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

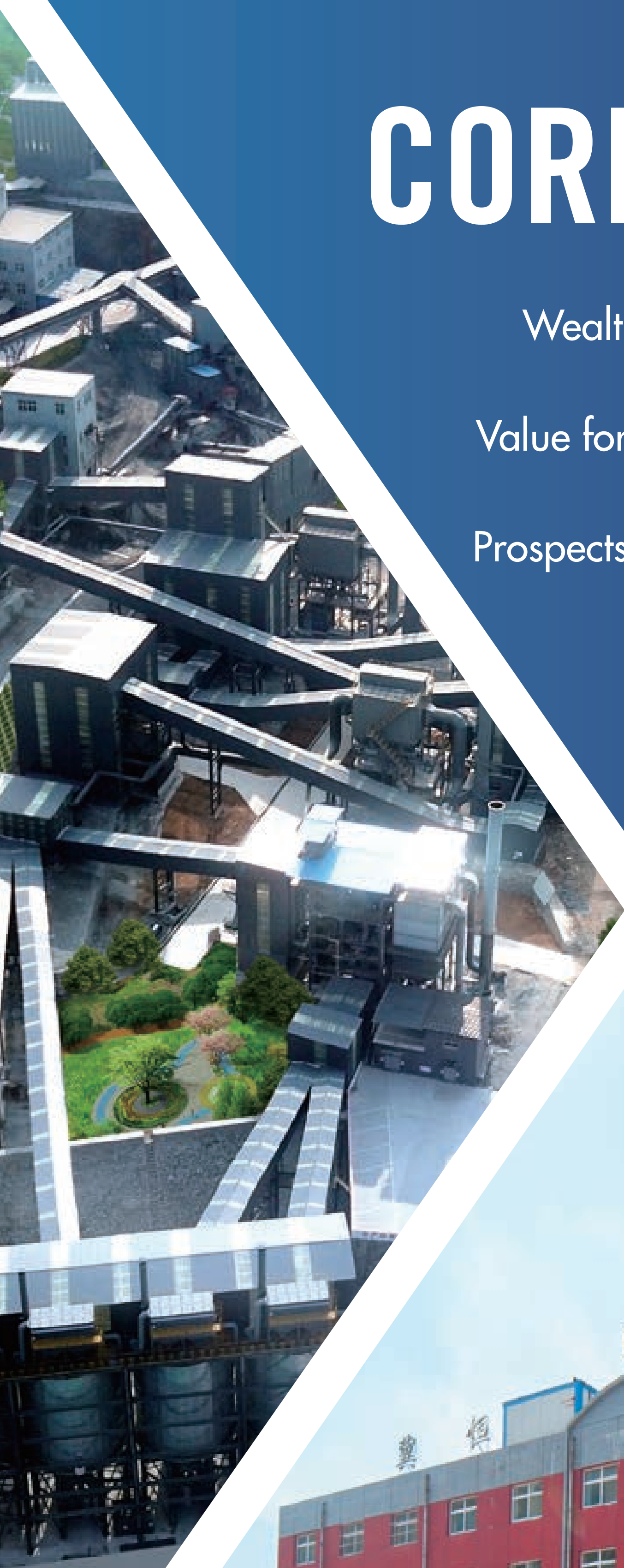
2019
ANNUAL REPORT

CORE VALUE

CREATE
Wealth for the Society

CREATE
Value for Our Shareholders

CREATE
Prospects for Our Employees



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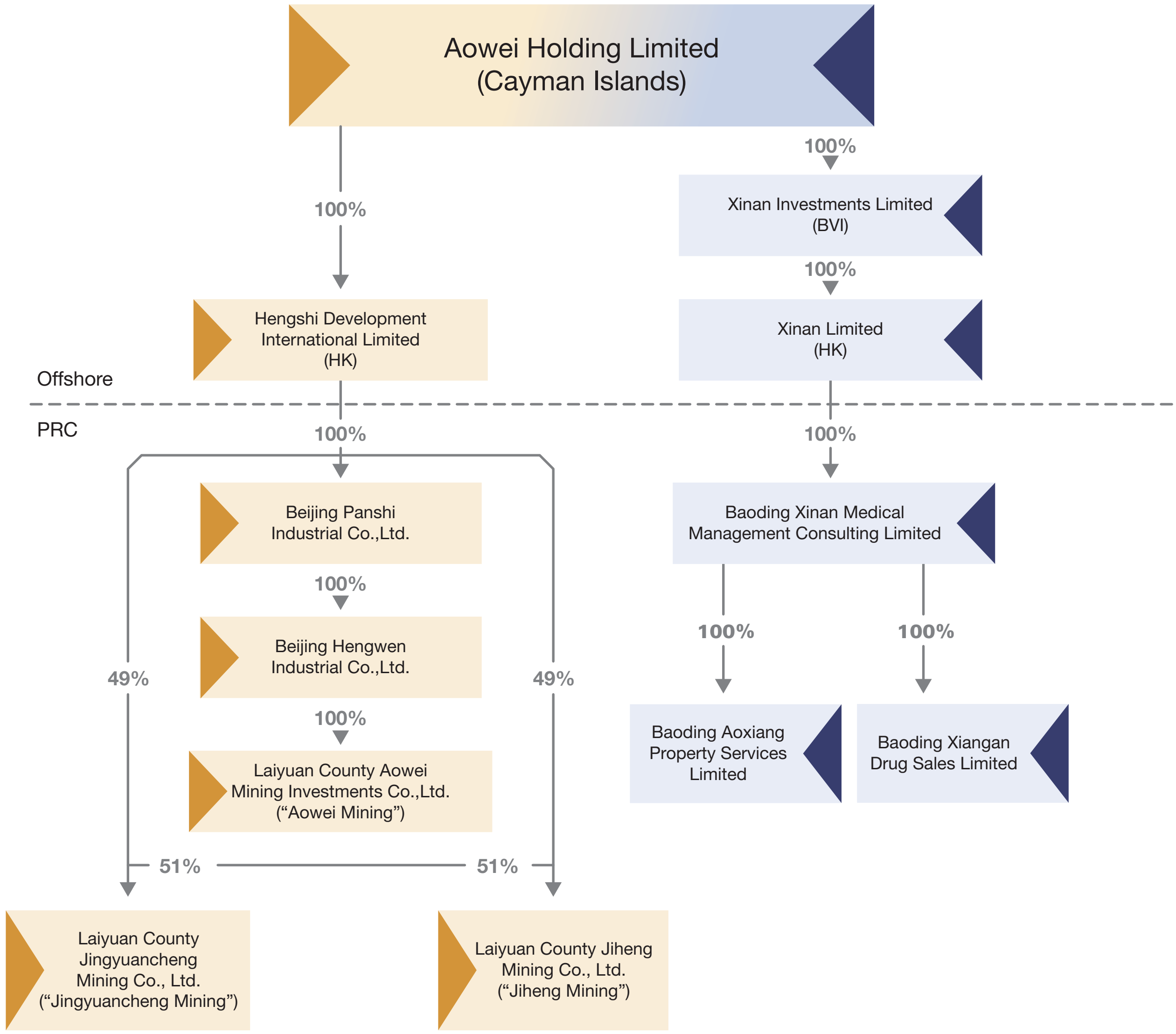
CORPORATE INFORMATION

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

The Company and its subsidiaries (collectively, the "**Group**" or "**we**" or "**our**") are principally engaged in (i) the exploration, mining, processing and trading of iron ore products and major products including iron ores, preliminary concentrates and iron ore concentrates; (ii) the provision of hospital management services; (iii) in 2019, through the investment and construction of the solid waste comprehensive utilization project of Jiheng Mining, the Group recycled the tailings and solid wastes, and conducted the green construction materials construction sand and gravel materials production and sales business in the People's Republic of China (the "**PRC**" or "**China**"). The Group owns and operates three mines in Hebei Province, which has the largest steel production and iron ore consumption volumes in China.



CORPORATE INFORMATION

COMPANY'S STATUTORY CHINESE NAME

奧威控股有限公司

COMPANY'S STATUTORY ENGLISH NAME

Aowei Holding Limited

STOCK CODE

1370

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AUTHORIZED REPRESENTATIVES

Mr. Li Yanjun
Ms. Kwong Yin Ping, Yvonne

COMPANY SECRETARY

Ms. Kwong Yin Ping, Yvonne

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
8th Floor, Prince's Building
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HONG KONG LEGAL ADVISOR

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CORPORATE INFORMATION

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E-Mail: ir@aow.com.cn

DIRECTORS

Executive Directors

Mr. Li Yanjun *(Chairman)*
Mr. Li Ziwei *(CEO)*
Mr. Sun Jianhua *(CFO)*
Mr. Li Jinsheng (resigned on 25 June 2019)
Mr. Jin Jiangsheng (appointed on 25 June 2019, and resigned on 7 April 2020)
Mr. Tu Quanping

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

FIVE-YEAR FINANCIAL SUMMARY

SUMMARY DATA OF CONDENSED CONSOLIDATED INCOME STATEMENTS

	For the year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	**815,549**	854,783	869,122	757,137	753,663
Cost of sales	**(545,314)**	(562,525)	(594,757)	(488,291)	(487,343)
Gross Profit	**270,235**	292,258	274,365	268,846	266,320
Distribution costs	**(2,645)**	(21,093)	(10,731)	(13,144)	(19,989)
Administrative expenses	**(85,047)**	(91,779)	(74,056)	(97,240)	(115,183)
Impairment losses	**(259,786)**	(55,876)	(449,055)	–	(393,637)
(Loss)/profit from operations	**(77,234)**	123,510	(259,477)	158,462	(262,489)
Finance income	**130**	7,674	3,871	4,065	3,466
Finance costs	**(43,099)**	(38,269)	(45,574)	(43,577)	(27,248)
Net finance costs	**(42,969)**	(30,595)	(41,703)	(39,512)	(23,782)
Gains from disposal of a subsidiary	**5,424**	–	–	–	–
(Loss)/profit before taxation	**(114,788)**	92,915	(301,180)	118,950	(286,271)
Income tax	**15,817**	(51,373)	(55,828)	(33,284)	51,190
(Loss)/profit for the year	**(98,971)**	41,542	(357,088)	85,666	(235,081)
Attributable to:					
Equity shareholders of the Company	**(98,971)**	41,542	(357,088)	85,666	(235,081)
Non-controlling interests	**–**	–	–	–	–
Basic and diluted (loss)/earnings per share (RMB)	**(0.06)**	0.03	(0.22)	0.05	(0.16)

FIVE-YEAR FINANCIAL SUMMARY

SUMMARY DATA OF CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Assets and liabilities					
Non-current assets	**1,311,093**	1,598,499	1,483,069	1,977,855	1,680,776
Current assets	**1,023,242**	623,256	795,749	622,460	384,067
Non-current liabilities	**(171,388)**	(223,696)	(259,119)	(299,463)	(278,971)
Current liabilities	**(841,677)**	(578,085)	(642,511)	(569,625)	(351,868)
Total equity	**1,321,270**	1,419,974	1,377,188	1,731,287	1,434,004
Non-controlling interests	**–**	–	–	–	–
Equity attributable to equity shareholders of the Company	**1,321,270**	1,419,974	1,377,188	1,731,287	1,434,004

CHAIRMAN'S STATEMENT

With a slowdown in the growth momentum of global economy in 2019, and benefited from the in-depth promotion of supply-side structural reform in domestic industrial sector, the Group's iron ore business was improved. However, due to the impact of asset impairment factors, the Group's annual results suffered losses. In the future, the Group will continue to improve delicacy management level, and ensure the sound operating development of the Group's iron ore business by the effective cost control and aggressive sales collection strategy. With the large scale introduction of national ecological environment restoration and governance policies, it has given us new opportunities for development. The Group will adhere to ecological priority and practice the concept of green development, aim at building green mines, proactively promote the comprehensive utilization of solid wastes, carry out green construction materials business, establish a recycling economy, facilitate the upgrading and renovation of mines, and strive to build a green, environmentally-friendly and civilized eco-economic system.

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Aowei Holding Limited (the "**Company**"), I hereby present the report of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Year**" or the "**Reporting Period**") and extend our gratitude to the shareholders of the Company (the "**Shareholders**").

CHAIRMAN'S STATEMENT

ANNUAL REVIEW

During the Year, the global economy slowed its momentum of growth in the complex and changeable international situation. Meanwhile, the economy in the People's Republic of China (the "**PRC**") maintained a steady growth. As shown by data of National Bureau of Statistics, in 2019, GDP of PRC reached approximately RMB99.08 trillion, representing a year-on-year growth of 6.1%. Constant improvements were made in the economic structure and remarkable results were achieved in economic transformation and upgrading, thus further advancing the high-quality economic development. Supply-side structural reform was further pressed ahead in the industrial sector during the Year, with the utilization rate of industrial production capacity up by 0.1 percentage point by year to 76.6%, of which the utilization rate of iron and steel production capacity amounted to 80.0%, higher than the average since 2006 when the census began. According to the data released by the National Development and Reform Commission, the output of crude steel in China reached 996 million tons in 2019, representing a year-on-year increase of 8.3%; the iron and steel industry recorded a profit of approximately RMB188,994 million during the Year. The iron ore industry in 2019 has ushered in a good upswing, mainly benefiting from collective reductions in several major international mines, and opening up of iron ore prices. Taking the iron ore Platts index of 62% as an example, it continued to grow from US$72.35 per ton at the beginning of 2019 to US$126.35 per ton, which was the highest value in the recent five years. However, due to the increase of iron ore inventories at ports at the second half of 2019, and the effects of various factors such as limiting production for steel plant for environmental protection, the price of iron ore started to down. In November 2019, the price reached to the lowest point of the year, which was decreased to US$81 per ton.

The business environment during the year was full of challenges and opportunities. The Group has taken a number of measures to actively meet challenges and seize opportunities. During the Reporting Period, the Group realized operating income of approximately RMB815.5 million, representing a decrease of approximately 4.6% as compared to the same period last year, and realized gross profit of approximately RMB270.2 million, representing a decrease of approximately 7.5% as compared to the same period last year. The gross profit margin was about 33.1%, representing a decrease of 1.1% as compared with 34.2% for the same period last year, and the overall fluctuation was small, but due to the asset impairment factors, the company suffered a performance loss in 2019. With the state's restoration of the ecological environment and the large-scale introduction of industrial policies related to the comprehensive utilization of solid waste, the Company has also ushered in new development opportunities, namely: comprehensive utilization of solid waste, processing of green building materials, and development of sand and gravel business for construction. As the Xiong'an New Area gradually moves into a large-scale substantial start-up phase, it will inevitably require a large amount of construction sand and stone supply. The Company will also fully grasp the historical opportunity of the construction of the Xiong'an New Area in order to achieve new performance growth.

FUTURE OUTLOOK

Looking forward to 2020, the global economic growth is likely to bottom out and pick up. However, the continuous development of the novel coronavirus pneumonia epidemic has given global economic activity an "unexpected shock". The global economic situation is full of uncertainty. The operation environment of China's steel and steel mining industry is also affected. The Central People's Government of China has taken effective measures to stop the spread of the epidemic situation, strive for the effective control of the epidemic situation to avoid greater impact on the economy, and adjusted macroeconomic policies early, increased financial support, and increased the guarantee for enterprises to resume production and employment, to ensure the smooth operation and development of enterprises, and improving the national economic situation. The Group expects that the supply and demand in the steel industry will remain relatively balanced. Affected by the epidemic, the lower stream of steel industry delayed resumption of work, weakening demand of steel. The production of steel is slowing down, and the iron ore price increase will narrow. After the epidemic is over, the infrastructure industry downstream of steel may attract a new wave of development. The demand for steel may erupt in the next few months, and the iron ore industry at the upstream supply side of the steel is also expected to continue to benefit.

Facing the grim situation of epidemic prevention and control in China and the complicated economic environment, the Group will continue to strengthen internal management, make overall arrangements for epidemic prevention and control work, and ensure the physical safety of employees. The Group will also actively take corresponding measures to promote the Company's annual performance recovery to minimize the economic impact of the epidemic on the Group. Up to now, the Group has fully complied with the epidemic control and prevention requirements issued by the local government, and reached the conditions for resumption of work.

While maintaining the stable operation of the iron ore business, the Group will also continue to seize the historic opportunity brought by the construction of the Xiong'an New Area, actively promote the comprehensive utilization of solid wastes from Jiheng Mining and carry out the construction sand and gravel business. The Group will continue to follow the new path of high-quality development with ecological priority and practice the concept of green development, strengthen the protection of ecosystems, promote the upgrading and transformation of mines, and accelerate the construction of green mines. In addition to the construction sand and gravel business, the Group will also continue to further explore other derived products of solid waste recycling, build a green building material industrial base, and build the Group into a green and environmentally friendly eco-economic system, creating more and more sustainable benefits for shareholders.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my sincere gratitude to all the Directors, management and the staff for their unremitting efforts and collaboration to realize the development strategy of the Group in a challenging business environment. I also would like to give my sincere thanks to the Shareholders, customers, suppliers, banks and business partners for their great support this year.

The Group is taking a series of strategic measures to look for the best strategy to achieve the business objectives and sustainable development. I look forward to the unwavering support of all Shareholders.

Li Yanjun
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS


京源城矿业

MANAGEMENT DISCUSSION AND ANALYSIS

IRON ORE BUSINESS

Market Review

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

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

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

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

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

RISKS MANAGEMENT

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

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

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

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

BUSINESS REVIEW

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

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

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

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

Notes:

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

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

Resources and Reserves

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

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

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

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

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

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

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

Mines in Operation

The Group has finished the building infrastructure and stripping projects of all the iron ore mines in 2015. As a result, the Group had no additional expenditure on building infrastructure and stripping projects during the Reporting Period. Furthermore, since the average stripping ratio of the operating entities in PRC was lower than their respective remaining mines during the Reporting Period, no production and stripping costs were capitalized.

Zhijiazhuang Mine

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

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

Iron ore concentrates

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

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

Wang'ergou Mine and Shuanmazhuang Mine

Wang'ergou Mine and Shuanmazhuang Mine, which are both wholly-owned and operated by our wholly-owned subsidiary, Jingyuancheng Mining, are located in Zoumayi Town, Laiyuan County. The areas covered by the mining licenses for Wang'ergou Mine and Shuanmazhuang Mine are 1.5287 sq.km and 2.1871 sq.km, respectively. Wang'ergou and Shuanmazhuang have comprehensive basic infrastructures such as water, electricity and highway. As of 31 December 2019, the aggregate annual mining capacity of Wang'ergou Mine and Shuanmazhuang Mine was 14.0 Mtpa, and the dry processing capacity and wet processing capacity were 17.6 Mtpa and 3.5 Mtpa, respectively.

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

Iron ore concentrates

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

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

Gufen Mine

Gufen Mine, which is owned and operated by our wholly-owned subsidiary, Xinxin Mining, is located in Shuibao Town, Laiyuan County and the area covered by the mining right for Gufen Mine is 1.3821 sq.km. Gufen Mine has comprehensive basic infrastructures such as water, electricity and highway. As of 31 December 2019, Gufen Mine's annual mining capacity was 3.90 Mtpa, and the dry processing capacity and the wet processing capacity were 5.75 Mtpa and 1.60 Mtpa, respectively.

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

Green Construction Materials Business

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

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

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

MEDICAL SERVICE

Business Review

After the completion of the acquisition on 13 July 2016 (for details, please refer to the announcements of the Company dated 5 and 13 July 2016), the Group possessed hospital entrustment management business. The hospital entrustment management business is mainly operated by the Group's subsidiary Baoding Xinan Medical Management Consulting Company Limited (保定熹南醫療管理諮詢有限公司) ("**Baoding Xi'nan**").

The Rongcheng County Hospital of Traditional Chinese Medicine (the "**Entrusted Hospital**") was established in 1987. In 1994, the Entrusted Hospital set up a 120 Emergency Call Center in Rongcheng County. The Entrusted Hospital has a total area of approximately 9,000 square meters, of which approximately 8,550 square meters are floor area. The Entrusted Hospital has 192 existing employees in total, among which 156 employees are healthcare personnel. It has 150 beds in total and 13 first-level clinical departments.

Upon taking over of the hospital entrustment management business, the Group was committed to establishing a medical management team, and at the same time, it continued to employ teams of experts for the Entrusted Hospital, in order to strengthen the management and operation capabilities of the medical institution, enhance the overall medical technology level of the Entrusted Hospital and provide better and quality services to the patients, so as to create long-term stable return for the Shareholders. However, since the Entrusted Hospital is located in the new administrative district of the Xiong'an New Area, before implementation of the planning for the Xiong'an New Area, the local government prohibited the approval and construction of non-relevant projects. As a result, the renovation and expansion of the Entrusted Hospital have not been proceeded so far.

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

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

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

Rongcheng County Hospital of Traditional Chinese Medicine

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

SAFETY AND ENVIRONMENTAL PROTECTION

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

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

EMPLOYEES AND REMUNERATION POLICY

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

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

FINANCIAL REVIEW

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Sales and distribution expenses

The Group's sales and distribution expenses for the Reporting Period were approximately RMB2.6 million, representing a decrease of approximately RMB18.5 million or 87.5% as compared to the corresponding period of last year, which was mainly due to the decrease in the total sales volume of the products, of which the Group were responsible for the delivery to customers and the related transportation cost. Sales and distribution expenses included transportation expenses, labour cost and other expenses.

Administrative expenses

The Group's administrative expenses for the Reporting Period were approximately RMB85.0 million, representing a decrease of approximately RMB6.7 million or 7.3% as compared to RMB91.8 million in the corresponding period of last year. The decrease in administrative expenses was mainly attributable to the continuous improvement of refined management and enhancement of control over administrative expenses by the Group.

Impairment losses

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

Hospital management business after acquisition of Xinan

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

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

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

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

Jingyuancheng Mining

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

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

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

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

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

4. *No Significant Changes of External Environment*
The valuation is to assume that the external economic environment remains unchanged and the current macroeconomic conditions in the PRC will not change significantly since the Reference Date.

