS *(continued)*

(c) The Group's banking facilities comprise:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Secured by:		
Mining right, land use rights and properties of the Group *(notes 8 and 10)*	**180,000**	243,000
Land use rights and properties of a related party and third parties *(note 23(b)(iii))*	**460,000**	160,000
	640,000	403,000

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

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

17 TRADE AND OTHER PAYABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade payables	**58,373**	43,655
Other taxes payable	**20,524**	14,038
Receipts in advance	**4,377**	3,528
Payables for construction work, equipment purchases	**4,160**	7,363
Amounts due to related parties *(note 23(b))*	**7**	107
Interest payables	**1,297**	444
Others#	**51,938**	43,162
	140,676	112,297

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

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

18 LONG-TERM PAYABLES

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

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

In accordance with Ji Guo Tu Zi Han No. 20151011 issued on 11 November 2015, Hebei Provincial Department of Land and Resources approved a revised annual instalment schedule in relation to the remaining parts of the above mining right consideration payables and the payment periods were extended to 2022.

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

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

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

19 ACCRUED RECLAMATION OBLIGATIONS

	2019 RMB'000	2018 RMB'000
At 1 January	**62,241**	59,576
Accretion expenses *(note 5(a))*	**878**	3,395
Utilised during the period/year	**(796)**	(730)
Decrease due to disposal of a subsidiary	**(22,812)**	–
At 30 June/31 December	**39,511**	62,241
Less: current portion of accrued reclamation obligations	**(2,749)**	(4,512)
	36,762	57,729

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.

20 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 2019 (six months ended 30 June 2018: 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 2018, 31 December 2018 and 30 June 2019	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.

20 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 course 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.

20 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Nature and purpose of reserves *(continued)*

(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.

21 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 2019, 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 2019, 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 2019 (six months ended 30 June 2018: 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.

21 FAIR VALUE MEASUREMENT *(continued)*

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

All of the Group's 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 2018 and 30 June 2019.

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.

22 COMMITMENTS AND CONTINGENCIES

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

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

(b) Environmental contingencies

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

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

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

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

22 COMMITMENTS AND CONTINGENCIES *(continued)*

(b) Environmental contingencies *(continued)*

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.

23 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	
	2019	2018
	RMB'000	RMB'000
Basic salaries, allowances and benefits in kind	**3,081**	3,195
Retirement scheme contributions	**31**	45
	3,112	3,240

23 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(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	The ultimate controller
Hebei Aowei Industrial Group Co., Ltd. ("Hebei Aowei")	A company ultimately owned by Mr. Li Yanjun

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Property leasing charges *(note (i))*	**4,270**	4,270
Advances received from a related party *(note (ii))*	**363**	549
Advances paid to related parties *(note (ii))*	**133**	–

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

	At 30 June 2019	At 31 December 2018
	RMB'000	RMB'000
Amounts due to a related party *(note (ii))*	**7**	107

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. Advance paid to a related party represent payments made on behalf of 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.

23 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

On 17 April 2019, the Group entered into a banking loan agreement with the aggregate amount of RMB300,000,000. The banking loan agreement is collectively secured by land use right amounting to RMB58,230,000 and properties amounting to RMB42,413,000 of Hebei Aowei, and properties amounting to RMB260,240,000 of a third party, Mr. Yuan Fujun, and land use right amounting to RMB16,063,000 of Hebei Fuye Real estate development Co.,Ltd, a company jointly owned by Mr. Yuan Fujun.

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.

(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 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year	**4,270**	4,270

24 DISPOSAL OF A SUBSIDIARY

On 23 May 2019, the Group entered into a share transfer agreement with an independent third party to dispose of its entire 100% equity interest in Xinxin Mining at a consideration of RMB36,000,000. As at 30 June 2019, the Group has received all the consideration.

On 3 June 2019, the Group completed the transfer of equity interest in Xinxin Mining, subsequent to which Xinxin Mining is no longer a subsidiary of the Group.

The net assets disposed of in the above transactions were as follows:

	Note	**At 3 June 2019 RMB'000**
Property, plant and equipment, net		62,699
Lease prepayments		12,255
Intangible assets		31,860
Deferred tax assets		1,569
Long term receivables		17,416
Other non-current assets		982
Inventories		5,335
Trade and other receivables		211
Cash as bank and in hand		224
Trade and other payables		(6,600)
Current taxation		(153)
Current portion of long-term payable		(12,619)
Current portion of accrued reclamation obligations	*19*	(3,460)
Long-term payable, less current portion		(59,791)
Accrued reclamation obligations	*19*	(19,352)
Net assets disposed of		30,576
Add: net gain on disposal of a subsidiary		5,424
Total consideration received in cash		36,000
Less: cash and cash equivalent disposed of		(224)
Net cash inflow		35,776

25 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

There were no significant non-adjusting events which occurred since 1 July 2019 and up to the date of this report.

26 COMPARATIVE FIGURES

The group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.