5. *No Significant Changes of Social and Economic Environment*
The social and economic environment, as well as the implemented policies in relation to tax and tax rates, etc. of the company will not change significantly.

6. *Valuation based on the Existing Assets and Current Market Price*
All assets under valuation are based on the existing assets as at the Reference Date and the current market price of relevant assets is based on the effective domestic price as at the Reference Date.

7. *Truthfulness and Completeness of Basic Information*
The valuation is to assume that the basic information and financial information provided by the principal and the property holding unit is true, accurate and complete.

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

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

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

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

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

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

Trade receivables and expected credit loss

Based on the management assessment of credit losses and impairment of assets according to IFRS 9 Financial instruments, management has estimated the impairment loss of trade receivables by reference to historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. The provision amounted to RMB2.8 million.

Finance costs

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

Income tax expenses

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

Loss/profit for the year and total comprehensive income for the year

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

Property, plant and equipment

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

Intangible assets

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

Inventories

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

Trade and other receivables

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

Trade and other payables

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

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

Analysis of cash usage

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

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

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

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

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

Net cash flow used in investing activities of the Group during the Reporting Period was approximately RMB237.0 million, which primarily represented payment of approximately RMB273.2 million for purchase of property, plant and equipment and other non-current assets, cash inflow from disposal of a subsidiary of approximately RMB35.8 million and other cash inflow from investing activities of approximately RMB0.4 million.

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

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

Cash and borrowings

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

As of 31 December 2019, bank loans of the Group was RMB555.0 million, representing an increase of RMB275.0 million or 98.2% as compared to the end of last year. The interest rates of the borrowings as of 31 December 2019 ranged from 4.35% to 7.8% per annum. All of the borrowings were accounted for as current liabilities of the Group (as of 31 December 2018: 100%). The above borrowings were denominated in RMB.

Save as disclosed above, the Group has no outstanding mortgages, pledges, bonds or other loan capital (issued or agreed to be issued), bank overdrafts, borrowings, acceptance liabilities or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities. The Directors have confirmed that there was no material change in the liabilities and contingent liabilities of the Group since 31 December 2019 and up to the date of this announcement. As of 31 December 2019, the overall financial status of the Group remained in a good condition.

Restricted deposits

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

Gearing ratio

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

Capital expenditure

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

Interest rate risk and foreign currency risk

The fair value interest rate risk of the Group is primarily related to bank borrowings. Most of the bank borrowings of the Group expire within one year. Therefore their fair value interest rate risk is low.

The Company currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate risks and will consider to hedge significant interest rate risks when necessary. The principal business of the Group is located in the PRC and the principal operation and transactions are carried out in RMB. Substantially all of the assets and liabilities of the Group are denominated in RMB. Since RMB is not freely convertible, the PRC government may take actions to affect the exchange rate exposure, which may affect the Group's net assets, earnings and any dividend declared if such dividends are translated into foreign currency. The Group had no hedging in respect of the exchange rate risk.

Significant acquisitions and disposals of subsidiaries and affiliated companies

On 23 May 2019, Aowei Mining, a subsidiary of the Company, entered into an equity transfer agreement with Laiyuan County Zengzhi Construction Materials Co., Ltd. in relation to the disposal of the entire equity interest in Xinxin Mining Co., Ltd. at a consideration of RMB36.0 million. For details of the disposal, please refer to the announcement on the Discloseable Transaction for Disposal of a Subsidiary issued by the Company on 23 May 2019. The equity transfer of Xinxin Mining was completed on 3 June 2019. Immediately after the transfer, Xinxin Mining ceased to be a subsidiary of the Company, and the financial results and financial positions of Xinxin Mining were no longer consolidated into the financial statements of the Company.

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

Pledge of assets and contingent liabilities

As at 31 December 2019, the Group's bank loans of RMB170.0 million, RMB85.0 million and RMB300.0 million were secured by the Group's mining right, right-of-use assets (land use rights), properties and equipment, by the land use rights and properties of a related party of the Group, and collectively secured by land and properties of third parties and a related party, respectively.

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

Significant investments held

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

OUTLOOK AND STRATEGY

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

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

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

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

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHIES OF EXECUTIVE DIRECTORS

Mr. Li Yanjun (李豔軍), aged 55, is our executive Director and the chairman of the Board, and is mainly responsible for the overall business plan, strategies and major decisions making of our Group. Mr. Li is the founder of the Group, and through the positions he held at Hebei Aowei Industrial Group Co., Ltd. (河北奧威實業集團有限公司) ("**Aowei Group**"), Laiyuan County Aoyu Steel Co., Ltd. (淶源縣奧宇鋼鐵有限公司) ("**Aoyu Steel**") and the Group, Mr. Li has over 22 years of experience in the iron ore mining, steel industry and corporate management. Mr. Li was also a member of the 12th National People's Congress (第十二屆全國人大). Mr. Li Yanjun is the father of Mr. Li Ziwei.

Mr. Li Ziwei (also known as Leung Hongying Li Ziwei) (李子威), aged 32, is our executive Director and was appointed as the chief executive officer of the Company on 23 August 2018 and is responsible for our Group's overall business development, daily operation management and investments. Mr. Li Ziwei acted as the General Manager of Aowei Mining on 25 June 2019. Mr. Li joined our Group in August 2008. He has gained over 12 years of experience in the iron ore mining industry from his involvement in the areas of procurement, supply and sales of raw materials and steel products at Aowei Group, Aoyu Steel and our Group. He is also the director of Hengshi Development International Limited. Mr. Li Ziwei is the son of Mr. Li Yanjun.

Mr. Sun Jianhua (孫建華), aged 37, is our executive Director and the chief financial officer. He is responsible for our Group's accounting and financial management. He joined the Group in February 2012 and was appointed as executive director of the Company in June 2013. Mr. Sun has over 17 years of experience in financial and accounting management. He served as the head of the finance department of Aowei Mining from February 2012 to June 2013. He held several positions at Aoyu Steel between February 2004 and February 2012, including accountant, head of the finance division and vice head of the finance department. He was also appointed as a director of Xinan Investments Limited and Xinan Limited since August 2016. Mr. Sun graduated from Baoding Financial Senior Professional Institute (保定市金融高等專科學校) in June 2003. He was admitted as a certified public accountant by the Chinese Institute of Certified Public Accountants in December 2010 and was accredited as a certified tax advisor by the State Taxation Administration in June 2011 and a certified public valuer by the Ministry of Finance of the PRC in September 2011.

Mr. Jin Jiangsheng (金江生), aged 53, is our executive Director and serves as the administrative assistant general manager of Aowei Mining. He is responsible for Aowei Mining's overall business management and daily operation. Mr. Jin Jiangsheng has resigned on 7 April 2020 due to his health condition. He first joined our Group in December 2004 and was appointed as our executive Director in June 2019. Mr. Jin has over 15 years of experience in industrial marketing and management. He served as the head of water concentration plant of Xinxin Mining until June 2006. Between June 2006 and February 2012, he worked at Aoyu Steel and subsequently served as the head of the sintering plant and the steel plant. He rejoined our Group in February 2012 as the general manager of Jingyuancheng Mining and was also appointed as the general manager of Xinxin Mining from March 2016 to 23 May 2019. Prior to joining our Group, Mr. Jin worked in Rongcheng County Machinery Plant (容城縣機械廠) and subsequently served as the head of the workshop, the head of the sales division and the head of Rongcheng County Machinery Plant from February 1991 to December 2003.

Mr. Jin took a managerial leadership reengineering course at Tsinghua University in May 2005. In recognition of his contribution to the mining industry, he was honored as an outstanding talent by the Laiyuan County Party Committee and the People's Government of Laiyuan County in August 2014, and in September of the same year he was honored as Hebei Provincial Enterprise Integrity Building excellent workers by the Hebei Provincial Integrity Enterprise Selection Committee.

Mr. Tu Quanping (塗全平), aged 50, is our executive Director. He is responsible for the supervision of mining, processing, design and mining plan of all our iron ore mines. Mr. Tu has more than 27 years of experience in the mining industry. Since joining our Group in August 2005, he has been in charge of the project design, infrastructure construction, development and mining of our mines, coordination of our production plan, design of the technical parameters of our ore preparation plants and onsite management and supervision. Prior to joining our Group, Mr. Tu served as a mining engineer, and chief of mining department, of Anhui Magang Group Nanshan Mining Company (安徽馬鋼集團南山礦業公司) from August 1991 to August 2005. Mr. Tu obtained a bachelor's degree in Mining Engineering from Wuhan Steel Institute (武漢鋼鐵學院) (now known as Wuhan University of Science and Technology (武漢科技大學) in July 1991. He took the postgraduate course of enterprise planning and development at Nanjing University (南京大學) from September 2001 to December 2003. Mr. Tu was accredited as a senior mining engineer by Magang Metallurgy Projects Senior Engineer Evaluation Committee (馬鋼冶金工程高級工程師評審委員會) in December 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ge Xinjian (葛新建), aged 60, is our independent non-executive Director, primarily responsible for providing independent advice and guidance to the Board. He serves as the general manager of Anhui Xinjian Mining Engineering Technology Co., Ltd. (安徽新建礦業工程技術有限責任公司). Mr. Ge has more than 37 years of experience in processing research, design and technical management. Mr. Ge currently serves as a member of the 7th Ore Dressing Branch Committee of the Chinese Society for Metals (中國金屬學會選礦分會委員會), the part-time professor of Anhui University of Technology, the member of the Expert Committee of China Metallurgical Mining Enterprise Association (中國冶金礦山企業協會), the standing director of the China Mining Development Strategic Alliance (中國礦業發展戰略聯盟). Mr. Ge served as the chief engineer of Magang Group Design & Research Institute Co., Ltd. (馬鋼集團設計研究院有限責任公司) from March 2004 to December 2014. During this period, Mr. Ge held a concurrent post as the vice president from August 2011 to December 2014.

Mr. Ge published several theses in different professional journals and compiled many professional works, including Current Application of High-Pressure Grinder of Metallurgy Mine in China "高壓輥磨工藝在我國冶金礦山的應用現狀" (Modern Mining, 9th edition of 2009). Mr. Ge obtained a bachelor's degree in Ore Dressing from Jiangxi Metallurgy Institute (江西冶金學院) (now known as Jiangxi University of Science and Technology (江西理工大學)) in July 1983. Mr. Ge is a professor-level senior engineer in ore dressing recognized by Personnel Department of Anhui Province (安徽省人事廳) in December 2009, a national mineral reserves appraiser recognized by Department of Personnel and Education of Ministry of Land and Resources (國土資源部人事教育司) in September 2007 and a registered national environment engineer recognized by Personnel Department of Anhui Province in September 2007.

Mr. Meng Likun (孟立坤), aged 58, is our independent non-executive Director, primarily responsible for providing independent advice and guidance to the Board. Mr. Meng has been the Chairman of the Board of Guojie Investments Holding Ltd. (國傑投資控股有限公司) since October 2014. Mr. Meng served as the special consultant of Rongtong Fund Management Co., Ltd. (融通基金管理有限公司) from March 2010 to January 2012. He served as the president and an executive director of New Time Securities Co., Ltd. (新時代證券有限責任公司) from May 2006 to January 2009. He acted as the chairman of the board of directors of Rongtong Fund Management Co., Ltd. from May 2001 to March 2010.

Mr. Meng obtained a bachelor's degree in mechanical design and a master's degree in engineering from Taiyuan Mechanical Engineering College (太原機械學院)(now known as North University of China (中北大學)) in July 1982 and September 1986 respectively, and obtained a doctorate degree in engineering from Beijing Institute of Technology (北京理工大學) in March 1993.

Mr. Kong Chi Mo (江智武), aged 44, has been appointed as our independent non-executive Director since 26 June 2013. Mr. Kong is primarily responsible for providing independent advice and guidance to the Board.

Mr. Kong has over 21 years of experience in accounting, auditing, financial management, corporate finance, investor relations, company secretarial affairs and corporate governance. Presently, Mr. Kong holds the position of independent non-executive director in AK Medical Holdings Limited (a company whose shares are listed on the main board of the Stock Exchange, stock code: 01789), Huazhang Technology Holding Limited (a company whose shares are listed on the main board of the Stock Exchange, stock code: 01673) and ZACD Group Ltd. (a company whose shares are listed on the growth enterprise market of the Stock Exchange, stock code: 08313), whereas in China Vanadium Titano-Magnetite Mining Company Limited ("**China Vanadium**") (a company whose shares are listed on the main board of the Stock Exchange, stock code: 00893), he holds the position of company secretary and authorised representative.

Mr. Kong was the executive director and chief financial officer of China Vanadium from October 2013 to May 2015 and from May 2008 to May 2015, respectively. Mr. Kong worked at KPMG from October 1999 to December 2007 and was promoted to senior manager during his term of office. Prior to joining KPMG, Mr. Kong worked as a finance trainee in Hutchison Telecommunications (Hong Kong) Limited, an indirect wholly-owned subsidiary of Hutchison Telecommunications Hong Kong Holdings Limited (a company whose shares are listed on the main board of the Stock Exchange, stock code: 00215), from June 1997 to March 1998 and as a tax associate in PricewaterhouseCoopers from March 1998 to October 1999.

Mr. Kong obtained his bachelor's degree in business administration from The Chinese University of Hong Kong in December 1997. Presently, Mr. Kong is a fellow of The Association of Chartered Certified Accountants (United Kingdom), a fellow of each of The Chartered Governance Institute (United Kingdom) (formerly known as The Institute of Chartered Secretaries and Administrators) and The Hong Kong Institute of Chartered Secretaries, a member of The Hong Kong Institute of Directors, an ordinary member of Hong Kong Securities and Investment Institute and a full member of Hong Kong Investor Relations Association. Mr. Kong was also awarded the Chartered Governance Professional qualification of The Chartered Governance Institute (United Kingdom) and The Hong Kong Institute of Chartered Secretaries in September 2018.

SENIOR MANAGEMENT

Mr. Gao Changquan (郜常泉), aged 49, is the deputy general manager of Aowei Mining and the director of Jingyuancheng Mining. He is responsible for the administrative affairs and finance and accounting of Aowei Mining. Mr. Gao has approximately 32 years of experience in accounting and financial management. Mr. Gao first joined our Group in February 2005, where he served as the head of finance division of Xinxin Mining until March 2006. From March 2006 to February 2013, he served as the head of finance department of Aoyu Steel. He rejoined our Group in February 2013 as the head of the finance department of Aowei Mining, and was appointed as the deputy general manager of Aowei Mining in March 2016. Prior to joining our Group, Mr. Gao was an accountant of Baoding Xiangda Garment Manufactory Co., Ltd. (保定翔達製衣有限公司) from June 1993 to January 2005. Mr. Gao obtained an undergraduate diploma in Accounting from The Open University of China (中央廣播電視大學) in January 2009.

Mr. Li Shaoshun (李紹順), aged 49, is the director and deputy general manager of Aowei Mining and is responsible of the production management, environment, health and safety of Aowei Mining. Mr. Li has over 15 years of experience in industrial marketing and management. From April 2004 to April 2012, Mr. Li was the dispatching manager and general manager of the department of production and technology of Aoyu Steel successively. He joined the Group in 2012 and was the deputy general manager of Jingyuancheng Mining, during which time he was responsible for production operation and management from April 2012 to March 2016. He has been the deputy general manager of Aowei Mining since March 2016. Mr. Li graduated from Anshan Institute of Iron & Steel Technology (鞍山鋼鐵學院) with an undergraduate diploma and a bachelor's degree in iron and steel metallurgy in July 1992.

Mr. Li Dongfeng (李東風), aged 48, is the director of Aowei Mining. He also serves as the general manager of Jiheng Mining. He is responsible for the general management and daily operation of Jiheng Mining. Mr. Li has over 17 years of experience in industrial marketing and management. From December 1996 to March 2004, he served as the business manager of Aowei Group. From March 2004 to June 2007, he served as the deputy general manager of Laiyuan County Huiyuan Mining Company Limited (淶源縣匯源礦業有限公司). From July 2007 to August 2010, he served as the general manager of Laiyuan County Xinrui Mining Company Limited (淶源縣鑫瑞礦業有限公司). Mr. Li joined our Group in August 2010 and since then has served as the director and the general manager of Jiheng Mining.

Save as disclosed above, the directors and senior management have no other positions as directors in the listed companies.

COMPANY SECRETARY

Ms. Kwong Yin Ping, Yvonne (鄺燕萍), is the company secretary of our Company. Ms. Kwong obtained a bachelor's degree in accountancy from the Hong Kong Polytechnic University (香港理工大學). She works as vice president in a professional corporate services company which is engaged in providing secretarial and compliance services for listed companies. She is also a fellow of the Hong Kong Institute of Chartered Secretaries and a fellow of the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators). She has extensive experience in providing company secretarial services for numerous private and listed companies. She serves as company secretary and joint company secretary of various companies listed on the Hong Kong Stock Exchange. Mr. Li Ziwei is the main contact person of Ms. Kwong in the Company.

REPORT OF THE DIRECTORS

The Directors wish to present the report of the Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company acts an investment holding company. The activities of principal subsidiary are the exploration, mining and processing of iron ore, sales of iron ores, preliminary concentrates and iron ore concentrates, production and sales of construction sand and gravel, and the provision of hospital management services. Details of the principal subsidiaries of the Company are set out in note 16 to the consolidated financial statements.

BUSINESS REVIEW

After careful deliberation, the Directors have reviewed the Group's business and made an analysis of the Group's performance in accordance with the requirement of Schedule 5 to the Companies' Ordinance, Chapter 622 of the Laws of Hong Kong, including the discussions of the major risks and uncertainties facing the Group and the disclosure of the future business development the Group will probably achieve. Please refer to the Chairman's Statement, Management Discussion and Analysis and the Corporate Governance Report – Risk Management and Internal Control of this annual report. These discussions form part of this Report of the Directors.

FINANCIAL ACCOUNTING DATA AND FINANCIAL KEY PERFORMANCE INDICATORS (NOTE)

	For the year ended 31 December		
	2019	2018	% of change
Sales and distribution expenses	**(2,645)**	(21,093)	-87.5%
(Loss)/profit before taxation	**(114,788)**	92,915	-223.5%
(Loss)/earnings per share	**(0.06)**	0.03	-300.0%
Gross profit margin	**33.1%**	34.2%	-3.1%

	For the year ended 31 December		
	2019	2018	% of change
Bank balances and cash	**461,639**	65,984	599.6%
Intangible assets	**83,304**	312,674	73.0%

Note:

(1) Reasons for choosing the financial key performance indicators and relationship with the Group's objective.

The Group was originally incorporated in the British Virgin Islands on 14 January 2011 under the laws of British Virgin Islands, and redomiciled to the Cayman Islands on 23 May 2013. The Group is principally engaged in the exploration, mining, processing and trading of iron ore and the major products includes iron ores, preliminary concentrates and iron ore concentrates in the People's Republic of China. Therefore, Sales and distribution expenses is a significant indicator to reflect the Group's ore trading business. In addition, the Group completed the acquisition of Xinan Investments Limited and its subsidiaries on 13 July 2016 to enter the hospital management business. In order to reflect the operation of the hospital management business acquired by the Group, intangible assets have also become the main financial performance indicators, but they were subject to changes in local laws, regulations and policies of the Entrusted Hospital. On 3 March 2020, the Group entered into termination agreements with the Rongcheng County Hygiene and Health Bureau and the Entrusted Hospital, respectively. The termination of the hospital management agreement caused the Group's impairment loss of intangible assets to be approximately RMB165.2 million. For details, please refer to the inside information announcement issued by the Company on 3 March 2020.

(2) For trend analysis represented by each financial key performance indicators, please refer to the "Management Discussion and Analysis" for the trend analysis.

(3) Differences between the financial key performance indicators and financial statements. No difference is noted between the financial key performance indicators and the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, some of which are inherent to the business of the Group and some are from external sources. Major risks are summarized below:

- **Risks arising from macro-economy**

  PRC's economy is in the stage of transformation and upgrading. The supply-side structural reform will potentially affect the operation status and future prospects of our iron ore business. In view of the uncertain factors in our industry, our Group actively seeks to diversify its business development to cope with the risks faced by our Company. Besides maintaining the existing mining business, our Group actively promotes the comprehensive utilization of solid waste by expanding the production and sales of construction sand and gravel through Jiheng Mining, so as to realize diversified business development and bring new drivers to the Group's sustainable economic growth.

- **Risks arising from environmental protection policy**

  PRC's environmental protection policy is becoming increasingly tight, especially in the Baoding area where our Company is located, which is close to the capital Beijing and Xiongan New Area. Open-pit mining has become one of the industries that environmental protection agencies pay close attention to. The Company strictly complies with the requirements of local environmental policies and regulations, adheres to ecological priority and practices the concept of green development, and targets at construction of green mines. During the daily operating process, through a variety of environmental protection measures such as sprinkling water and dust prevention, and afforestation, the Company reduced the local environmental impact of the Group's production and operation. While maintaining the existing iron ore business operations, the Group also actively promotes solid waste comprehensive utilization projects encouraged by the state, launches green building materials business, promotes upgrading and transformation of mines through the construction of circular economy production methods, and strives to build a green, environmentally friendly and civilized eco-economic system to avoid increasingly stringent environmental protection policies.

- **Risks arising from competition**

  With the increasing demand for iron ore quality in PRC's iron and steel industry, more imported iron ore with better quality will be preferred. This will inevitably affect the market sales of domestic iron ore, and even lead to the withdrawal of domestic high-cost iron ore suppliers. In view of this risk, the Group will improve the grade and quality of iron ore through technological renovation, reduce production costs through fine management and other measures, and strive to establish a long-term stable supply-demand relationship with downstream customers through active sales strategies.

- **Risks arising from product price fluctuations**

  The Group believes that the operating environment of PRC's steel and mining industry in 2020 is still complex and changeable, steel and mining industries will continue to frequent volatility situation. The Group will hedge the risk of price decline by virtue of its low-cost advantages and active sales strategy. At the same time, it will reduce production costs and administrative expenditure by means of process improvement, equipment upgrading and internal control, so as to minimize the impact of falling iron ore market prices on the Group's profits.

- **Risks arising from difficulties in collecting accounts receivable**

  The Group granted some customers certain credit period in accordance with the credit status of the customers as well as business practices, which resulted in the Group having accumulated some trade receivables. However, due to the sluggish and continuous downturn of iron ore's down-stream products, if certain customers experienced cash flow problem, their debt repayment ability will be affected, which will in turn lead to long term for the overdue payment, making it more difficult for the Group to recover the trade receivables from the customers. The Group has established internal control system and accounts receivable management system, which requires regular update of customers' credit status. The Group has also put in more effort to collect trade receivables in order to reduce the risk of bad debt.

- **Risks arising from production**

  Although the Group is committed to maintaining a high level of safety in the production process, iron ore mining, one of the main business activities of the Group is relatively hazardous by its nature and affected by a number of external factors which are beyond the control of the Group, including the production environment and natural disaster. Production safety is significant to the sustainable and stable development of the Group. The Group has established production safety system and set up designated department to supervise the performance, and ensure the safe production of the Group's operating mines through safety education and improvement of infrastructures.

PERMITTED INDEMNITY

The articles of association (the "**Articles**") of the Company provides that the Directors shall be indemnified and held harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

A directors' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 90 of this annual report.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2019 (2018: Nil).

ANNUAL GENERAL MEETING

The 2020 annual general meeting of the Company (the "**2020 AGM**") will be held at 10:00 a.m. on 29 May 2020 at Meeting Room, Ritan Club, Building 1, Ritan East Road, Chaoyang District, Beijing, PRC.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020 (both days inclusive) during which period no transfer of shares of the Company will be effected. In order to determine the entitlement to attend and vote at the 2020 AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 25 May 2020.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 December 2019 in the Group's property, plant and equipment are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements during the year in the issued share capital of the Company are set out in note 28 to the financial statements of this annual report.

DISTRIBUTABLE RESERVES

Details of the movements during the year ended 31 December 2019 in the reserves of the Group are set out in the consolidated statement of changes in equity on page 93 of this annual report.

As at 31 December 2019, the Company's reserves available for distribution to the Shareholders in accordance with the Articles were RMB1,105 million. Under the Cayman Companies Law, subject to the provision of its Articles, the share premium account may be applied by the Company in paying distributions or dividends to its members or in paying up unissued shares to be issued to its members as fully paid bonus shares provided that no distribution or dividend may be paid to members out of the share premium account unless, 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.

The reserves of the Company available for distribution depend on the dividend distributable by the Company's subsidiaries. For dividend purpose, the amount which the Company's subsidiaries in the PRC can legally distribute by way of a dividend is determined by reference to their distributable profits as reflected in the PRC statutory financial statements which are prepared in accordance with accounting principles generally accepted in the PRC. These distributable profits differ from those that are reflected in the Group's financial statements prepared in accordance with the IFRSs.

FINANCIAL SUMMARY

A summary of the results, assets, liabilities and shareholders' interests of the Group for the last five financial years is set out on pages 5 to 6 of this annual report.

LOANS AND BORROWINGS

Details of the loans and borrowings of the Group are set out in note 22 to financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The sale and purchase from the Group's major suppliers and customers as percentages of the Group's total sales and purchase for the year ended 31 December 2018 and 2019 are set out as follows:

	2019 % of the Group's total		2018 % of the Group's total	
	Sale	Purchase	Sale	Purchase
Largest customer	40.1%	–	51.5%	–
Total of five largest customers	98.4%	–	100.0%	–
Largest supplier	–	9.8%	–	14.8%
Total of five largest suppliers	–	38.2%	–	32.1%

During the year, the Group's customers were highly concentrated primarily because (i) iron ores are bulk raw materials and the customers required stable supply; and (ii) the production volumes of self-produced products were insufficient to adequately satisfy the requirements of multiple target customers. The Group was aware of the risk of concentrated customer base and has entered into non-exclusive sales agreements with several potential customers. Pursuant to the agreements, the Group is able to sell any of our products to the potential customers without any restrictions.

For the year ended 31 December 2019, to the knowledge of Directors, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest suppliers or customers.

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information in respect of the Directors and senior management for the year and as at the date of this annual report:

Name	Position/Title in the Group	Date of Appointment or Re-election
Li Yanjun	Chairman and Executive Director	29 May 2018
Li Ziwei	Executive Director and Chief Executive Officer	31 May 2019 23 August 2018 (appointed as the Chief Executive Officer)
	General manager of Aowei Mining	25 June 2019
Sun Jianhua	Executive Director and Chief Financial Officer	29 May 2017
Li Jinsheng	Executive Director and general manager of Aowei Mining	Resigned on 25 June 2019
Jin Jiangsheng	Executive Director and executive deputy general manager of Aowei Mining	Appointed on 25 June 2019, and resigned on 7 April 2020
Tu Quanping	Executive Director	29 May 2018

Name	Position/Title in the Group	Date of Appointment or Re-election
Ge Xinjian	Independent Non-executive Director	31 May 2019
Meng Likun	Independent Non-executive Director	29 May 2017
Kong Chi Mo	Independent Non-executive Director	29 May 2018
Gao Changquan	Deputy general manager of Aowei Mining	30 March 2016 (appointed as deputy general manager of Aowei Mining)
Li Shaoshun	Director and deputy general manager of Aowei Mining	30 March 2016 (appointed as deputy general manager of Aowei Mining) 1 November 2016 (appointed as director of Aowei Mining)
Li Dongfeng	Director of Aowei Mining and general manager of Jiheng Mining	8 June 2011 (appointed as director of Aowei Mining) 10 August 2010 (appointed as the general manager of Jiheng Mining)

Biographical details of the current Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 29 to 32 of this annual report.

In accordance with the Articles, Mr. Li Yanjun, Mr. Sun Jianhua and Mr. Meng Likun will retire at the 2020 AGM, and being eligible, will offer themselves for re-election at the 2020 AGM.

CHANGE IN DIRECTORS' INFORMATION

As of the date of this annual report, save as those disclosed in the section headed "Directors" above, there was no information of the Company in relation to Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

SERVICE CONTRACTS OF THE DIRECTORS

The Company has entered into a director service contract with each Director. The main details are as follows:

On 30 March 2019, Mr. Li Jinsheng and the Company entered into a director service contract with a term of one year which was terminated as Mr. Li resigned as Executive Director of the Company on 25 June 2019;

On 25 June 2019, Mr. Jin Jiangsheng and the Company entered into a service contract with a term of three years, which was terminated as Mr. Jin resigned as Executive Director of the Company on 7 April 2020;

On 28 November 2019, each of Mr. Li Yanjun, Mr. Li Ziwei, Mr. Sun Jianhua, Mr. Tu Quanping, Mr. Ge Xinjian, Mr. Meng Likun and Mr. Kong Chi Mo entered into a service contract with the Company for a term of three years which may be terminated or renewed in accordance with their respective contract terms;

None of the Directors has signed with the Company any service contract that shall not be terminated without compensation (exclusive of statutory compensation) within one year.

REMUNERATION FOR THE DIRECTORS AND TOP FIVE HIGHEST PAID INDIVIDUALS

Detailed information on remuneration for the Directors and top five highest paid individuals of the Company is set out in notes 7 and 8 to the consolidated financial statements.

None of the Directors has agreed to waive any remuneration for the year ended 31 December 2019. The remuneration for the Directors was proposed by the remuneration committee of the Company (the "**Remuneration Committee**"), which would take into account remuneration paid by similar companies, conditions of employment, responsibilities and individual performance when proposing the remuneration.

EMOLUMENT POLICIES

The emolument policies of the Group are based on performance, experience, competence and market comparables. Remuneration packages generally comprise salary, housing allowance, contribution to pension schemes and discretionary bonus relating to the performance of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

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

As at 31 December 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 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 Hong Kong 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 (the "**Model Code**"), were as follows:

Interests in the Shares:

Name of Directors	Capacity/nature of interest	Number of Shares (long position)	Approximate percentage of issued Shares
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 settler, protector and a beneficiary of the Seven Trust with Credit Suisse Trust Limited as the trustee which holds the entire issued share capital of Aowei International Developments Limited through Seven Limited. Pursuant to the Confirmation Letters, Mr. Li Ziwei and Mr. Li Yanjun 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. 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 31 December 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:

Name of Shareholders	Capacity/nature of interest	Number of Shares (long position)	Approximate percentage of 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 of 31 December 2019.

PRE-EMPTIVE RIGHTS

Pursuant to the Articles, in which the Company was incorporated in the British Virgin Islands and continued in the Cayman Islands, and the laws of the Cayman Islands, there is no provision in relation to pre-emptive rights applicable to the Company.

SHARE OPTION SCHEME

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

MANAGEMENT CONTRACTS

The Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

On 8 December 2016, Hebei Aowei Industrial Group Co., Ltd. ("**Aowei Group**") entered into the property leasing framework agreement (the "**2016 Property Leasing Framework Agreement**") with the Company, pursuant to which the Company rented properties from Aowei Group as office premises.

Annual caps for the transactions contemplated under the 2016 Property Leasing Framework Agreement for the year ended 31 December 2017, 2018 and 2019 are set out as follows:

	For the year ended 31 December		
	2017	2018	2019
	(RMB Millions)		
Estimated amount of rent paid by the Company to Aowei Group	4.35	4.35	4.35

As Mr. Li Yanjun is one of the Directors and controlling Shareholders of the Company, pursuant to Rule 14A.07 of the Listing Rules, Mr. Li Yanjun is a connected person of the Company. Given that the equity interests of Aowei Group are owned by Mr. Li Yanjun and Mr. Li Xiaojun as to 99% and 1%, respectively, Aowei Group, pursuant to Rule 14A.12(1)(C) of the Listing Rules, is an associate of Mr. Li Yanjun. Therefore, Aowei Group is also a connected person of the Company under Rule 14A.07(4) of the Listing Rules and the transactions contemplated under the 2016 Property Leasing Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. For further details of the above transactions, please refer to the Company's announcement dated 8 December 2016.

All independent non-executive Directors had reviewed the above continuing connected transaction and confirmed that such transactions had been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) either on normal commercial terms or, if there were no sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing the relevant transactions on terms that were fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, and reported that:

(1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and

(4) with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the amount of the disclosed continuing connected transactions has exceeded the aggregate annual caps disclosed in the previous announcement made by the Company in respect of the disclosed continuing connected transactions.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CONNECTED TRANSACTIONS

The 2016 Property Leasing Framework Agreement has expired on 31 December 2019, and the Group continued to rent the properties in Beijing and Baoding, China owned by Aowei Group. On 30 December 2019, the Group has entered into the following tenancy agreements with Aowei Group:

1. Laiyuan County Aowei Mining Investments Co., Ltd. (an indirect wholly-owned subsidiary of the Company) rented a property in Beijing as office from Aowei Group from 1 January 2020 to 31 December 2022 (both days inclusive) at the annual rent of RMB3,900,000, and entered into the tenancy agreement ("**Beijing Tenancy Agreement**") with a term of three years. Please refer to the announcement dated on 30 December 2019 for details.

2. Baoding Aoxiang Property Services Co., Ltd., Baoding Xinan Medical Management Consulting Co., Ltd. and Baoding Xiang'an Pharmaceutical Sales Co., Ltd. (an indirect wholly-owned subsidiary of the Company) rented a property in Baoding as office free of charge from Aowei Group from 1 January 2020 to 31 December 2022 (both days inclusive) respectively, and entered into the tenancy agreement with a term of three years.

Since Mr. Li Yanjun is a director and one of the controlling shareholders of the Company, Mr. Li Yanjun is a connected person of the Company. Considering that Mr. Li Yanjun holds 99% of equity interests of Aowei Group, Aowei Group is an associate of Mr. Li Yanjun, which is thereby a connected person of the Company. Therefore, the transactions under the tenancy agreements constitute connected transactions.

In accordance with IFRS 16, Leases, the lease transaction under the Beijing Tenancy Agreement was regarded as the acquisition of assets. Therefore, the Company will recognise the value of right-of-use asset in respect for the relevant leasing property under the Beijing Tenancy Agreement in the Consolidated Statement of Financial Position of 2020.

The connected transactions as defined in Chapter 14A of the Listing Rules which also constitute related party transactions were disclosed in note 31 to the consolidated financial statements. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules for the year ended 31 December 2019.

SIGNIFICANT CONTRACTS

Save as disclosed in the section headed "Non-exempt Continuing Connected Transactions and Connected Transactions" of this annual report, none of the Company or any of its subsidiaries entered into material contracts with the controlling Shareholder or any of its subsidiaries other than the Group, nor was there any material contract between the Group and the controlling Shareholder or any of its subsidiaries other than the Group in relation to provision of services.

COMPLIANCE OF DEED OF NON-COMPETITION

The Company entered into a deed of non-competition (the "**Deed of Non-Competition**") with Mr. Li Ziwei, Mr. Li Yanjun, Hengshi International Investments Limited and Hengshi Holdings Limited (collectively, the "**Controlling Shareholders**") on 12 November 2013. Pursuant to the Deed of Non-Competition, each Controlling Shareholder has undertaken to the Company (for itself and in favour of its subsidiaries) that they will not, profitably or non-profitably, and will procure their associates (except any members of the Group) not to, directly or indirectly, either on his own or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate in or hold interests in or engage in or acquire or hold construction, development, operation or management of any business or activity which competes or may compete with the business of the Group, being the exploration, mining, processing and trading of iron ore products and the major products including iron ores, preliminary concentrates and iron ore concentrates (the "**Restricted Business**"). The Controlling Shareholders have also granted us an option for new business opportunities, a pre-emptive right and an option for acquisition to acquire any potential interest in their business which competes or is likely to compete, either directly or indirectly, with the Restricted Business.

In accordance with the Deed of Non-Competition, the independent non-executive Directors are responsible for reviewing and considering whether exercising the option for new business opportunities, pre-emptive right and the option for acquisition as well as conducting annual review of implementation of the Deed of Non-Competition on behalf of the Company. Each Controlling Shareholder has made annual confirmation of compliance with the Deed of Non-Competition, and the independent non-executive Directors have also reviewed the implementation of the Deed of Non-Competition, and confirmed that the Controlling Shareholders have fully abided by the Deed of Non-Competition without any breach of the Deed of Non-Competition.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, there were no transactions, arrangements, or contracts of significance in relation to the business of the Group, to which the Company, its parent, its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDER' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries subsisted at the end of year or at any time during the year.

No contracts of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2019, having made specific enquiries to all Directors, all of them have confirmed that neither themselves nor their respective close associates (as defined in the Listing Rules) held any competing interests in any business which competes or is likely to compete either directly or indirectly with the business of the Group.

SIGNIFICANT SUBSEQUENT EVENTS

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

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

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rule 3.21 and Appendix 14 to the Listing Rules. The full version of the terms of reference of the audit committee of the Board is available on the Stock Exchange's website and the Company's website at www.aoweiholding.com.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures.

The audit committee currently comprises three independent non-executive Directors, namely Mr. Ge Xinjian (Chairman), Mr. Meng Likun and Mr. Kong Chi Mo. During the year ended 31 December 2019, the audit committee has reviewed (i) the audited financial statements and annual results announcement of the Group for the year ended 31 December 2018; and (ii) the financial statements and interim results announcement of the Group for the six months ended 30 June 2019. During the year ended 31 December 2019, the audit committee has reviewed the risk management and internal control systems of the Group.

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference in compliance with the Listing Rules.

The remuneration committee currently comprises two independent non-executive Directors, namely Mr. Meng Likun (Chairman) and Mr. Ge Xinjian and one executive Director, namely Mr. Li Ziwei.

NOMINATION COMMITTEE

The Company established a nomination committee with written terms of reference in compliance with the Listing Rules.

The nomination committee currently comprises one executive Director, namely Mr. Li Yanjun (Chairman) and two independent non-executive Directors, namely Mr. Meng Likun and Mr. Kong Chi Mo.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2019.

COMPLIANCE OF THE CORPORATE GOVERNANCE CODE

As a listed company on the main board of the Stock Exchange, the Company is committed to maintaining high level of corporate governance. Throughout the year ended 31 December 2019, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Please refer to "Corporate Governance Report" in this annual report for details.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Throughout the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the public float as required under the Listing Rules as at the date of this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes the significance of good relationship with employees, customers and suppliers to the long-term development of the Group's business.

- **Employees**

  As to the employees' relationship, the Group has taken various measures to improve employees' benefit, provided training opportunities for each job position and adopted a performance management system that enhances employees' career development. At the same time, management and employees also maintain good communication, and employees are encouraged to provide feedback.

- **Customers and Suppliers**

  As to the relationship with customers and suppliers, the Group selected the customers and suppliers based on various criteria, including but not limited to qualifications and reputations. The Group has always adhered to business principles with integrity and bona fide and maintained good business relationships with major customers and suppliers, and contracts with them were all entered into and performed on mutually beneficial basis.

  The Group's customers mainly consist of iron and steel plants, processing plants and trading companies that purchase iron ore as raw materials. During the Reporting Period, certain customers were in financial difficulties and the recoverability of their trade receivables was still low. Therefore, the Group stopped supplying goods to them, initiated discussions on repayment terms with them and monitored their repayment schedules. In the emergency period, the Group will also take legal means to protect its own rights and interests.

  The Group's suppliers mainly consist of mining contractors, transportation contractors, suppliers of production-related materials and trading companies. During the Reporting Period, no incidents that will adversely affect the Group's product supply have occurred. If the goods purchased from suppliers have an adverse impact on the Group, the Group will safeguard its rights and interests through various means.

RETIREMENT AND EMPLOYEES' BENEFIT PLAN

Detailed information on the retirement and employees' benefit plan of the Company is provided in note 5 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes that proper adoption of environmental policies is essential to the sustainability of corporate growth, and has established specific department to supervise the compliance of the Group with environmental laws and regulations. During the daily operations, the Group has paid close attention to the latest development of environmental protection laws and regulations to ensure that the Group's environmental policies are in line with the legal standard in order to contribute to an environment-friendly society.

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, including but not limited to those which have significant impact on the Group, such as the Listing Rules and the International Financial Reporting Standards. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. For further details, please refer to the "Environmental, Social and Governance Report" of this annual report.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2019, the Group has not been involved in any significant legal proceedings or arbitration. To the knowledge of the Directors, there are no significant legal proceedings or claims pending or threatened against the Group.

EVENTS AFTER THE REPORTING PERIOD

Other than as disclosed above and elsewhere in this report, from 1 January 2020 to the date of this report, there are no other major subsequent events for the Group.

AUDITOR

The Company appointed KPMG as its auditor of the Company for the year ended 31 December 2019. A resolution will be proposed for approval by the Shareholders at the 2020 AGM to re-appoint KPMG as the auditor of the Company.

By order of the Board

Mr. Li Yanjun
Chairman of the Board

25 March 2020

CORPORATE GOVERNANCE REPORT

The board of Directors (the "**Board**") of Aowei Holding Limited (the "**Company**") is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance the Group's performance. The Group believes that operating its businesses in an open and responsible manner and following good corporate governance practices serve its long-term interests and those of its shareholders.

During the year, the Company has complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Board as a whole is responsible for performing the corporate governance duties and ensuring compliance with the Listing Rules. The Board reviews at least annually the corporate governance practices of the Company to ensure its continuous compliance with the CG Code, and make appropriate changes if considered necessary.

Set out below is the detailed discussion of the corporate governance practices adopted and observed by the Company during the year ended 31 December 2019 (the "**Reporting Period**").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2019.

BOARD OF DIRECTORS

The Board is collectively responsible for leading and overseeing the Group's business with the objective of enhancing Shareholders' value. The Board currently comprises a combination of executive Directors and independent non-executive Directors. At least one of the independent non-executive Directors possesses appropriate professional qualifications (or accounting or related financial management expertise) as required by the Listing Rules. This provides a healthy professional relationship between the Board and the management to shape the strategic process. The management shall provide members of the Board and specialized committees under the Board with appropriate and sufficient information in a timely manner so as to update them with the latest developments of the Group and to better facilitate the discharge of their duties. The management team is accountable to the Board, executing the strategies and plans formulated by the Board, and making decisions in relation to the day-to-day operation of the Group. The management reports monthly to the Board on the operation and financial performance of the Group. The Board is also supported by other key committees to independently supervise management. These key committees are the audit committee, remuneration committee and nomination committee and are comprised mainly of independent non-executive Directors.

As at the date of this annual report, the composition and committees of the Board were as follows:

Name of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors			
Li Yanjun *(Chairman)*	–	–	C
Li Ziwei *(Chief Executive Officer)*	–	M	–
Sun Jianhua *(Chief Financial Officer)*	–	–	–
Li Jinsheng (resigned on 25 June 2019)	–	–	–
Jin Jiangsheng (appointed on 25 June 2019, and resigned on 7 April 2020)	–	–	–
Tu Quanping	–	–	–
Independent Non-executive Directors			
Ge Xinjian	C	M	–
Meng Likun	M	C	M
Kong Chi Mo	M	–	M

Note:

C: Chairman
M: Member

During the year, the resignation and appointment of Directors are set out as follows:

On 25 June 2019, Mr. Li Jinsheng has resigned as an executive Director due to the need to devote more time for his other business commitments, and Mr. Jin Jiangsheng has been appointed as an executive Director.

As of 31 December 2019, the Board consisted of eight Directors including five executive Directors and three independent non-executive Directors. The number of independent non-executive Directors complied with the requirement of Rule 3.10(A) of the Listing Rules. Each independent non-executive Director has given an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Non-executive Directors (including independent non-executive Directors) are appointed for a specific term (no more than three years) and subject to retirement by rotation. None of the independent non-executive Directors has served the Company for more than nine years.

The biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" of this annual report. Mr. Li Yanjun and Mr. Li Ziwei are parent-child relationship. Save as disclosed above, none of the members of the Board has any financial, business or family relationships or any relationships in other material aspects with other members.

The key roles of the Board are:

- to guide the overall development, corporate strategies and directions of the Group, approve the Board's policies, strategies and financial objectives of the Group and monitor the performance of management;
- to ensure effective management leadership of the highest quality and integrity;

- to approve major funding proposal and investments; and
- to provide overall insight in the proper conduct of the Group's business.

During the year, the Company held four regular and two special Board meetings for reviewing and approving the financial and operating performance and considering the overall strategies and policies of the Group and appointment of executive director, etc. Sufficient notice (at least 14 days notice of regular Board Meetings) convening the Board meeting was dispatched to the Directors setting out the matters to be discussed. All Directors were given an opportunity to include matters in the agenda for the Board meeting and had access to the company secretary of the Company (the "**Company Secretary**") to ensure that all board procedures and all applicable rules and regulations were followed. The Board also enabled the Directors to seek independent professional advice at the Company's expense in appropriate circumstances. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The Company Secretary was responsible for keeping minutes for the Board meetings.

During the Reporting Period, the Company held the annual general meeting on 31 May 2019. The following is the attendance record of the meetings held by the Board, audit committee, remuneration committee, nomination committee and the Shareholders for the year ended 31 December 2019:

	Number of meeting attended/Number of meeting held				
Name of Directors	Board meeting	Audit committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Annual general meeting
Executive Directors					
Li Yanjun *(Chairman)*	6/6	–	–	2/2	1/1
Li Ziwei *(Chief Executive Officer)*	6/6	–	3/3	–	1/1
Sun Jianhua *(Chief Financial Officer)*	6/6	–	–	–	1/1
Li Jinsheng (resigned on 25 June 2019)	2/2	–	–	–	1/1
Jin Jiangsheng (appointed on 25 June 2019, and resigned on 7 April 2020)	3/3	–	–	–	0/0
Tu Quanping	6/6	–	–	–	1/1
Independent Non–executive Directors					
Ge Xinjian	6/6	2/2	3/3	–	1/1
Meng Likun	6/6	2/2	3/3	2/2	1/1
Kong Chi Mo	6/6	2/2	–	2/2	1/1

DIRECTORS' TRAINING

According to code provision A.6.5 of the CG Code, all directors should participate in a continuous professional development course to develop and refresh their knowledge and skills to ensure that they continue to contribute to the Board with comprehensive information and where necessary.

All Directors have been provided with training on their duties and responsibilities as a director of a listed company and the compliance issues under the Listing Rules. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure their compliance and enhance their awareness of good corporate governance practices.

Directors had provided the Company with their respective training records pursuant to the CG Code. During the Reporting Period, all Directors have participated in appropriate continuous professional development by ways of attending training or reading materials relevant to the Company's business or to Directors' duties and responsibilities.

The records of the training attended by the Directors are set out as follows:

Name	Position	Types of Training
Li Yanjun	Chairman and Executive Director	A,B
Li Ziwei	Executive Director and Chief Executive Officer	A,B
Sun Jianhua	Executive Director and Chief Financial Officer	B
Li Jinsheng	Executive Director and General manager of Aowei Mining (resigned on 25 June 2019)	–
Jin Jiangsheng	Executive Director (appointed on 25 June 2019, and resigned on 7 April 2020)	A,B
Tu Quanping	Executive Director	A,B
Ge Xinjian	Independent non-executive Director	A,B
Meng Likun	Independent non-executive Director	B
Kong Chi Mo	Independent non-executive Director	A,B

Notes:

A : attending seminars and/or conferences and/or forums relating to directors' duties or other relevant topics
B : reading newspaper, journals and updates relating to the economy, general business or directors' duties, etc.

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

The positions of the chairman of the Board and the chief executive officer of the Company are held by different individuals in order to ensure the independence and accountability of their respective duties and a balanced distribution of power and authority between them. Mr. Li Yanjun is the chairman of the Board and is responsible for the management and effective operation of the Board, ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. Mr. Li Ziwei is the chief executive officer and is responsible for the daily operational activities of the Group and accountable to the Board for the overall operations of the Group. During the Reporting Period, the chairman of the Board held one meeting with the independent non-executive Directors in the absence of the other Directors.

The chairman chairs the Board meetings and briefs the Board members on the issues discussed at the Board meetings.

The chairman also ensures that the Board members work together with the management with the capability and authority to enable management to express constructive views on various matters, including strategic issues and business planning processes.

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

According to the Articles, at each annual general meeting, one-third of the Directors are subject to retirement by rotation or, if the number is not a multiple of three, then the number nearest to but not less than one-third shall retire from the office and shall be eligible for re-election. The Directors to be retired by rotation shall be those who have been longest in office since their last appointment or re-election. Every Director shall be subject to retirement at an annual general meeting at least once every three years. Any other appointment, resignation, removal or re-designation of Director will be timely disclosed to the Shareholders by announcement, and such announcement shall include the reasons given by the Director for his resignation.

The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Company's business.

COMPANY SECRETARY

For the year ended 31 December 2019, Ms. Kwong Yin Ping, Yvonne is the company secretary of the Company. Ms. Kwong Yin Ping, Yvonne has taken no less than 15 hours of relevant professional training. The main contact of Ms. Kwong in the Company is Mr. Li Ziwei.

The company secretary of the Company shall be responsible for ensuring good information flow among members of the Board and that the policies and procedures of the Board are followed. The company secretary make recommendations on governance matters to the Board through the chairman of the Board and the chief executive officer, and shall also arrange for induction training and professional development of the Directors.

SPECIALIZED COMMITTEES UNDER THE BOARD

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee to provide the Board with specialized decision-making support. The Company has established and updated systematically the terms of reference of each of the committees as required by the Listing Rules as well as its amendment, which clearly set out duties of each of the committees.

AUDIT COMMITTEE

The audit committee of the Board was established with effect from the listing date in compliance with Rule 3.21 of the Listing Rules. It is responsible for ensuring that the Company has an effective financial reporting and internal control systems in compliance with the Listing Rules, overseeing the integrity of the financial statements of the Company (including the review of the quarterly, half-yearly and annual results and internal control system), selecting and assessing the independence and qualifications of the Company's external auditor and ensuring effective communication between the Directors and external auditor. The audit committee consists of three members (including all independent non-executive Directors), namely, Mr. Ge Xinjian (Chairman of the committee), Mr. Meng Likun and Mr. Kong Chi Mo, who possesses the appropriate professional qualification or accounting or related financial management expertise. The written terms of reference of this committee has been made available on the Company's website at www.aoweiholding.com and on the website of the Stock Exchange.

The audit committee held two physical meetings during the year ended 31 December 2019. At these two meetings, the audit committee discussed and reviewed, among other things, (i) the accuracy and fairness of Group's annual results for the year ended 31 December 2018 and interim results for the six months ended 30 June 2019; and (ii) the effectiveness of the Group's internal control systems.

The Group established an independent internal audit function directly reporting to the audit committee. The internal audit personnel will attend the audit committee meetings and report on internal audit matters annually. If there is any material internal control defects, the internal audit personnel directly reports to the audit committee without limitation. The audit committee assists the Board in monitoring the risk exposures, the design and operating effectiveness of the relevant risk management and internal control systems. The audit committee will report to the Board after properly reviewing the effectiveness of the Group's risk management and internal control systems.

During the year ended 31 December 2019, the audit committee has reviewed the risk management and internal control systems and the effectiveness of the Company's internal audit function. Details of the risk management and internal control of the Group are set out on page 59 of this report.

REMUNERATION COMMITTEE

The remuneration committee of the Board was established with effect from the listing date in accordance with the Listing Rules. It is responsible for assisting the Board in determining the policy and structure for the remuneration of Directors and senior management, assessing the performance of executive Directors, reviewing incentive schemes and the terms of the Directors' service contracts and fixing the remuneration packages for executive Directors and senior management. The remuneration committee consists of three members (including one executive Director and two independent non-executive Directors), namely, Mr. Meng Likun (Chairman of the committee), Mr. Ge Xinjian and Mr. Li Ziwei. The written terms of reference of this committee has been made available on the Company's website at www.aoweiholding.com and on the website of the Stock Exchange.

Under the remuneration policy of our Company, the Remuneration Committee will make recommendations to the Board on the amount of remuneration payable to Directors and the senior management, by reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities, tenure, commitment, responsibilities and performance of Directors and the senior management. The Remuneration Committee held three physical meetings during the year ended 31 December 2019. At these three meetings, the Remuneration Committee discussed and reviewed, among other things, (i) the remuneration policy and structure for Directors and senior management for the year ended 31 December 2018; (ii) the remuneration, welfare and benefits of Mr. Jin Jiangsheng appointed as an executive director of the Company; and (iii) the remuneration, welfare and benefits under directors' service contracts renewed by the Company with executive Directors and independent non-executive Directors.

The remuneration payable to the senior management (including Directors) during the year ended 31 December 2019 by band is set out below:

Name of Director	Remuneration Band	Director's Fee	Salaries, allowances and benefits in kind	Pension Scheme contributions	Total
	RMB	%	%	%	%
Executive Directors					
Mr. Li Yanjun	1,000,000 – 1,500,000	–	100	–	100
Mr. Li Ziwei	500,000 – 1,000,000	–	98.1	1.9	100
Mr. Sun Jianhua	0 – 500,000	–	95.1	4.9	100
Mr. Jin Jiangsheng	0 – 500,000	–	99.0	1.0	100
Mr. Li Jinsheng (resigned)	500,000 – 1,000,000	–	100	–	100
Mr. Tu Quanping	500,000 – 1,000,000	–	98.8	1.2	100
Independent non-executive Directors					
Mr. Ge Xinjian	0 – 500,000	100	–	–	100
Mr. Meng Likun	0 – 500,000	100	–	–	100
Mr. Kong Chi Mo	0 – 500,000	100	–	–	100

Name of senior management	Remuneration Band	Director's Fee	Salaries, allowances and benefits in kind	Pension Scheme contributions	Total
	RMB	%	%	%	%
Mr. Gao Changquan	0-500,000	–	98.3	1.7	100
Mr. Li Shaoshun	500,000-1,000,000	–	99.0	1.0	100
Mr. Li Dongfeng	500,000-1,000,000	–	99.0	1.0	100

NOMINATION COMMITTEE

The Board has established a nomination committee of the Company (the "**Committee**" or the "**Nomination Committee**") in compliance with the code provisions of the CG code with effect from the listing date. The principal duties of the Nomination Committee are to formulate and review the nomination and Board members diversity policies, review the size, structure and composition of the Board, assess the independence of INEDs, and to make recommendations to the Board on nominations, appointment of Directors and Board succession with adequate consideration to the Board members diversity policy. The nomination committee consists of three members (including one executive Director and two independent non-executive Directors), namely, Mr. Li Yanjun (Chairman of the committee), Mr. Meng Likun and Mr. Kong Chi Mo. The written terms of reference of this committee has been made available on the Company's website at www.aoweiholding.com and on the website of the Stock Exchange.

The nomination committee held two physical meetings during the year ended 31 December 2019. At these meetings, the nomination committee discussed and reviewed, among other things, (i) the existing structure, number, composition and diversity of the Board and the sufficiency of time and efforts contributed by the Directors in relation to the performance of their duties of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the Group's business and that it is in compliance with the requirements under the Listing Rules; (ii) the recommendation on reelection of retiring Directors at the forthcoming annual general meeting, (iii) the independence of the independent non-executive Directors; and (iv) Mr. Jin Jiangsheng was nominated as an executive Director. The nomination committee believes that Mr. Jin Jiangsheng can bring personal perspectives, skills and experience to the Board. According to the Board's diversity policy adopted by the Company, the nomination committee believes that Mr. Jin Jiangsheng can contribute to the diversity of the board of directors, especially with his educational background and professional experience in professional knowledge, including his rich experience in industrial marketing and corporate management. For the biographical details of Mr. Jin Jiangsheng, please refer to Biographies of Directors and Senior Management of this annual report.

Duties and Functions

The duties of the Committee are as follows:

(a) review from time to time the structure, number and composition (including the skills, knowledge and experience) of the Board at least annually and recommend to the Board for its consideration in Policy on selection criteria of potential candidates for directorship of the Company for the Board to achieve a balance of skills, experience and diversity of perspective appropriate to the requirements of the Group's strategic focus and specific business needs. Changes to the Board's composition shall not cause interference to the Company; and shall continue to achieve a balanced composition of Directors so that there is a strong independent element in the Board, which can effectively exercise independent judgment;

(b) review from time to time and recommend to the Board the succession plan to ensure the stability of the Board to complement the Company's corporate strategy;

(c) review and report annually on any measurable objectives set for the implementation of the Board Diversity Policy and the Nomination Policy, and the progress on achieving these objectives (if relevant);

(d) receive from a Director referral of suitable qualified candidate for it to assess if the potential candidate meets the above selection criteria, which shall be based on meritocracy and the Board Diversity Policy appropriate for the Company's business and specific business needs; assess and recommend the Board for approval the nomination of the selected candidate as a Director either to fill a casual vacancy or as an addition to the existing Board and/or a member of any Board Committee of the Company and senior management;

(e) identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships. The Board and shareholders shall be provided with detailed curriculum vitae of nominated candidates so that they can make well-informed decisions;

(f) identify and nominate candidates to fill temporary vacancies of Directors for the approval of the Board;

(g) assess the independence of independent non-executive Directors, review the annual confirmation submitted by independent non-executive Directors in respect of their independence and make disclosure of the findings in the "Corporate Governance Report";

(h) review the time required by Directors in performing their responsibilities on a regular basis;

(i) make other relevant disclosures in the Corporate Governance Report for approval by the Board in accordance with the Listing Rules;

(j) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer;

(k) under suitable circumstances, review the Board Diversity Policy and Director Nomination Policy, and measurable objectives and the progress made when the members of the Board implement the Policies, as well as the annual disclosure of the findings in the "Corporate Governance Report"; and

(l) conform to any requirement, direction, and regulation that may from time to time be contained in the articles of association of the Company or imposed by the Listing Rules or applicable law.

The Committee is accountable to the Board. Resolutions proposed by the Committee shall be submitted to the Board for consideration and decision, among which, resolutions on the nomination of candidates for directors shall be submitted to the general shareholders' meeting for consideration and approval upon approval by the Board. The Committee shall make sure that where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he/she should be elected and the reasons why they consider him/her to be independent.

Decision-making Procedures

The Committee shall examine the election criteria and procedures and the term of office of directors and senior management of the Company in accordance with relevant laws and regulations and the provisions of the articles of association while taking into consideration of the Company's actual circumstances. The Committee shall, upon formation of a resolution, submit it to the Board for approval and, if approved, implement it accordingly.

The Nomination Policy of Directors and senior management are as follows:

(a) the Committee shall actively carry out communications with relevant departments of the Company in examining the Company's demand for new directors and senior management and prepare written materials;

(b) the Committee may search for candidates for directors and senior management on an extensive scale in the Company, holding enterprises (with a controlling or minority interest) and the job market;

(c) the selection of relevant candidates will consider whether the candidates can complement the other Directors, whether they will enhance the overall talents, experience and expertise of the Board, taking into account the distribution of gender, age, professional experience and qualifications, cultural and educational background and any other factors that the Board considers relevant and applicable to contribute to the diversity of the members of the Board from time to time;

(d) the Committee shall seek the consent of the nominees on the nomination, otherwise such persons shall not be nominated for directors and senior management;

(e) the Committee shall convene a meeting to conduct a qualification check of the preliminary candidates based upon the appointment criteria for directors and senior management;

(f) the Committee shall submit to the Board its recommendations on the candidates for directors and senior management and relevant materials one to two weeks prior to the election of new directors or the appointment of new senior management; and

(g) the Committee shall implement other follow-up work in accordance with the decisions and feedback of the Board.

Director Nomination Policy and Board Diversity Policy Measures

The Company's director nomination policy will be based on meritocracy, combining the Company's business model with the specific needs of keeping pace with the times, the selection of relevant candidates will full consider whether the candidates can complement the other Directors, whether they will enhance the overall talents, experience and expertise of the Board, taking into account the distribution of gender, age, professional experience and qualifications, cultural and educational background and the sufficiency of time and efforts contributed in relation to the performance of their duties was also full consider etc, as the objective criteria for the selection of directors. At the same time, the Company takes full account of the benefits of diversity on the Board, diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Company will also introduce different types of talents with professional knowledge and familiar with business types from the perspective of business types of the Company to equip the Board with the appropriate skills, experience and diverse perspectives for the Group's business. The Company holds the belief that the board diversity will be immensely beneficial for the enhancement of the Company's performance. The board diversity helps the Board make reasonable decisions, improve efficiency of the Board, make sure high level of corporate governance and develop sustainably.

Measurable Objectives of Board Diversity Policy

Selection of candidates for Board membership is based on a range of diversity perspectives, and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. As at 31 December 2019, the Board comprised eight Directors, and all of them are male. There were two Directors at the age range of 31-40, two Directors at the range of 41-50, and four Directors at the range of 51-60, of which six Directors are from Mainland China and two from Hong Kong. Of all Directors, one has obtained doctorate degree, and three have obtained bachelor degree. The Directors have rich experiences in enterprise operation and management and risk management and control, mine development, processing and operation, financial, investment and financing and constantly enhance their professional skills through continuous learning and training. The Nomination Committee has reviewed the members, structure and composition of the Board, and was of the opinion that the extensive experiences and skills of the Directors in various fields and the rational structure and accord with Board diversity policy of the Board may enable the Company to maintain high standard operation.

Educational and professional background	Number of Directors	Percentage of the total number of Directors
Enterprise management and risk management and control	Totalling three persons, including Mr. Li Yanjun, Mr. Li Ziwei and Mr. Jin Jiangsheng	3/8
Mine development, processing and operation	Totalling two persons, including Mr. Tu Quanping, Mr. Ge Xinjian	2/8
Financial, investment and finance	Totalling three persons, including Mr. Sun Jianhua, Mr. Meng Likun and Mr. Kong Chi Mo	3/8

In the future, the Company will also further consider the arrangements for diversification of the board of directors from multiple aspects according to the needs of business development. For example, the Company will extensively search for candidates in line with the Company's sustainable development of business to enter the board of directors through the inner-enterprise or the talent market, so as to meet the needs of future diversified business development of the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board is the highest authority of the Group on corporate governance, whose main responsibilities include:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- reviewing and monitoring the Group's policies and practices in compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and the Directors; and
- reviewing the Group's compliance with the CG Code and disclosure in the Corporate Governance Report. The Board had discussed and reviewed the aforesaid works at the Board meetings held during the Reporting Period.

REMUNERATION OF AUDITOR

For the year ended 31 December 2019, the Group's external auditor, KPMG, provided annual audit services to the Company. For the year ended 31 December 2019, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditor is set out below:

	RMB
Annual audit service	3,250,000
Non-audit service	–
Total	3,250,000

The audit committee is responsible for making recommendation to the Board as to the appointment, re-appointment and removal of the external auditor, which is subject to the approval by the Board and at the general meetings of the Company by the Shareholders.

DIRECTORS AND AUDITOR'S RESPONSIBILITY FOR PREPARATION OF THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the financial statements for the year ended 31 December 2019, which gave a true and fair view of the state of affairs, the results and cash flows of the Group for that year. The Company allocated sufficient resources to prepare the audited accounts. Senior management was required to present and explain the financial reporting and matters that materially affected or may have material impact on the financial performance and operations of the Company to the Audit Committee and the Board and to respond to the queries and concerns raised by the Audit Committee and the Board to their trust. The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the financial statements included appropriate disclosure made in accordance with the Listing Rules and the Companies Ordinance. The responsibility of the external auditor of the Company for preparing the financial statements of the Group was set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the systems of risk management and internal controls of the Group. The risk management and internal control systems were designed to provide reasonable (but not absolute) assurance against material misstatement or loss, and to manage (but not fully eliminate) the mistakes of the Group's operational systems and the risks of failure to achieve the Group's business objectives. The Audit Committee reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group through active communication and discussion with management, internal audit and external auditor. The results were reported to the Board. The Board had conducted an annual review on the risk management and internal control systems of the Group including financial, operational and compliance controls and risk management and is of the view that the existing risk management and internal control systems of the Group are effective and adequate. The Board has also reviewed the adequacy of resources, qualifications and experience of staff of the internal audit, accounting and financial reporting functions, training and budget.

Under the supervision of the Board, the management of the Group is responsible for designing and implementing the Group's risk management and internal control systems. The Group's business units (e.g., sales department and production department) are responsible for identifying and assessing business risks and develop risk mitigation measures; the functional departments (e.g., compliance department and finance department) are responsible for assisting the business units to improve the risk management and monitoring the effectiveness of risk management; and the internal control function, assists the Board and the audit committee to review the effectiveness of the Group's risk management and internal control systems.

As and when required, the management convened meetings which were chaired by the senior management with attendants including managers from subsidiaries and department heads from headquarters. The Group's decisions on operations, implementation of investment projects, financial issues, and the updates on risk management and internal control were considered and determined at these meetings. The management convened annual and interim work meetings in order to assign and review works on a yearly and half yearly basis. The meetings have facilitated the organisation, co-ordination, communication and supervision on the commencement and implementation of the Group's various operations, as well as the risk management and internal control systems. The Group has set out following departments and internal controls procedures, including:

- The Company has established an independent accounting department to set out the duties and rights in relation to finance management, accounting and auditing, and assigned the relevant staff to ensure the smoothness of finance and accounting work and the separation of approval, implementation and recording functions, and formulated different systems for finance and accounting as a guarantee for fair execution;

- The Group has established a specialized internal audit department, formulated relevant mechanism, and set up proper internal supervising procedures to ensure the effectiveness of internal supervision and extend its application to all of the Group's subsidiaries. The annual audit report and plan are approved by the Audit Committee;

- The management of the Company provides members of the Board with the latest information of the Group monthly, which sets out the performance, the financial position and prospects and clear assessment of the Group;

- The Company established sensitive information disclosure policy, which specified the information disclosure process, the confidentiality requirements of the undisclosed sensitive information, the confidentiality obligations of the employees of the Group, etc;

- The service contracts of the Directors, the senior management and the employees of the Group specify the confidentiality clauses; and

- The legal advisors of the Company regularly provide relevant trainings to the Board and the senior management.

The Group has established the Information Disclosure Management System, the Administrative Rules Governing Connected Party Transactions, and the Inside Information Disclosure System which stipulate the relevant procedures for processing the inside information. Before inside information is disclosed to the public, the Board ensures that such inside information is kept confidential. The Board regularly evaluates the effectiveness of internal control.

SIGNIFICANT CHANGE TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

For the year ended 31 December 2019, the Company did not make any significant changes to the Memorandum and Articles of Association of the Company.

THE RIGHTS OF SHAREHOLDERS

Procedures for Convening of an Extraordinary General Meeting and Putting Forward Proposals at General Meeting

In accordance with Article 12.3 of the Articles of Association of the Company, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one or more member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

Procedures for Shareholders to Put Enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. In respect of other enquiries, Shareholders may put forward enquiries to the Board through the Company's principal place of business in Hong Kong which will direct the enquiries to the Board for handling.

Dividend Policy

Subject to the relevant laws and the articles of association of the Company (the "**Articles of Association**"), the board (the "**Board**") of the directors (the "**Directors**") may from time to time pay to the shareholders such interim dividends as appear to the Board to be justified by the profits of the Company and we, through a general meeting, may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by our Board.

The Board of the Company may declare dividend after taking into account of the following factors:

- our operations;
- earnings and, distributable reserve of the Company and each of the members of the Group;
- the Company's actual and expected financial performance;
- the Group's cash or working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business, financial performance and position of the Company; and
- other factors as the Board may deem relevant at such time.

The amount of dividend eventually declared and distributed to our Shareholders will also depend upon our earnings and financial performance, operating requirements, the then capital commitments and requirements and other conditions that our Directors may deem relevant or appropriate.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

In 2019, the Company continued to communicate with Shareholders, investors and analysts in an honest manner through various channels. Comprehensive corporation information has been disclosed in due course and necessary data for valuation purpose has been fully provided by the Company so as to help capital market to understand its investment value. The main communication channels with the Shareholders include:

ANNUAL GENERAL MEETINGS

The annual general meeting is an important discussion platform for Shareholders to participate in, facilitating the communications between the management of the Company and the Shareholders. The annual general meeting is held once a year, being accessible to all Shareholders. The Directors answer any questions put by the Shareholders at the annual general meeting, being attended by the external auditor and the Company Secretary. All matters proposed to Shareholders for approval shall be submitted in separate resolutions and resolved by way of poll at the annual general meeting. The procedures of conducting a poll will be explained in detail to Shareholders and the voting results will be set out on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.aoweiholding.com).

ANNUAL REPORTS, INTERIM REPORTS, ANNOUNCEMENTS AND CIRCULARS

The Company issues its annual reports and interim reports after publishing the annual results and the interim results in March and August every year, respectively, so as to periodically review the development of the Group as well as to update its Shareholders with its latest business information and market trends. In addition, the Company will inform the Shareholders through announcements regarding any major event or price-sensitive information in a timely manner.

For any matter requires the approval of the Shareholders, the Company will hold an extraordinary general meeting according to the requirements of the Stock Exchange and issue a circular prior to the specific date of the meeting, allowing the Shareholders to have sufficient time to learn more about the matters for making voting decisions. All annual reports, interim reports, announcements and circulars will be uploaded to the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.aoweiholding.com).

THE COMPANY'S WEBSITE

The Company's website offers timely access to the Group's press releases and other business information. Through its website, the Company provides Shareholders with the electronic version of the financial reports, the latest slide presentations, as well as up-to-date news about the Group's business, announcements and general information, etc. To make contributions to environmental protection and maintain effective communication with Shareholders, the Group encourages all Shareholders to browse the Company's corporate communication files on the Company's website.

INVESTOR CONTACTS AND ENQUIRIES

The Group has a dedicated team to maintain contact with investors and handles Shareholders' enquiries. Should investors have any enquiries, please contact the Company's external investor relations consultants via email at ir@aow.com.cn.

The Company will ensure that the information of the work on investor relations is disclosed in a timely and accurate manner, and to react to the capital market effectively and smoothly. This can keep helping the capital market to have a better understanding of its development strategies and operating conditions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About this Report

The report of the year (the "Report") covers Aowei Holding Limited (the "**Company**") and its subsidiaries (collectively, the "Group") with its details of the subject scope set out in the shareholding structure diagram in the Corporate Information. The time range of the Report, is the financial year 2019, from 1 January 2019 to 31 December 2019 (the "**Reporting Period**"), and is consistent with that of the annual report of the Group.

The Report has been formulated in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the key performance indicators are fully disclosed. The information contained in the Report is derived from the integration of the policies adopted by the management of the Group and the relevant information provided.

The board (the "**Board**") and the directors (the "**Directors**") of the Company had confirmed that the Report does not contain any false information, misleading statements or material omissions, and collectively and individually accept responsibility for the truthfulness, accuracy and completeness of its contents. The Board confirms that the Group has complied with the "comply or explain" and the proposed disclosure provisions set out in the Environmental, Social and Governance Reporting Guide.

The key indicators in relation to safety and environment issues of the Company are counted and calculated based on the regulations or industry standards of the PRC. The Group is committed to promoting sustainable development, which is extremely important to create long-term value for the Group's shareholders, clients, employees, other stakeholders, as well as general public. The core content of the Group's environment, social and governance management includes emission management, resources utilization management and employee's health and safety management. We are committed to implement the environment and safety impact assessments in our production process comprehensively through increasingly improving our managing systems and measures, aiming to minimize the impact on environment and to ensure achieving zero fatality in production for employees. Also, the Group will fulfill our corporate social responsibility through multiple measures while sustaining the business development and providing better returns to the shareholders of the Company.

Environmental, Social and Governance Framework

The Company adheres to the development concept of equalizing social responsibility and economic responsibility, and has formulated a number of management mechanisms to ensure that the Company's environmental, social and governance work responsibilities are clear, implemented in place, and effectively supervised. The Company's environmental, social and governance work is coordinated by the board of directors, which reviews and decides on major issues such as corporate social responsibility strategic planning, substantive issues, and reviews and comments the annual environmental, social and governance reports. The head office is generally responsible for coordinating the operating subsidiaries to promote and implement corporate environmental, social and governance work. The Company provides guidance, opinions and support to operating subsidiaries, collects social responsibility related data, and prepares environmental, social and governance reports. Each operating subsidiary establishes a general manager responsibility system, and the general manager is responsible for organizing and coordinating the implementation of various specific tasks of environmental, social and governance; each department organizes social responsibility activities within its own scope of work and is responsible for statistical social responsibility related performance indicators, etc.

Stakeholder Engagement and Materiality Assessment

The engagement, expectations and demands of the stakeholders are an important part of the Group's social responsibility and sustainable development. Our achievement of sustainable operations requires the joint efforts and support of all stakeholders. The Group understands and responds to stakeholders' views and requests through a variety of channels to review and improve our performance at the social and environmental levels, and to enhance the effectiveness of communication through continuous improvement of the communication mechanism with stakeholders.

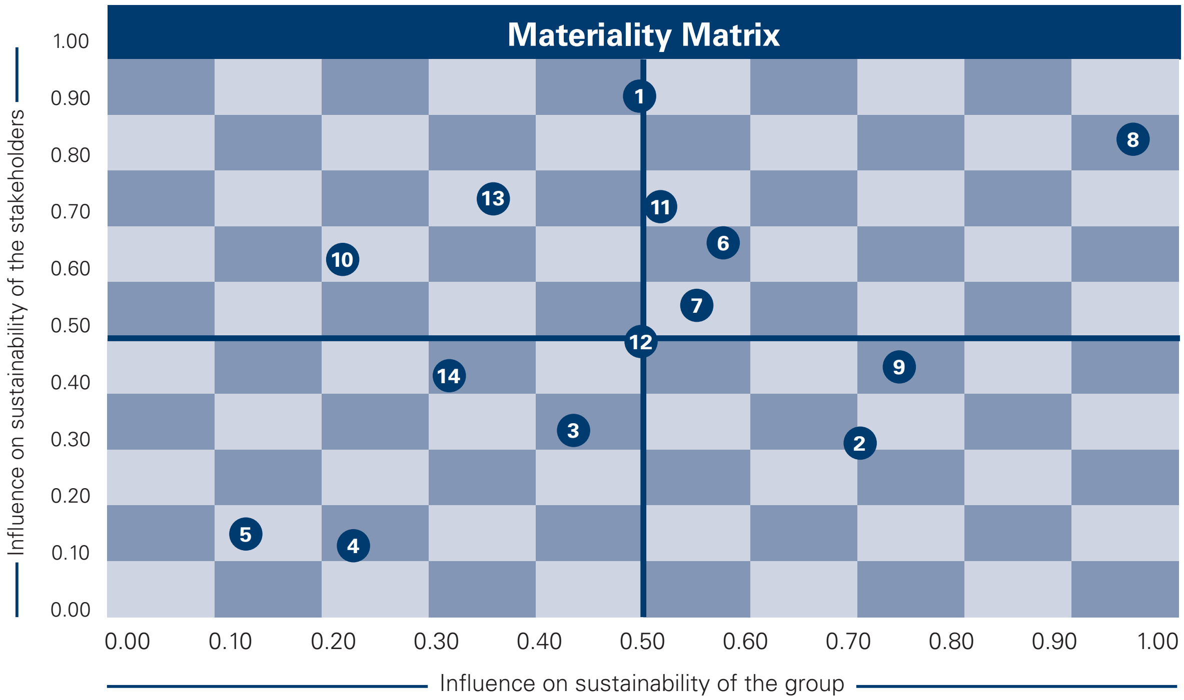
The Company's Stakeholders' Involvement for the year ended 31 December 2019

Stakeholders	Expectations and Demands	Communication Modes
Key Shareholders and Potential Investors	To operate according to laws and regulations To protect the rights and interests of shareholders To ensure robust business development To maintain sustainable operation capacity To promptly and accurately disclose the relevant information	General meetings Listing information disclosure Onsite visits Investor presentations Roadshows Analysts briefings
Governmental and regulatory authorities	To operate according to laws and regulations To promote development of local and peripheral industries To boost local economy To promote employment To promptly and accurately disclose the relevant information	Regular information submission Meeting with regulatory authorities Participation in meetings/workshops Annual environmental performance audits Information disclosure
Employees	To protect the occupational health and safety of employees To ensure fair promotion mechanism To improve remuneration and benefits To promote development of vocational skills To show humanistic care	Communication channels between employees and the management Suggestion box Employees' activities Training and learning activities
Customers	To operate according to laws and regulations To continuously provide high-quality services and products To improve quality assurance system To ensure win-win cooperation	Business communication Customer feedback Onsite visits

Stakeholders	Expectations and Demands	Communication Modes
Suppliers and contractors	To operate according to laws and regulations To ensure open, fair and equitable cooperation mechanism To maintain business integrity	Business communication Tender meetings Complaint and whistleblowing hotlines
Banking and financial institutions	To maintain business integrity To ensure robust business development To minimize business operation risks	Business communication Onsite visits Information disclosure
Communities and the public	To improve community environment To support community welfare	Participation in community meetings Regular communication Community welfare activities
Peers	To promote industry development	Participation in the industry meetings held by governmental authorities or industry associations Study and mutual visits

Materiality Assessment

According to the materiality principle of "Guidelines for Environmental, Social and Governance Reports", the Group combs out the important issues related to sustainable development of the Group through interviews and surveys with stakeholders. The following Matrix of Materiality Assessment lists the extent to which stakeholders pay attention to different issues. The closer to the upper right corner of the matrix, the more concerned the stakeholders are, and the closer to the lower left corner, the less concerned the stakeholders are.



Environmental Protection and Green Operation	Work Environment	Operating Practice	Community Contribution
1 Environmental impact and management	6 Employee benefits	10 Supply chain management	13 Community development
2 Mine resource management	7 Development of employees	11 Quality assurance	14 Public welfare charity
3 Water conservation	8 Workplace safety	12 Anti-corruption	
4 Energy saving and emission reduction	9 Occupational health management		
5 Air Emission			

Environmental Protection

Adhering to the principle of "ecology first", practicing the concept of "green development", and taking the construction of "green mines" as our mission, the Group strictly abides by the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Air Pollution, the Law of the People's Republic of China on Prevention of Environmental Pollution Caused by Solid Waste, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Emergency Response Law of the People's Republic of China, the Mineral Resources Law of the People's Republic of China, the Implementation Rules for the Mineral Resources Law of the People's Republic of China, Regulations on the Protection of Geological Environment in Mines, Regulations on Land Reclamation, the Water Law of the People's Republic of China and other relevant laws and regulations with extensive coverage, including the issues related to the environmental impact of our operation, such as solid waste treatment, dust emission, noise control, waste water discharge, exhaust and greenhouse gas emissions, mining control, land reclamation and other environmental issues. To avoid and minimize the impact of business operation on the environment and the potential risks associated with environmental protection issues, the Company has established and implemented such effective environmental protection mechanisms as Environmental Protection Management System, Energy Management System, Emergency Plan for Sudden Environmental Accident, Soil & Water Conservation Plan, Land Reclamation Plan and Green Mine Design Plan, and included the responsibility of environmental protection into daily operation, so as to strengthen the environmental protection awareness of all employees, establish a sustainable development concept, and strive to achieve a balance between business development and environmental protection.

Emission management

The Company is an industrial and mining enterprise, and adopts physical magnetic separation technology for production. In the whole production process, no harmful substances are produced, but some harmless solid waste, noise and exhaust emissions will be generated, such as the waste rocks stripped from mining process; the waste rocks, dust, tailings, waste water and noise discharged from the dressing process; the exhaust emissions generated during the operation of motor vehicles; and greenhouse gas emissions resulting from the carbon dioxide produced by the machinery, equipment and motor vehicles when operating with electricity, diesel and gasoline. The Group attaches great importance to the management of waste generated in the operation and adopts scientific environmental impact protection and treatment measures to reduce the generation and emission of waste.

Solid waste discharge management

The Group will produce a certain amount of solid waste in production and operation, such as the waste rock stripped from mining and dry processing, and tailings discharged from wet processing. Aware of the importance of non-renewable resources, the Group has developed the following management measures to make full use of resources and effectively control the impact of waste rock and tailings on the environment:

Waste rock management: The Company enhances the sustainable development and comprehensive utilization of resources. In 2019, the Company engaged in the production of sands and stones used in green building materials through the construction of the solid waste comprehensive utilization project of Jiheng Mining. In this way, we not only realized energy conservation and emission reduction, optimized the ecological environment, by also reduced production and operation costs, and achieved economic benefits. To make full use of waste rocks, the Company will also use some waste rocks for paving roads, piling up dam walls, or backfilling the goaf of the open-pit mining site according to the design requirements, so as to reduce the impact on the natural environment.

The Company pays attention to the management of tailings and improves the recovery efficiency of resources by improving the production technology in the mineral processing process to reduce the discharge of tailings. The tailings produced in the dressing operation will be transported by the tailings pump through the tailings pipeline to the tailings storage facilities for stockpiling, or the tailings will be dehydrated in the dehydration workshop through the dry discharge process, and then transported by the conveyor to the tailings storage facilities for compaction and stockpiling. Tailings storage facility is an important facility for mine production and operation. Each subsidiary shall discharge and store tailings in strict accordance with the requirements of design and safety supervision department, and arrange relevant staff to carry out 24-hour on-duty inspection and monitoring of tailings storage facilities. A 2-meter-high retaining wall has been built in the waste rock dump area, and relevant employees are deployed to carry out regular inspection and regular measurement. In the future, the Group will actively explore the deep processing and utilisation of tailings and make full use of resources, with an aim to promote the development of green ecological civilization and reduce or avoid the risks of solid waste emissions.

Breakdown of emissions from solid waste of the Group for the year ended 31 December 2019 are as follows:

Solid waste discharge (tons)	2019	2018	Change rate
Mining stripping waste rock	1,169.1	1,060.30	10.3%
Dry-processing sorting waste rock	868.0	1,095.80	-20.8%
Water concentration tailings	181.4	213.2	-14.9%
Total	2,218.5	2,369.3	-6.4%

Dust management

Dust is the main air pollutant produced by each of the subsidiaries of the Group during the operation process. Dust is classified into unorganised dust and organised dust. The Company strictly complies with relevant environmental protection policies and the employees' occupational health protection requirements. It has adopted a series of dust suppression measures, and has distributed dust cap, dust mask and other dust prevention equipment to field workers, so as to strengthen occupational disease prevention and ensure the physical and mental health of employees.

Organised dust includes dust generated during crushing in the dry processing plant and is managed by the dust removal device and spray system in the dry processing plant. Besides, the plant and transport belt corridor are closed to prevent dust leakage.

Unorganised dust includes (1) dust from rock drilling, which is managed by the adoption of wet rock drilling, which means most of the dust produced when drilling the rocks by the drill rigs will deposit along the water flow, and dust generation is effectively restrained; (2) dust from blasting, which is managed by the adoption of water bladder for hole plugging to reduce the amount of dust from the source of blasting; (3) dust from excavating, loading and transportation, which is managed by the use of sprinklers by construction units for 24-hour sprinkling and dust suppression in order to reduce dust generated by ore and waste rocks during loading, vehicle transportation and dumping process; and (4) dust from dumping site, which is managed by the adoption of regular sprinkling, dust suppression and gradual reinstatement of green vegetation to effectively reduce dust from dumping site. In addition, dry processing preliminary concentrates sites and wet processing preliminary concentrates and ore concentrate sites are equipped with windbreak walls, and dry processing raw ores, tailings and preliminary concentrates sites as well as wet processing preliminary concentrates and ore concentrate sites are covered and sheltered to prevent dust in the wind.

The Company strictly complies with the requirements of local environmental protection policies, and employs qualified testing institutions to regularly test the dust generated by the Company's production and operation, so as to avoid the impact on the environment. During the Reporting Period, the dust emission concentration of the Company conformed to the Emission Standard for Pollutants for Mining and Mineral Processing Industry (GB28661-2012). The details are as follows:

Test Items	Analysis Method	Applicable Standards and Standard Value (mg/m^3)	Test Concentration (mg/m^3)
Organised dust	Ambient Air — Determination of Total Suspended Particulates — Gravimetric Method (GB/T15432-1995)	Emission Standard for Pollutants for Mining and Mineral Processing Industry (GB28661-2012) Special emission standard limits for air pollutants: PM≤10	3.3-6.5
Unorganised dust	Stationary Source Emission – Determination of Mass Concentration of Particulate Matter at Low Concentration – Manual Gravimetric Method (HJ836-2017)	Emission Standard for Pollutants for Mining and Mineral Processing Industry (GB28661-2012) Unorganized emission limit: PM≤1.0	0.3-0.5

In the future, the Group will continue to strengthen environmental protection and dust suppression measures, pay close attention to environmental policy trends, strictly implement environmental policy requirements, and control the dust emission concentration within the emission standard range permitted by environmental protection policies through effective measures of environmental protection and dust suppression, so as to reduce or avoid the pollution caused to the atmosphere.

Noise management

The Company's noise source mainly includes mobile equipment used in the mining process, such as drilling, blasting, and transportation equipment, and the production equipment of the dressing plant, such as crusher, compressor, circular vibrating screen, ball mill, dust collector fan, pump, etc. The Company has provided field workers with effective protective equipment (such as noise-proof earplugs) to avoid occupational injuries caused by noise. In addition, the Company has developed a series of noise reduction measures to reduce or avoid impact on the surrounding environment, as detailed below:

Noise reduction measures for mining: The Company adopts low-noise equipment, mining pit noise isolation and other measures to reduce the impact on the surrounding sound environment. The instantaneous value of noise generated by blasting is relatively large. However, thanks to the use of porous differential blasting and the mountain barrier between the blasting and the sensitive objects in the surrounding environment, most of the noise is absorbed and blocked. In addition, the surrounding villages are far away from the mining area, and there are mountains and woods between them. When the noise is cut off by obstacles and attenuated after long-distance transmission, it will not have significant impact on the surrounding environment.

Noise reduction measures for dressing plant: The Company adopts various effective noise reduction measures to reduce the noise and the impact on the surrounding environment, such as adopting low-noise and high-efficiency mineral processing equipment, installing of soundproof board, soundproof window and noise elimination equipment during the workshop construction, sealing the noise producing equipment, using natural silencers and planting trees surrounding the plant.

During the Reporting Period, the Company engaged qualified testing institutions to regularly test the noise generated in the production and operation activities. The noise detected at the factory boundary conformed to the requirements of the Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008). The details are as follows:

Test Items	Analysis Method	Applicable Standards and Standard Value (db(A))	Test value (db(A))
Industrial enterprises noise at boundary – day	Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008)	Category III standard: ≤65 Category II standard: ≤60	58-63 52-54
Industrial enterprises noise at boundary – night	Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008)	Category III standard: ≤55 Category II standard: ≤50	48-52 46-48

In the future, the Group will continue to strengthen the noise reduction measures, and control the noise within the emission standards allowed by environmental policies through effective noise reduction measures, in order to reduce or avoid noise pollution.

Recycling waste water

The Company will produce a certain amount of waste water during the dressing process. Thanks to the effective water filtration and circulation system of the Company, the waste water will be discharged into the tailings storage facilities with the tailings slurry. After the precipitation at tailings storage facilities and filtration, clean water will flow to the recycling pump station, where it will be pumped back to the dressing plant for recycling. As such, the waste water generated by dressing plant achieves closed-loop recycling and reuse through the tailings storage facilities without being discharged to the surroundings. At the same time, the domestic sewage in the factory, after being treated in the septic tank, together with rainwater, is also discharged into the tailings storage facilities and recycled by processing plants after being cleaned up, achieving zero discharge of domestic sewage and rainwater.

Waste gas emission management

The Company's waste gas emissions mainly come from the exhaust generated during the driving of motor vehicles. Vehicle exhaust emission is an important source of air pollution. The atmospheric pollutants in the exhaust emission mainly include nitrogen oxide (NOX), sulfur oxide (SO_x) and suspended particulate matter (PM). The Group strictly implements the Opinions on Strengthening the Key Work of Environmental Protection and the Action Plan for the Prevention and Control of Air Pollution issued by the State Council. It has formulated the vehicle management system, adopted motor vehicles that meet the national emission standards, advocated environmental protection and energy conservation policies, and encouraged employees to travel green.

For the year ended 31 December 2019, the air pollutants generated by the Group's motor vehicles are quantified as follows:

Air pollutants emission (kg)	2019
Nitrogen oxide (NO_x)	30.5
Sulfur oxide (SO_x)	1.2
Suspended particulate matter (PM)	1.7

Note: The air pollution emissions are calculated in accordance with the emission factors specified in the Technical Guide for Compiling the List of Air Pollutants Emitted by On-road Vehicles (Trial) issued by the environmental regulatory authority.

GHG Emissions

With the development of the world's industrial economy, the rapid growth of population and the uncontrolled production and lifestyle, carbon dioxide emissions are increasing, leading to the worsening of the global climate environment. The Group attaches great importance to the impact of greenhouse gases on the atmospheric environment. It advocates green office, encourages the use of telephone conference, reasonably arranges the use of travel vehicles; promotes paperless office, encourages employees to save paper and reduce the use of photocopiers; and adopts energy-efficient facilities to replace the energy-intensive facilities, in order to realize the continuous reduction of greenhouse gas emissions. At the same time, in order to effectively reduce greenhouse gas emissions, the Group planted approximately 5,750 new trees during the Reporting Period.

Details of GHG emissions resulting from the Group's operations for the year ended 31 December 2019 are as follows:

GHG Emissions (tons)		2019	2018	Change rate
Direct GHG emissions (scope 1)	Gasoline and diesel	**4,972.7**	6,196.4	-19.7%
Indirect Emissions (scope 2)	Electricity purchased	**101,305.4**	113,729.8	-10.9%
Other Indirect GHG emissions (scope 3)	Waste paper	**0.5**	0.6	-16.7%
	Business air travel	**15.3**	35.6	-57%
Total		**106,293.9**	119,962.4	-11.4%

Note: greenhouse gas emissions are calculated according to the China Energy Statistical Yearbook, the "Guidelines for the Preparation of Provincial Greenhouse Gas Inventories (Trial)" and the average carbon dioxide emission factor published by the National Development and Reform Commission.

Recycling of waste and used materials

The Group encourages the recycling of waste and used materials, with an aim to reduce waste of resources and turn waste into wealth. Dedicated mechanical maintenance department at each mine can revamp abandoned and wornout equipment for reuse.

Domestic waste control

The perishable domestic waste in the living area is discharged into the septic tank for disposal and burial. Non-corruptible domestic waste is transported to the garbage disposal station for disposal. The Company encourages waste sorting and prohibits the random disposal or incineration of domestic waste.

Management of resources

For mining companies, mineral resources and water resources are their foundation to survive and thrive. The Group is committed to improving the efficiency of resource use through technical modification, equipment upgrade and refined management of production operation.

Mineral resources

Exploring and processing mineral resources are the core business of the Group, and the mineral resources are the lifeblood of the group's core business development. The Group strictly abides by the Mineral Resources Law of the People's Republic of China and other relevant laws and regulations, strengthens resource management in mines, adopts scientific and overall planning scheme, optimizes mining methods and proper ore-dressing technique, enhances the on-site management, and strictly controls the mining and dressing technical indicators, in order to minimize the mining loss rate and dilution rate, and reduce the consumption of mineral resources by improving the ore dressing recovery percentage. At the same time, the Group also established the solid waste comprehensive utilization project through Jiheng Mining to build the green construction materials industry base, recycle the solid waste and take full advantages of the efficiency of resource use.

Water resources

Water resources are the blood of industrial and mining enterprises. The Company is well aware of the importance of water resources for the survival of enterprises, and has been adhering to the concept of "cherish water resources and improve water resources utilization efficiency". During the operation period, the Company has taken a number of measures to strengthen water resources protection and water conservation. The Company mainly uses the water for production, especially the ore dressing process. Thanks to the well-designed water cycle system of the Company, the waste water from production will be transmitted to the, tailings storage facilities through the tailings pipes. After precipitation, filtration and clarification, clean water will be transmitted through the transmission line to the reservoir for recycling, without discharging waste water to outer world. In order to prevent the leakage and waste of water resources, the Company also strengthens daily inspection and maintenance of water network pipelines and storage facilities. In addition, the Company also advocates the awareness of water conservation in the daily life of employees. By Posting a variety of water conservation propaganda slogans on water use points, and holding meetings to strengthen the importance and urgency of water conservation, the Company has cultivated the good habit of water conservation among employees.

Water consumption for production by the Group during the year ended 31 December 2019:

Water consumption (tons)	2019	2018	Change rate
Underground water	834,976	888,524	-6.0%
Municipal water supply	31,200	31,960	-2.4%
Total	866,176	920,484	-5.9%

Management of energy

During the Reporting Period, the Group's energy consumption was mainly related to electricity, diesel and gasoline. The Group understands the importance of efficient use of energy and is committed to enhancing the fine management of production and operation through technological renovation and equipment upgrading, and to practicing the concept of green low-carbon in order to improve energy efficiency.

Electricity

Electricity is the key energy for industrial and mining enterprises. During the operation period, the Company has taken various measures to reduce the power consumption, including upgrading the power system, optimizing the production process, adopting advanced low energy production technology and equipment, and eliminating backward technology and equipment of high energy consumption, in order to reduce the production cost and save electricity. In addition, the Group actively implements the publicity and implementation of energy conservation laws and regulations, rules and regulations, and industrial policies, actively carries out employees' awareness of energy conservation and skills training, and improves employees' sense of responsibility and enthusiasm for energy conservation management.

Diesel

Diesel is an important power source for production equipment. The Group reduces diesel consumption by giving priority to the selection of fuel-saving equipment and rational use of fuel equipment, eliminating the related equipment with high consumption and low production capacity, timely closing the idle fuel equipment, and avoiding overflow during refueling. At the same time, the Group has also strengthened the management of the purchase, transportation, storage and use of diesel to prevent waste, abuse and loss.

Gasoline

The consumption of gasoline in each mining company is mainly due to the use of internal vehicles. The Group has developed a sound vehicle management system. Instead of storing gasoline, each mining company chooses to refuel at a standard designated gas station and establishes a refueling ledger. The Group has also formulated the vehicle fuel consumption assessment standards and assesses the drivers strictly according to the mileage and 100km fuel consumption standards, in order to ensure that the drivers in the journey will reduce fuel consumption and achieve the purpose of saving oil. At the same time, the Group also advocates green travel and promotes low-carbon, energy-saving and environmental protection concepts, in order to achieve emission reduction.

The use of energy by the Group for the year ended 31 December 2019 is as follows:

Energy consumption	Unit:	2019	2018	Change rate
Electricity	0000' KWh	**11,455.5**	12,860.3	-10.9%
Diesel	Tons	**1,517.8**	1,912.3	-20.6%
Gasoline	0000' Litres	**8.1**	7.4	9.5%

Environmental and Ecological Protection

Having been aware of the impacts of its businesses on the local environment, the Company, in strict accordance with the national policy for environmental protection and adhering to ecological priority and practicing the concept of green development, and for the purpose of building a green mining, earnestly fulfills the mine environmental recovery responsibility, implements the mine environmental protection and restoration management schemes, and adopts necessary environmental protection measures such as gradual reclamation, topsoil stripping, vegetation restoration, and reclamation monitoring to control the environmental risk of land disturbance, reclamation, closure and vegetation destruction caused by operation activities. In addition, the Company has also formulated the Environmental Accident Emergency Plan. In case of any environmental accident, the Company will immediately implement remedial measures to reduce the impact of the environmental accident.

During the Reporting Period, the Group actively fulfilled the responsibility of reclamation and paid a deposit of about RMB30.3 million to the local community government for the mine environment restoration. In addition, measures such as factory greening and tree planting were implemented, and the greening area was about 69,500 square meters.

Employment and Labour Practices

The Group strictly complies with relevant laws and regulations such as the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China, earnestly considers the legitimate rights and interests of employees, and establishes perfect policies and mechanisms (such as the Labour Employment Management System, the Measures on Payroll Accounting Management, Attendance and Vacation Management System, and the Measures on Performance Appraisal Management) to create a positive, fair and equitable, safe and healthy working environment for employees. The Group continues to expand the career development space of employees and promote their growth. It also regularly reviews the salary policy of employees to protect their vital interests, so as to attract and retain talents.

Policy and Welfare

The Group respects employee's rights and dignity, and strictly complies with the provisions regarding working hours and holidays under the law. The administrative departments of the Company adopt the 8-hour working day. The production departments at each mine work in shifts with consideration of the actual production conditions. The Company provides personal leave, sick leave, marriage leave, compassionate leave, maternity leave, work-related injury leave and home leave which are helpful for employees to balance between work and leisure and enrich their spare time.

The Company's compensation policy is based on the principle of fairness, which ensures that the compensation level is no lower than the minimum wage requirements of the local community. We also refer to the peer compensation level to provide attractive compensation, and legally provide staff members with retirement protection plans as stipulated by laws and regulations. The Group is committed to perfecting the staff performance appraisal mechanism for employees, and considers the personal work performance of employees as the basis for the adjustment of salary and rank to stimulate the enthusiasm of employees and encourage them to realize their self-worth. Meanwhile, the Group establishes different channels to understand and collect employees' comments and suggestions on our policies, working environment, and development strategies so as to safeguard the sustainable development of the Group.

The Group welcomes the diversity of its employees. Regardless of the race, religion, gender or age, all the staff receive equal employment opportunity, including employment decisions such as recruitment, development, promotion, training, etc. During the Reporting Period, the Group did not receive any complaints about unequal employment.

The Group openly recruits legitimate employees for the public through the open and transparent employment and recruitment processes. In order to prevent child labour, candidates must submit the photocopies of identity cards and present the originals for verification. We adhere to the principles of "freedom in job choosing" and "two-way choice", and use our labour with no traces of treats, suppression, oppression, abduction, or fraud. During the Reporting Period, there had been no circumstances of any violation of the legislation and regulation such as child labour or forced labour.

As of 31 December 2019, the Group had a total of 849 employees, which included the total number of employees of the subsidiaries covered in the Report the relevant data of the Group's employees is as follows:

By region:

Region	Number of employees	Percentage of total workforce	Employee turnover rate	Turnover rate[(2)]
Aborigines[(1)]	532	63.3%	52	6.2%
Non-aborigines	317	37.7%	28	3.3%

By gender and age

Gender and Age	Number of employees at the end of the year	Percentage of total workforce at the end of the year	Number of staff turnover	Turnover rate[(2)]
Male				
35 and under	269	31.7%	13	1.5%
35-50	450	53.0%	58	6.9%
50 and above	102	12.0%	8	1.0%
Sub-total	821	96.7%	79	9.4%
Female				
35 and under	8	0.9%	0	–
35-50	18	2.1%	1	0.1%
50 and above	2	0.2%	0	–
Sub-total	28	3.3%	1	0.1%
Total	849		80	9.5%

By employment category:

Employment category	Number of employees at the end of the year	Percentage of total workforce at the end of the year	Number of staff turnover	Turnover rate[(2)]
Functional management	172	20.3%	4	0.5%
Mining production	151	17.8%	12	1.4%
Dry-processing production	349	41.1%	55	6.5%
Water concentration production	116	13.7%	6	0.7%
Other	61	7.2%	3	0.4%
Total	849		80	9.5%

Notes:

(1) Aborigines: local residents of Laiyuan county where mines locate

(2) Turnover rate = employee turnover rate (i.e. the number of regular employees voluntarily resigned) ÷ annual average workforce of the Company (840)

Development and Training

Every employee plays an important role in the Group's implementation of various strategies and business plans. The Company attaches great importance to the development and training of employees. Through a clear promotion mechanism, it provides employees with development opportunities, explores career opportunities, and improves the comprehensive quality and professional skills of employees through the training. Only further strengthening and implementing the new established business philosophy and values can enterprises adapt to market competition and keep up with the development of the times.

The employee development is a long-term process. Through establishing the Measures on Promotion and Management of the Employees and the Measures on Assessment of Skill Level which specify the selection criteria and guideline, the Group has provided the fair, equitable and open career development opportunity and transparent promotion channel for the employees at all levels, which in turn meet the development needs of the Company and employees.

As economic development continues to accelerate, the metabolic rate of knowledge also will accelerate, which represents that the training is the important strategy for adopting the environment, keeping growing and getting stronger. Through establishing the Measures on Training and Management of the Employees, the Group updates the employees of the management knowledge, improves the professional skills of the employees, and makes them deeply understand the new business philosophy and values, so as to help employees achieve their career aspirations.

In accordance with the Group's business strategy development needs, the enterprise management department, in collaboration with various departments, has developed training plans in the areas of safety, skills, craftsmanship and corporate culture, and has ensured the effectiveness of training through examinations or communication questionnaires.

Trainings for employees during the year ended 31 December 2019 (by training content)

Name/Type of courses	Brief of course content	Average training hours	Cumulative number of participants	Percentage of cumulative number of participants to annual average number of employees
Safety officer training	laws and regulations/safety knowledge	54	2	0.2%
Safety management personnel training	laws and regulations/safety knowledge	36	20	2.4%
Occupational disease management training	laws and regulations/Occupational disease prevention knowledge	16	30	3.6%
Special operation personnel training	laws and regulations/professional knowledge	54	60	7.1%
Other training	Regulations system/Emergency rescue/Safe operation rules	223	578	68.8%
Total		193	690	82.1%

Trainings for employees during the year ended 31 December 2019 (by employee category)

Employee category	Number of Employees trained	Average training hours	Percentage of participants to the annual average number of employees
Senior management	18	74	2.1%
Middle management	75	87	8.9%
General staff	597	210	71.1%
Total	690	193	82.1%

Note: The average number of employees of the Group was 840 during the year ended 31 December 2019.

Health and Safety

The Group always attaches great importance to the health and safety of the employee and all field staff (including the contractor's employees), strictly complies the relevant requirements of laws and regulations such as the Law of the People's Republic of China on Work Safety and the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, resolutely implements the policy of "safety first, prevention-oriented, and comprehensive governance", and takes the safety production as the lifeline of the company to earnestly perform the primary responsibility and lay a solid foundation for safety management. The Group also establishes sound policies to regulate employee personal protection in daily management, enhances the safety of the work environment, and ensures the safety and health of the employee and all field staff.

Management Measures

The Group has established the health and safety management systems and organizational structures at all levels from the Board to the production workshops at each mine, which together with the relevant staff are responsible for the implementation and monitoring of relevant management work. The Group has developed and strictly implemented several occupational health and safety management systems, including, Occupational Health Management System, Occupational Health Hazard Emergency Plan, Post Operation Regulations, Work Safety Committee System, Safety Inspection System, Regular Safety Production Meeting System, Work Injury Accident Management System, Labor Protective Equipment Management System, Outsourcer Safety Management Systems and Emergency Accident Emergency Rescue Plan, etc, so as to institutionalize occupational health and safety management work system, standardize operating procedures, clarify responsibilities and ensure that the occupational health and safety management works can be implemented smoothly.

The Group strictly implements occupational health and production safety responsibilities and adheres to the principle of "Anyone Who is in Charge shall Take the Responsibility". Each mining company has signed the "Letter of Commitment on Safety Production Objective" to strengthen the safety management work of the Group and consolidate the safety foundation, and prevent and eradicate all kinds of accidents.

The Group requires staff members to conduct an occupational health check in the local quarantine stations before and during employment, in order to set up occupational health archives. The occupational health check and occupational hazards are monitored regularly at the operation workplace, diagnosis and troubleshooting for hidden perils are in place, whereas occupational health protection facilities are improved and equipped with necessary labour protection products. We also provide heat-proof and cooling materials, cold-proof cotton boots, cotton clothes and other materials for employees in hot or cold winter season to ensure their physical and mental health. At the same time, the Group also pays special attention to the management of contractors' health, safety and environmental protection. It requires contractors to establish health, safety and environmental protection management systems and strictly implement industry norms and standards.

The Group strictly enforces the occupational health, safety inspection and reward and punishment system, regularly carries out occupational hazards, safety production inspection and hidden danger investigation on the work site, and carries out reward and punishment policies linked to the effectiveness of health and safety production work with the promotion of employees and the economic interests of contractors. The focus is to cultivate the safety awareness of all employees and contractors in their daily work and keep safety standards in mind, to form a self-conscious and long-term mechanism. For the year ended 31 December 2019, the Group has conducted 163 health and safety inspections, achieving a rate of safety risk ratification and safety instruction implementation of 100%. In addition to self-examinations and checks, the Company actively cooperates with government authorities in health and safety inspections, and regularly reports to the government. For the year ended 31 December 2019, the Group has paid RMB0.5 million as safety assessment reward, with no fine imposed against behaviors violating the safety regulations throughout the year.

In order to enhance the employees' occupational health and safety protection works, the Group regularly organises the employees to participate in the trainings on occupational health and safety education, such as holding safety work meetings, reminding employees of safety before work every day, promoting safety activities month and safety lectures, and setting up safe and healthy work bulletin, safety warning signs, banners and slogans, and the external training, so as to enhance the employee's safety protection skill and improve the employees' awareness of safety protection. As of 31 December 2019, our rates of "three-levels" safety education training for newly-recruited employees and all employees, attendance with special operation certificate, all have reached 100%. During the Reporting Period, the Group had completed occupational health and safety education training for 690 person-times. Such trainings had intensified the professional safety education and imbedded safety thought and awareness into the mind of employees.

In order to improve the level of emergency rescue, the ability of emergency response of employees and the operability of emergency plans, the Group organizes emergency plan drills and warning education activities every year. For the year ended 31 December 2019, the Group organised 4 emergency response drills in accordance with the relevant regulations. Through emergency response drills, each of the mining subsidiaries attained rewarding outcome and all staff gained the real-life experience about emergency response and rescue as to accidents, which upgraded emergency handling and joint coordination mechanism and forged contingency plans in a more targeted and maneuverable direction.

Emergency response drill of the Group during the year ended 31 December 2019

Mines	Names of drills	Number of participants
Jiheng Mining	Mine flood emergency plan drill	45
	Tailing pond overtopping emergency plan drill	30
Jingyuancheng Mining	Mine landslide, debris flow emergency plan drill	50
	Tailoring pond flood overtopping emergency plan drill	40

Safety fund Insurance

The Group continues to ensure the fund investment in health and safety and sets aside safety measure fees each year exclusively for health and safety protection purpose. During the Reporting Period, the actual investment in safety measures fees amounted to approximately RMB14.5 million.

Safety Accidents and Targets

For the year ended 31 December 2019, the Group continued to enhance the risk management and control over the occupational health and safety in production, the relevant accident rate was kept at a reasonable level, and did not cause any loss of working days. The targets on the occupational health and safety of the Group for 2020 are: the rate for minor injury ≦3‰, and the rate for serious injuries, fatal accidents, fire accidents, collective food poisoning accidents, major accidents in equipment and facilities, and incidence of occupational diseases is zero.

Supply Chain Management

Supply chain management is a key factor to ensure the healthy and sustainable development of the Group. The supply chain management of the Group mainly involves suppliers and contractors. The Group strictly complies the Contract Law of the People's Republic of China and the Anti-Corruption Law of the People's Republic of China, attaches importance to the cooperation and communication with suppliers and contractors, commits to establishing a mutually beneficial cooperation relationship and improves sustainability performance together.

The Group has established a series of measures on various aspects, such as the basic principle of selecting the suppliers and contractors, procurement method, the environmental and social risks over selecting, assessing and managing the supply chain, the measures includes policy mechanisms such as the Tender Management Measures and the Procurement Management Measures. The above measures are required to accept comprehensive selection, and the process norms cover the business and professional qualifications, quality system, productivity, product quality, pricing and service capacity. The Group also conducts the on-site inspection based on the actual situations and determines on a merit basis. To assure the fairness and equity of the selecting process, the legal department and audit supervision department will also participate in the supervision.

The Group's selected suppliers only provide the services, materials and equipment. To further optimize the Company's operation process and management, the production and technology department and procurement department are responsible for reviewing and approving the priority procurement plans and long-term procurement plans for goods, engineering and services of the Company, so as to avoid the production suspension as a result of belated procurement. In terms of the contractors, due to their business particularity, the staff of the contractors shall participate in the field works together with the Company's staff. In addition to complying with their management policy and work ethics for the staff of the contractors, they are required to fully comply with the management, restrictions and protection of management policy and system on health, safety and environment established by the Group, which assured the safety of the staff of the contractors and protected themselves and the staff of the Group from injuring as a result by the improper operation of the staff of the contractors.

In addition, the Group also regularly assesses the environmental and social risks of the supply chain, which assured the safety of the supply chain, and keeps in communication with the supplier and contractors to specify the requests that the suppliers and contractors shall comply with and implement the applicable local laws and regulations, and ensures that all the management measures of supply chain shall be in accordance with relevant environmental and social requests.

Suppliers and contractors of the Group by geographical locations during the Reporting Period are as follows:

	Hebei Province	Other Provinces
Suppliers	63	40
Contractors	4	1
Total	67	41

Product Responsibility

Quality is an eternal theme and the life of an enterprise. Product quality is the cornerstone to represent a brand and the core of enhancing operation value of a brand. Therefore, the Group puts high emphasis on the quality and reputation of products. The Group strictly follows the laws and regulations related to Product Quality Law and formulates comprehensive management systems in respect of quality and sales, strengthening the quality examination and sales management of products to ensure that high-quality products are offered to the customers.

Products sold to the customers by the Group must be assessed and the Group will conduct quality examination before they are exported from the mines and delivered to the customers. The quantity and quality of the Company and the customers can be compared. When the differences appear to be substantial, the Group will address the problem under the Customer Complaints Guidelines for Quantity and Quality. Problem that cannot be resolved will be subject to review and arbitration by third-party authoritative organization. During the Reporting Period, no quality complaints occurred.

The Group has an established management system with advanced production techniques and equipment, as well as dedicated and responsible staff members. During the Reporting Period, there is no material quality defect of products or recall of products sold.

Given that the Group is in the upper stream of the whole value chain and does not provide products directly to the end users, the products cause no direct harm to people's safety and health, it will not cause environmental pollution.

Anti-corruption

Ethics and integrity are the cornerstone of the Group's success. The Group adopts a zero-tolerance approach to bribery, extortion, fraud and money-laundering in strict compliance with the Criminal Law of the People's Republic of China and the Anti-Corruption Law of the People's Republic of China. All Directors, management personnel and staff members must comply with all related national and local government laws and regulations on preventing bribery, extortion, fraud and money-laundering in their operation regions in their daily work. All employees not only have responsibility to understand and comply with above policies on preventing bribery, extortion, fraud and money-laundering, but also have obligation to report violation to the person responsible for the audit department. Any person, who contravenes the regulations, will be subject to disciplinary sanction.

In order to strengthen the anti-corruption approach, the Company sets up an audit department dedicated to executing anti-corruption function, commencing special issues auditing and supervision processes in due course, investigating loopholes and defects rectification, and auditing legality, reasonability and stringency of respective businesses. The Group establishes and improves the Regulations on the Administration of Anti-corruption to specify the anti-corruption management disciplines and conduct requirements of the Company, so that corruption can be eliminated with the help of an established system and better management approach.

Meanwhile, the Group commences anti-corruption training, laws education among the public and case analysis, so as to promote the importance of anti-corruption. The Company formulates the Measures on Management of Employee's Whistle-blowing and sets up various channels such as telephone hotlines, email and mailbox for whistleblowing. Dedicated staff members collect and sort the reported information on a regular basis and refer the same to the audit department for supervision and investigation. The Company also adopts various measures to encourage staff members to proactively report acts in violation of disciplines, and strengthens the privacy protection of the whistleblower.

The Group puts more efforts on punishing acts in violation of disciplines by increasing the fines on violation. Upon verification of any acts in violation, the entire illegal proceeds will be confiscated and the violator will be fined twice the amount of its illegal proceeds (cash equivalent for gifts), and subject to administrative sanction such as demotion and removal. Serious case will be referred to judicial authorities for criminal charges.

For the year ended 31 December 2019, the Group did not have any corruption litigation cases against the Company or its staff members.

Community Participation

It is one of the crucial conditions for the sustainable development of the Group to establish a harmonious and co-prosperity relationship between the enterprise and community in which it is located. The Group strictly complies with local laws and regulations in its operations to minimize potential adverse impacts on the community and to help promote community development. The Company comes to understand their demands by actively participating in community activities, and performs the social responsibility through the practical actions to provide the beneficial help for the community.

During the Reporting Period, the Group actively understood the needs of local communities and residents, and made every effort to help resolve local employment issues in order to promote the income of residents in the communities. As of 31 December 2019, there were approximately 532 indigenous residents in the Group's operations, accounting for 63.3% of the Group staff.

During the Reporting Period, the Group actively assisted the development of the community's public welfare undertakings. By participating in the "Golden Autumn Student Aid" activities organized by the local government, it donated RMB200,000 to help poor students achieve their college dreams and win the "Laiyuan County Donated Model Scholarship Award "; the Group also actively participated in the "1000 enterprises to help thousands of villages" public welfare activities organized by the local government, and provided local poor villages with collective financial support.

In addition, the Group is concerned about the development of the ecological environment of the communities in which it operates, and actively promotes the construction of ecological civilization in the local communities. During the Reporting Period, the Group has successively funded the construction of roads for the communities in which the Company operates, as well as implemented green planting, and made due contributions to the communities in which it operates.

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INDEPENDENT AUDITOR'S REPORT

to the shareholders of Aowei Holding Limited

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

Opinion

We have audited the consolidated financial statements of Aowei Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 90 to 168, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and Notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of impairment/reversal of impairment on mining assets

Refer to Notes 2(k)(ii), 3(a)(iii) and 15 to the consolidated financial statements.

The Key Audit Matter

As at 31 December 2019, the Group's mining assets are located in two mining areas, each of which is owned by one of the Group's subsidiaries. Each subsidiary was considered to be a separate cash generating unit ("CGU"). As a result of continuing weaker iron ore price forecasts and the deferral of the Group's mine development plans in the second half of 2015, the Group recognised impairment losses in respect of its mining assets of RMB393.6 million for the year ended 31 December 2015. During the year of 2016, management had reassessed whether there was any indication that a CGU might be impaired and performed impairment assessments. Based on these impairment assessments, no further impairment losses were considered necessary as at 31 December 2016.

As a result of the continuing production suspension of Xinxin Mining, which was disposed during the year of 2019, and the adjustment to the Group's mine development plans due to the gradual tightening of environmental protection policies in Hebei Province in which the Group operates, management has performed impairment assessments of the Group's mining assets as at 31 December 2017, 2018 and 2019. Management determined the recoverable amount of each CGU by using discounted cash flow techniques and engaged an independent external valuation expert to assist in determining the recoverable amount of each CGU for assessing impairments. Accordingly, the Group recognised impairment losses in respect of its mining assets of RMB375.6 million, RMB43.4 million and RMB91.8 million for the year ended 31 December 2017, 2018 and 2019, respectively.

We identified the assessment of impairment/reversal of impairment of mining assets as a key audit matter because the assessment of the recoverable amount of a CGU involves significant management judgement in the selection of the assumptions adopted in the cash flow forecasts which could be subject to management bias.

How the matter was addressed in our audit

Our procedures in relation to the impairment assessment on mining related assets included the following:

- evaluating the design and implementation of key internal controls over the valuations of the Group's CGUs on which the related estimated recoverable amounts are based;
- with the assistance of our internal valuation specialists, assessing the methodology applied by management in its impairment assessments with reference to the requirements of the prevailing accounting standards;
- evaluating the experience, competence, objectivity and independence of the independent external valuation expert engaged by the management to perform the valuation of the recoverable amount of each CGU;
- challenging the Group's key assumptions and estimates used to determine the recoverable amounts of the CGUs, including those relating to future sales, future operating costs, future capital expenditure and the discount rates applied. This included obtaining the independent valuation report from the external valuation expert engaged by management, and involving our internal valuation specialists to compare these key assumptions and estimates with external benchmarks (including future commodity prices and discount rates for similar companies in the same industry) and to consider the key assumptions and estimates based on their knowledge of the Group and the industry in which it operates;
- comparing the key assumptions and estimates included in the cash flow forecasts prepared in the prior year with the current year's performance of the CGUs to assess the reliability of management's cash flow forecasts and making enquiries of management as to the reasons for any significant variances identified;
- performing sensitivity analyses of the key assumptions and estimates adopted in the cash flow forecasts and assessing the impact of changes in the key assumptions and estimates and whether there were any indicators of management bias; and
- assessing the disclosures in the consolidated financial statements in respect of management's impairment assessments with reference to the requirements of the prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chu Man Wai.

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

25 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019
(Expressed in Renminbi)

	Note	**2019**	2018
			(Note)
		RMB'000	RMB'000
Revenue	*4*	**815,549**	854,783
Cost of sales		**(545,314)**	(562,525)
Gross profit		**270,235**	292,258
Distribution costs		**(2,645)**	(21,093)
Administrative expenses		**(85,047)**	(91,779)
Impairment losses	*5(c)*	**(259,786)**	(55,876)
(Loss)/profit from operations		**(77,243)**	123,510
Finance income	*5(a)*	**130**	7,674
Finance costs	*5(a)*	**(43,099)**	(38,269)
Net finance costs		**(42,969)**	(30,595)
Gains from disposal of a subsidiary		**5,424**	–
(Loss)/profit before taxation	*5*	**(114,788)**	92,915
Income tax	*6*	**15,817**	(51,373)
(Loss)/profit for the year		**(98,971)**	41,542
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of group of companies outside of Mainland China	*9*	**268**	1,244
Total comprehensive income for the year		**(98,703)**	42,786
(Loss)/profit attributable to equity shareholders of the Company		**(98,971)**	41,542
Total comprehensive income attributable to equity shareholders of the Company		**(98,703)**	42,786
(Loss)/earnings per share			
Basic and diluted (RMB)	*10*	**(0.06)**	0.03

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

The Notes on pages 96 to 168 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2019
(Expressed in Renminbi)

	Note	**31 December 2019**	31 December 2018
			(Note)
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment, net	*11*	**795,145**	663,500
Construction in progress	*12*	**1,429**	–
Lease prepayments		**–**	93,508
Intangible assets	*13*	**84,304**	312,674
Long-term receivables	*17*	**41,340**	55,760
Deferred tax assets	*25(b)*	**166,944**	146,375
Other non-current assets	*18*	**221,931**	326,682
Total non-current assets		**1,311,093**	1,598,499
Current assets			
Inventories	*19*	**113,411**	121,027
Trade and other receivables	*20*	**448,192**	436,245
Cash and cash equivalents	*21*	**461,639**	65,984
Total current assets		**1,023,242**	623,256
Current liabilities			
Short-term borrowings	*22*	**555,000**	280,000
Trade and other payables	*23*	**172,652**	112,297
Current portion of lease liabilities	*24*	**3,990**	–
Current taxation	*25(a)*	**68,016**	69,491
Current portion of long-term payables	*26*	**38,971**	111,785
Current portion of accrued reclamation obligations	*27*	**3,048**	4,512
Total current liabilities		**841,677**	578,085
Net current assets		**181,565**	45,171
Total assets less current liabilities		**1,492,658**	1,643,670

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2019
(Expressed in Renminbi)

	Note	31 December 2019 RMB'000	31 December 2018 (Note) RMB'000
Non-current liabilities			
Lease liabilities, less current portion	24	**3,452**	–
Long-term payables, less current portion	26	**131,664**	123,113
Accrued reclamation obligations, less current portion	27	**36,272**	57,729
Deferred tax liabilities	25(b)	**–**	42,854
Total non-current liabilities		**171,388**	223,696
NET ASSETS		**1,321,270**	1,419,974
CAPITAL AND RESERVES			
Share capital	28(c)	**131**	131
Reserves		**1,321,139**	1,419,843
TOTAL EQUITY		**1,321,270**	1,419,974

Approved and authorised for issue by the board of directors on 25 March 2020.

Li Yanjun
Chairman and Executive Director

Li Ziwei
Chief Executive Officer and Executive Director

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

The Notes on pages 96 to 168 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019
(Expressed in Renminbi)

	Note	Share capital	Share premium	Statutory surplus reserve	Specific reserve	Exchange reserve	Other reserve	Retained Profits *(Note)*	Total equity
		Attributable to equity shareholders of the Company							
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 28(c))	*(Note 28(d))*	*(Note 28(d))*	*(Note 28(d))*	*(Note 28(d))*	*(Note 28(d))*		
Balance 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 2018:									
Profit for the year		–	–	–	–	–	–	41,542	41,542
Other comprehensive income		–	–	–	–	1,244	–	–	1,244
Total comprehensive income		–	–	–	–	1,244	–	41,542	42,786
Transfer back to retained earnings, net of utilisation		–	–	–	(296)	–	–	296	–
Balance at 31 December 2018 and 1 January 2019		**131**	**1,142,640**	**84,556**	**56,498**	**(419)**	**(126,229)**	**262,796**	**1,419,973**
Changes in equity for 2019:									
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(98,971)**	**(98,971)**
Other comprehensive income		**–**	**–**	**–**	**–**	**268**	**–**	**–**	**268**
Total comprehensive income		**–**	**–**	**–**	**–**	**268**	**–**	**(98,971)**	**(98,703)**
Transfer back to retained earnings, net of utilisation		**–**	**–**	**–**	**(7,772)**	**–**	**–**	**7,772**	**–**
Balance at 31 December 2019		**131**	**1,142,640**	**84,556**	**48,726**	**(151)**	**(126,229)**	**171,597**	**1,321,270**

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

The Notes on pages 96 to 168 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2019
(Expressed in Renminbi)

	Note	2019 RMB'000	2018 *(Note)* RMB'000
Cash flows from operating activities			
(Loss)/profit before taxation		**(114,788)**	92,915
Adjustments for:			
Depreciation and amortisation	*5(c)*	**109,493**	141,700
Interest income	*5(a)*	**(130)**	(7,674)
Interest expenses	*5(a)*	**43,099**	38,269
Net losses/(gains) on disposal of property, plant and equipment	*5(c)*	**104**	(66)
Impairment losses	*5(c)*	**259,786**	55,876
Gains from disposal of a subsidiary		**(5,424)**	–
Changes in working capital:			
Decrease/(increase) in inventories		**2,281**	(29,457)
Decrease/(increase) in trade and other receivables		**82,479**	(412,750)
Increase/(decrease) in trade and other payables		**67,812**	(12,139)
Cash generated from/(used in) operations		**444,712**	(133,326)
Income tax paid	*25(a)*	**(50,495)**	(49,212)
Net cash generated from/(used in) operating activities		**394,217**	(182,538)
Investing activities			
Payment for purchase of property, plant and equipment and construction in progress		**(273,230)**	(25,618)
Payment for purchase of other assets		**–**	(17,129)
Proceeds from disposals of property, plant and equipment		**286**	263
Release of restricted deposits for investing purpose		**–**	279,800
Net cash inflow from disposal of a subsidiary	*35*	**35,776**	–
Interest received	*5(a)*	**130**	7,674
Net cash (used in)/generated from investing activities		**(237,038)**	244,990

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2019
(Expressed in Renminbi)

	Note	2019 RMB'000	2018 *(Note)* RMB'000
Financing activities			
Proceeds from borrowings	*21(b)*	**555,000**	280,000
Repayment of borrowings	*21(b)*	**(280,000)**	(320,000)
Capital element of lease rentals paid		**(4,230)**	–
Interest paid	*21(b)*	**(32,516)**	(23,296)
Net cash generated from/(used in) financing activities		**238,254**	(63,296)
Net increase/(decrease) in cash and cash equivalents		**395,433**	(844)
Cash and cash equivalents at 1 January		**65,984**	65,745
Effect of foreign exchange rate changes		**222**	1,083
Cash and cash equivalents at 31 December	*21*	**461,639**	65,984

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

The Notes on pages 96 to 168 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 Corporation information

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

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

On 28 November 2017, the name of the Company was changed from Hengshi Mining Investments Limited to Aowei Holding Limited.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

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

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

IFRS 16, Leases

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

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

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

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

a New definition of a lease

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

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

b Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in Note 11. For an explanation of how the Group applies lessee accounting, see Note 2(j)(i).

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

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

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

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

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

The following table reconciles the operating lease commitments as disclosed in Note 30(b) 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 right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

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

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	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**

c 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 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 positive 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.

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	Add back: IFRS 16 depreciation and interest expense	Deduct: Estimated amounts related to operating leases as if under IAS 17	Hypothetical amounts for 2019 as if under IAS 17	Compared to amounts reported for 2018 under IAS 17
	(A)	(B)	(C)	(D=A+B+C)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial result for the twelve months ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	(77,243)	12,635	(16,668)	(81,276)	123,510
Finance costs	(42,969)	13	–	(42,956)	(30,595)
Profit before taxation	(114,788)	12,648	(16,668)	(118,808)	(92,915)
Profit for the year	(98,971)	9,486	(12,501)	(101,986)	41,542
Reportable segment profit/(loss) for the twelve months ended 31 December 2019 (Note 4(b)) impacted by the adoption of IFRS 16:					
– Mining Segment	33,147	9,486	(12,501)	30,132	50,063
– Medical Segment	(128,885)	–	–	(128,885)	(4,804)
– Total	(95,738)	9,486	(12,501)	(98,753)	45,259

	2019			2018
	Amounts reported under IFRS 16	Estimated amounts related to operating leases as if under IAS 17	Hypothetical amounts for 2019 as if under IAS 17	Compared to amounts reported for 2018 under IAS 17
	(A)	(B)	(C=A+B)	
	RMB'000	RMB'000	RMB'000	RMB'000
Line items in the condensed consolidated cash flow statement for the twelve months ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	444,608	(4,230)	440,378	(133,326)
Net cash generated from operating activities	394,113	(4,230)	389,883	(182,538)
Capital element of lease rentals paid	(4,230)	4,230	–	–
Net cash generated from/(used in) financing activities	238,254	4,230	242,484	(63,296)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

(d) Basis of consolidation

(i) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted to equity. Any costs directly attributable to the combination are recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

(ii) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Acquisition-related costs are expensed when incurred. The acquiree's identifiable assets, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

(iii) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-Group balances, transactions and cash flows and any unrealised profits arising from intra-Group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-Group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(n) or (o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)(ii)), unless the investment is classified as held for sale (or included in a disposal Group that is classified as held for sale).

(e) Other investments

Investments are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets.

At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in debt securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 2(k)(i)). Interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in Note 2(v)(ii). Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see Note 2(k)(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Property, plant and equipment

Property, plant and equipment, which consists of buildings and plants, machinery and equipment, motor vehicles, office equipment and mine properties (including capitalised stripping costs), are initially stated at cost less accumulated depreciation and impairment losses (see Note 2(k)(ii)). The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use, the cost of borrowed funds used during the period of construction (see Note 2(x)) and, when relevant, the costs of dismantling and removing the items and restoring the site on which they are located, and changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other cost is recognised as an expense in profit or loss in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, other than mine properties, over their estimated useful lives using the straight-line method, after taking into account the estimated residual values. The estimated useful lives of property, plant and equipment, other than mine properties, are as follows:

	Depreciable life
Buildings and plants	6 – 20 years
Machinery and equipment	3 – 10 years
Motor vehicles	5 years
Office equipment	3 years

Mine properties are depreciated using the units-of-production method based on the proven and probable mineral reserves of the relevant ore body or component of ore body.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Construction in progress

Construction in progress represents property and plant under construction, equipment pending installation and mines under construction, and is initially recognised at cost less impairment losses (see Note 2(k) (ii)). Cost comprises cost of materials, direct labour and an appropriate proportion of production overheads and borrowing costs (see Note 2(x)).

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

(h) Capitalised stripping costs

The process of removing overburden and other mine waste materials to access mineral deposits is referred to as stripping. Stripping costs (waste removal costs) are incurred during the development and production phases at open-pit mining and they are accounted for separately for each component of an ore body unless the stripping activity provides improved access to the whole of the ore body. A component is a specific section within an ore body that is made more accessible by the stripping activity. The identification of components is dependent on the mine plan. Judgement is required to identify and define these components and also to determine the expected volumes of waste to be stripped and ore to be mined in each of these components. Judgement is also required to identify a suitable production measure that can be applied in the calculation and allocation of production stripping costs between inventory and production stripping activity. These are used to calculate and allocate the production stripping costs to inventory and/or the stripping activity assets.

Development stripping costs are capitalised as a stripping activity asset, in construction in progress and forming part of the cost of constructing the mine, when:

- It is probable that future economic benefits associated with the asset will flow to the entity; and

- The costs can be measured reliably.

Capitalisation of development stripping costs ceases and these costs are transferred to mine properties in property, plant and equipment when the ore body or component of ore body is ready for its intended use.

Production stripping can give rise to two benefits being the extraction of ore in the current period and improved access to the ore body or component of ore body in future periods. To the extent that the benefit is the extraction of ore, the stripping costs are recognised as an inventory cost. To the extent the benefit is improved access to the ore body or component of ore body in future periods, the stripping costs are capitalised as mine properties in property, plant and equipment, if the following criteria are met:

- It is probable that the future economic benefit (improved access to ore) will flow to the Group;

- The ore body or component of the ore body for which access has been improved can be identified; and

- The costs relating to the stripping activity can be measured reliably.

Production stripping costs are allocated between the inventory produced and the mine properties capitalised using a life-of-component waste to ore strip ratio. When the current strip ratio is greater than the life-of-component ratio, a portion of the stripping costs is capitalised to the existing mine properties.

The development and production stripping assets are depreciated using the units of production method based on the proven and probable mineral reserves of the relevant ore body or component of ore body.

(i) Goodwill and other intangible assets

(i) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit (CGU), or Groups of cash generating units, which is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(k) (ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(ii) Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses (see Note 2(k) (ii)). The mining rights are amortised using the units-of-production method based on the proved and probable mineral reserves. The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

(iii) Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses (see Note 2(k)(ii)). Exploration and evaluation assets include expenditures incurred in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and expenditures incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure during the initial exploration stage is charged to profit or loss as incurred.

When it can be reasonably ascertained that a mining structure is capable of commercial production, exploration and development costs capitalised are transferred to mining right and amortised to profit or loss using the units-of-production method based on the proved and probable mineral reserves. If any project is abandoned during the exploration and evaluation stage, the related exploration and evaluation assets are written off to profit or loss.

(iv) Hospital management right

The acquired hospital management right is stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(k) (ii)).

Amortisation of the hospital management right is charged to profit or loss on a straight-line basis over its estimated useful lives of 30 years.

Both the period and method of amortisation are reviewed annually.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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.

(i) Group As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

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. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(f) and 2(k)(ii)), except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value;

- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and

- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable.

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.

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

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified as investment property, was accounted for as if held under a finance lease; and

- land held for own use under an operating lease, the fair value of which could not be measured separately from the fair value of a building situated thereon at the inception of the lease, was accounted for as being held under a finance lease, unless the building was also clearly held under an operating lease. For these purposes, the inception of the lease was the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset, as set out in Note 2(f). Impairment losses were accounted for in accordance with the accounting policy as set out in Note 2(k). Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

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

- contract assets as defined in IFRS 15;

- debt securities measured at FVOCI (recycling);

- lease receivables; and

- loan commitments issued, which are not measured at FVPL.

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

Measurement of ECLs

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

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

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

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

- variable-rate financial assets: current effective interest rate;

- lease receivables: discount rate used in the measurement of the lease receivable;

- loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

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

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

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

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

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

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

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

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(v)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

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

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

(ii) Impairment of other non-current assets
Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets (other than property carried at revalued amounts);
- intangible assets;
- goodwill; and
- investments in subsidiaries, associates and joint ventures in the company's statement of financial position

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount
  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses
  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or Group of units) and then, to reduce the carrying amount of the other assets in the unit (or Group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses
  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. 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 (see Notes 2(k) (i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories

Inventories, including weakly mineralised wall rock, iron ores, preliminary concentrates and iron ore concentrates, are physically measured or estimated and valued at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion, an appropriate portion of fixed and variable overhead costs, including the stripping costs incurred during the production phase, and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated future sales price of the product the Group expects to realise when such item is sold or processed, less estimated costs to complete and bring the product to sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories of ancillary materials, spare parts and small tools used in production are stated at cost less impairment losses for obsolescence.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(k)(i)).

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (including capitalised mine properties);
- construction in progress;
- lease prepayments;
- intangible assets;
- goodwill;
- investments in subsidiaries; and
- other non-current assets (excluding receivables)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal ("FVLCD") and value in use ("VIU"). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a CGU).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or Group of units) and then, to reduce the carrying amount of the other assets in the unit (or Group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual FVLCD (if measurable) or VIU (if determinable).

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(x)).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Levies

A levy is not recognised until the obligating event specified in relevant legislation occurs, even if there is no realistic opportunity to avoid the obligation.

(u) Obligations for reclamation

The Group's obligations for reclamation consist of spending estimates at its mines in accordance with the relevant rules and regulations in the PRC. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash spending to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for final reclamation and mine closure as mine properties in property, plant and equipment. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and the corresponding asset are recognised at the appropriate discount rate.

(v) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of iron ore products and gravel materials

Revenue associated with the sale of iron ores, preliminary concentrates, iron ore concentrates and gravel materials when the control over the goods is transferred to the customer. Revenue excludes value added tax and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(k)(i)).

(iii) Service income

Service income associated with hospital management is recognised when the related services are rendered and when it is probable that the economic benefits from the service rendered will flow to the Group and such benefit could be reliably measured.

(w) Translation of foreign currencies

The presentation currency of the Group is Renminbi ("RMB"). The functional currency of the Company and Hengshi Development International Limited is Hong Kong dollars ("HKD") and the functional currency of other Group entities is Renminbi. Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i) (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgement and estimates

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Iron ore reserves

Engineering estimates of the Group's iron ore reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. Reserve estimates are updated at regular basis and have taken into account recent production and technical information about the relevant iron ore deposits. In addition, as prices and cost levels change from year to year, the estimate of iron ore reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation and amortisation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation and amortisation expenses and impairment loss. Depreciation and amortisation rates are determined based on estimated iron ore reserve quantity and costs of mining structures and mining rights. The cost of mining structures and mining rights are depreciated and amortised based on the units of iron ore reserves consumed.

(ii) Useful lives of property, plant and equipment

Management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iii) Impairment of assets

In relation to the goodwill, the CGU to which goodwill has been allocated is tested for impairment annually whether or not there is any indicator of impairment. Management prepares discounted future cash flow to assess the differences between the carrying amount and VIU. In case the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU.

The Group reviews the carrying amounts of the assets at the end of each reporting period to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flow to assess the differences between the carrying amount and VIU and provided for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the provision of the impairment loss and affect the Group's net asset value.

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognised in profit or loss when there is objective evidence (e.g. probability of insolvency or significant financial difficulties of debtors) that the Group will not be able to collect all of the amounts due under the original terms of invoices. Management uses judgement in determining the probability of insolvency or significant financial difficulties of debtors.

Notwithstanding that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher or lower than the amount estimated. An increase or decrease in the above impairment loss would affect the net profit in future years.

(iv) Obligations for reclamation

The estimation of the liabilities for final reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including future production volume and development plan, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation will be recognised at the appropriate discount rate.

(v) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in the future years.

(vi) Capitalised stripping costs

Production stripping costs can be incurred both in relation to the production of inventories in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former are included as part of the costs of inventories, while the latter are capitalised as mine properties, where certain criteria are met (see Note 2(h)). Significant judgement is required to distinguish between the production stripping that related to the extraction of inventories and what relates to the creation of mine properties.

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

Judgement is also required to identify a suitable production measure to be used to allocation production stripping costs between inventories and any stripping activity asset for each component. The Group considers that the ratio of the expected volume of waste to be stripped for an expected volume of ores to be mined for a specific component of the ore body, the most suitable production measure.

(b) Sources of estimation uncertainty

Other than requiring critical accounting judgements, assumptions concerning the future and other major sources of estimation uncertainty at the end of each reporting period are required in relation to certain Group's accounting policies. Respective information and assumptions and their risk factors are disclosed accordingly as set out in Note 3(a) (iii), (iv) and (v).

4 Revenue and operating segments

(a) Revenue

The Group is principally engaged in the mining, processing and sale of iron ores, preliminary concentrates and iron ore concentrates and the provision of hospital management service. Revenue mainly represents the sales value of goods sold to customers and the service income from hospital management exclusive of value added tax.

(i) Disaggregation of revenue

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

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

During the year ended 31 December 2019, there were three customers with whom transactions have exceeded 10% of the Group's revenue (2018: three customers) and revenue from sale of iron ore concentrates to these customers amounted to RMB749,786,000 (2018: RMB850,588,000). Details of the concentration of credit risk arising from the Group's customers are set out in Note 29(a).

(b) Operating Segments

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

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

- Mining segment: the mining, processing and sale of iron ore products and gravel materials; and

- Medical segment: the provision of hospital management, establishment of specialist clinics supply of medical consumables and nursing service.

(i) Segment results, assets and liabilities

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

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2019 is set out below.

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

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

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

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

	2019	2018
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	**815,549**	854,783
Consolidated revenue (Note 4(a))	**815,549**	854,783
Profit		
Reportable segment (loss)/profit	**(95,738)**	45,248
Unallocated head office and corporate expense	**(3,233)**	(3,706)
Consolidated (loss)/profit	**(98,971)**	41,542

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

5 (Loss)/profit before taxation

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

(a) Net finance costs:

	2019 RMB'000	2018 RMB'000
Interest income	(130)	(7,674)
Finance income	(130)	(7,674)
Interest on interest-bearing borrowings	33,594	23,184
Interest on lease liabilities	13	–
Unwinding of interest on		
– long-term payables	8,148	11,691
– accrued reclamation obligations (Note 27)	1,344	3,395
Foreign exchange difference, net	–	(1)
Finance costs	43,099	38,269
Net finance costs	42,969	30,595

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

(b) Staff costs:

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

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

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

(c) Other items:

	2019 RMB'000	2018 *(Note)* RMB'000
Cost of inventories (Note (i))	**529,953**	546,934
Depreciation charge		
– owned property, plant and equipment	**83,800**	80,032
– right-of-use assets	**197**	–
Amortisation charge		
– owned mining rights and software	**13,058**	43,065
– interests in leasehold land held for own use under operating lease	**–**	18,603
– right-of-use assets	**12,438**	–
Operating lease charges	**4,450**	4,623
Auditor's remuneration		
– audit services	**3,250**	3,500
Net losses/(gains) on disposal of property, plant and equipment	**104**	(66)
Impairment losses on property, plant, equipment and intangible assets (Note 15)	**256,970**	43,428
Impairment losses on trade and other receivables (Note 20(d))	**2,816**	12,448

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated, See Note 2.

Note:

(i) During the year ended 31 December 2019, cost of inventories includes RMB122,944,000 (2018: RMB165,219,000) relating to staff costs, depreciation and amortisation expenses which are also included in the respective amounts disclosed separately above for each of these types of expenses.

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

6 Income tax

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

	2019 RMB'000	2018 RMB'000
Current tax		
Provision for PRC enterprise income tax (Note 25(a))	**49,174**	69,454
Deferred tax		
Origination and reversal of temporary differences (Note 25(b))	**(64,991)**	(18,081)
	(15,817)	51,373

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

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

Notes:

(i) The PRC enterprise income tax rate is adopted as the Group's operations are mainly conducted in the PRC. Pursuant to the prevailing income tax rules and regulations of the PRC, the PRC enterprise income tax is at a rate of 25%.

(ii) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

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

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

(Expressed in Renminbi unless otherwise indicated)

7 Directors' remuneration

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	2019 Total RMB'000
Executive directors				
Mr. Li Yanjun (chairman)	–	1,267	–	1,267
Mr. Li Ziwei (vice chairman)	–	829	16	845
Mr. Tu Quanping	–	575	7	582
Mr. Sun Jianhua	–	291	15	306
Mr. Jin Jiangsheng	–	660	7	667
Independent non-executive directors				
Mr. Ge Xinjian	106	–	–	106
Mr. Meng Likun	106	–	–	106
Mr. Jiang Zhi Wu	160	–	–	160
	372	3,622	45	4,039

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	2018 Total RMB'000
Executive directors				
Mr. Li Yanjun (chairman)	–	1,219	–	1,219
Mr. Leung Hongying Li Ziwei (vice chairman)	–	797	15	812
Mr. Li Jinsheng	–	633	–	633
Mr. Sun Jianhua	–	205	34	239
Mr. Huang Kai	–	318	–	318
Mr. Tu Quanping	–	572	8	580
Independent non-executive directors				
Mr. Ge Xinjian	102	–	–	102
Mr. Meng Likun	102	–	–	102
Mr. Kong Chi Mo	152	–	–	152
	356	3,744	57	4,157

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2018: three) are directors whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other two (2018: two) individuals are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other emoluments	1,285	1,365
Retirement scheme contributions	7	16
	1,292	1,381

The emoluments of the two (2018: two) individuals with the highest emoluments are within the following bands:

	2019 Number of individuals	2018 Number of individuals
Nil to HKD1,000,000	2	2

9 Other comprehensive income

The component of other comprehensive income does not have any significant tax effect for the years presented.

10 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the results attributable to equity shareholders of the Company for the year ended 31 December 2019 of loss of RMB98,971,000 (2018: profit of RMB41,542,000) and the weighted average number of shares in issue during the year ended 31 December 2019 of 1,635,330,000 shares (2018: 1,635,330,000 shares).

The Company did not have any potential dilutive shares for the years presented. Accordingly, diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

(Expressed in Renminbi unless otherwise indicated)

11 Property, plant and equipment, net

	Land, buildings and plants RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Mine properties RMB'000	Total RMB'000
Cost:						
At 1 January 2018	527,848	361,354	30,688	9,133	369,316	1,298,339
Additions	–	201	1,418	44	–	1,663
Transferred from construction in progress (Note 12)	9,860	671	–	4,224	1,307	16,062
Disposals	–	–	(1,692)	–	–	(1,692)
At 31 December 2018	537,708	362,226	30,414	13,401	370,623	1,314,372
At 1 January 2019	**537,708**	**362,226**	**30,414**	**13,401**	**370,623**	**1,314,372**
Impact on initial application of IFRS 16	**93,508**	**–**	**–**	**–**	**–**	**93,508**
Additions	**31,581**	**1,324**	**3,318**	**4,332**	**8**	**40,563**
Transferred from construction in progress (Note 12)	**110,487**	**47,754**	**–**	**83**	**87,394**	**245,718**
Disposals	**–**	**(514)**	**(2,877)**	**–**	**–**	**(3,391)**
Disposal of a subsidiary (Note 35)	**(61,028)**	**(53,101)**	**(6,334)**	**(2,839)**	**(136,092)**	**(259,394)**
At 31 December 2019	**712,256**	**357,689**	**24,521**	**14,977**	**321,933**	**1,431,376**
Accumulated depreciation and impairment losses:						
At 1 January 2018	(147,885)	(177,692)	(24,608)	(5,143)	(187,483)	(542,811)
Charge for the year	(48,211)	(23,522)	(1,805)	(1,482)	(25,594)	(100,614)
Written back on disposals	–	–	1,429	3	–	1,429
Impairment losses (Note 15)	(3,633)	(2,487)	(87)	(20)	(23,231)	(29,458)
At 31 December 2018	(199,729)	(203,701)	(25,071)	(6,645)	(236,308)	(671,454)
At 1 January 2019	**(179,147)**	**(203,701)**	**(25,071)**	**(6,645)**	**(236,308)**	**(650,872)**
Charge for the year	**(48,211)**	**(24,995)**	**(1,764)**	**(3,181)**	**(18,284)**	**(96,435)**
Written back on disposals	**–**	**342**	**2,808**	**–**	**–**	**3,150**
Written back on disposal of a subsidiary (Note 35)	**26,638**	**36,695**	**5,403**	**2,648**	**1,768**	**73,152**
Impairment losses (Note 15)	**(41,690)**	**(15,918)**	**(715)**	**(1,056)**	**(14,139)**	**(73,518)**
Reversal of impairment losses due to disposal of a subsidiary (Note 35)	**14,173**	**11,175**	**729**	**145**	**82,070**	**108,292**
At 31 December 2019	**(228,237)**	**(196,402)**	**(18,610)**	**(8,089)**	**(184,893)**	**(636,231)**
Net carrying value						
At 31 December 2019	**484,019**	**161,287**	**5,911**	**6,888**	**137,040**	**795,145**
At 31 December 2018	358,561	158,525	5,343	6,756	134,315	663,500

As discussed in Note 2(c), the Group has initially applied IFRS 16 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in Note 2(c).

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

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC, with original lease periods over 5 to 50 years. Up to the issue of these financial statements, the Group is still in the process of applying for the title certificates of certain of its leasehold land with a carrying amount of approximately RMB74,834,000 (31 December 2018: RMB77,995,000). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned properties and leasehold land.

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

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

As at 31 December 2019, certain of the Group's borrowings were secured by the Group's property, plant and equipment and right of use assets (see Note 22(a)) with a carrying amount of RMB39,626,000 and RMB10,382,000 (31 December 2018: RMB43,055,000 and RMB10,662,000), respectively.

12 Construction in progress

	Other property and plant under construction/ installation RMB'000
At 1 January 2018	696
Additions	15,366
Transferred to property, plant and equipment (Note 11)	(16,062)
At 31 December 2018	–
At 1 January 2019	**–**
Additions	**247,147**
Transferred to property, plant and equipment (Note 11)	**(245,718)**
At 31 December 2019	**1,429**

(Expressed in Renminbi unless otherwise indicated)

13 Intangible assets

	Mining rights	Hospital management right	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At 1 January 2018, 31 December 2018 and 1 January 2019	**880,567**	**187,000**	**1,067,567**
Disposal of a subsidiary (Note 35)	**(86,713)**	**–**	**(86,713)**
At 31 December 2019	**793,854**	**187,000**	**980,854**
Accumulated amortisation:			
At 1 January 2018	(688,508)	(9,350)	(697,858)
Charge for the year	(36,832)	(6,233)	(43,065)
Impairment losses (Note (ii))	(13,970)	–	(13,970)
At 31 December 2018	**(739,310)**	**(15,583)**	**(754,893)**
At 1 January 2019	**(739,310)**	**(15,583)**	**(754,893)**
Charge for the year	**(6,825)**	**(6,233)**	**(13,058)**
Written back on disposal of a subsidiary	**5,168**	**–**	**5,168**
Impairment losses (Note (ii))	**(18,268)**	**(165,184)**	**(183,452)**
Reversal of impairment losses due to disposal of a subsidiary (Note 35)	**49,685**	**–**	**49,685**
At 31 December 2019	**(709,550)**	**(187,000)**	**(896,550)**
Net carrying value:			
At 31 December 2019	**84,304**	**–**	**84,304**
At 31 December 2018	141,904	171,417	312,674

Notes:

(i) Intangible assets represent mining rights and the related premium paid in relation to obtaining the mining rights, and the hospital management right acquired in 2016.

(ii) During the year ended 31 December 2019, the impairment provision on mining rights of Laiyuan County Jingyuancheng Mining Co., Ltd. ("Jingyuancheng Mining") amounted to RMB18,268,000 (see Note 15(a)), and the impairment of RMB165,184,000 has been recognised in respect of the hospital management right of Baoding Xinan Medical Management Consulting Co., Ltd. (see Note 15(b)).

(iii) As at 31 December 2019, the Group's borrowings were secured by the mining right of Laiyuan County Jiheng Mining Co., Ltd. ("Jiheng Mining") (see Note 22(a)) with a carrying amount of approximately RMB55,000 (31 December 2018: RMB55,000).

14 Goodwill

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

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

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

15 Impairment losses

(a) Property, plant and equipment

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

As a result of continuing and weaker iron ore product price forecasts and consequent deferral of mine development plan in the second half of 2015, the Group identified indications of impairment in relation to Laiyuan County Jingyuancheng Mining Co., Ltd. ("Jingyuancheng Mining") and Xinxin Mining. Consequently, a formal estimate of the recoverable amounts of the related CGUs were performed. For the purpose of the impairment testing, each of Jingyuancheng Mining and Xinxin Mining is regarded as a CGU. For the year ended 31 December 2015, impairment losses totalling RMB393,637,000 was recognised in respect of the Group's property, plant and equipment, construction in progress and intangible assets amounting to RMB184,384,000, RMB25,091,000 and RMB184,162,000, respectively.

Since then the directors have been closely monitoring the market situation and the indication of variance to those key assumptions used in the estimation of carrying amounts of related CGUs. During the year ended 31 December 2017, the directors carried out the review of the recoverable amounts of each CGU of which indications of impairment were identified. The Group recognised impairment loss of RMB54,645,000 of which RMB37,294,000 (Note 11) in property, plant and equipment and RMB17,351,000 in intangible assets (Note 13).

During the year ended 31 December 2018, the Group anticipated a further deferral of production resumption of Xinxin Mining after taking into account the fact that it will continue to remain production halt. The directors carried out the review of the recoverable amount of this CGU and such review led to the recognition of an impairment loss of RMB43,428,000, which has been recognised in the profit or loss for the year ended 31 December 2018, of which RMB29,458,000 was recognised in the property, plant and equipment and RMB13,970,000 was recognised in intangible assets (see Note 13), and this CGU has been reduced to its recoverable amount of RMB99,194,000.

As at 31 December 2019, the management identified impairment indications of non-financial assets in Jingyuancheng Mining. The directors carried out the review of the recoverable amount of this CGU and such review led to the recognition of an impairment loss of RMB91,786,000, which has been recognised in the profit or loss for the year ended 31 December 2019, of which RMB73,518,000 (see Note 11) was recognised in the property, plant and equipment and RMB18,268,000 (see Note 13) was recognised in intangible assets, and this CGU has been reduced to its recoverable amount of RMB423,812,000.

The determination of VIU was most sensitive to iron ore concentrate prices, sales and production volumes and discount rate. The Group adopts a pre-tax rate of 10.6% (2018: 11.4% that reflects specific risks related to the CGUs as discount rates. Other key assumptions for the VIU calculations reflect management's judgements and expectations regarding the past performance of the relevant assets, as well as future industry conditions and operations.

(b) Hospital management right

On 4 July 2016, the Group entered into a Sale and Purchase Agreement to acquire the 100% issued share capital of Xinan Investments Limited, which indirectly holds 100% equity interest of Baoding Xinan Medical Management Consulting Company Limited ("Baoding Xinan"). As at the date of the signing of the Sale and Purchase Agreement, Baoding Xinan has entered into the Agreement on Management of Rongcheng County Hospital of Traditional Chinese Medicine with the Healthcare and Family Planning Bureau of Rongcheng County, Baoding, Hebei Province relating to the management of the Rongcheng County Hospital of Traditional Chinese Medicine (hereafter referred to as "Rongcheng Hospital") and the Management Agreement with Rongcheng Hospital relating to the management. Both agreements are collectively referred to as the "Hospital Management Agreements" hereafter. The Group obtained hospital management right through the Hospital Management Agreements. The management right was recognised at its fair value amounting to RMB187,000,000, and is amortised on a straight-line basis over 30 years as agreed in the Hospital Management Agreements.

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

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

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

(c) Mining rights

In August and December 2014, the Group acquired two mining rights with an aggregate carrying amount of approximately RMB321,000,000 from two third parties. These two mining rights fall within the local government's resources integration plan. In accordance with the plan, the local government intended to grant one mining right certificate in replace of a few separate mining right certificates. As at 31 December 2018, the Group was still in process of negotiating with the local government to renew title certificates of these two mining rights as part of the planned consolidation works. Given the fact that the local government has carried out policies such as gradually closing down and ceasing new license of open-pit under scale recently, the directors considered indication of impairment exist and carried out the review of the recoverable amount of the above-mentioned mining rights.

Further to the impairment assessment made by the Company, an impairment loss of RMB321,000,000 has been recognised in the profit or loss for the year ended 31 December 2017 after taking into account the uncertainties associated with the consolidation works in the foreseeable future. For the year ended 31 December 2019, the management considered no further impairment or reversal for the above-mentioned mining rights.

(Expressed in Renminbi unless otherwise indicated)

16 Subsidiaries of the Group

The following list contains the particular of subsidiaries of the Group as at 31 December 2019.The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of companies	Place of incorporation/ establishment and business	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Hengshi Development International Limited 恒實發展國際有限公司	Hong Kong	100 shares of HKD1.00 each	100%	100%	–	Investment holding
Beijing Panshi Industrial Co., Ltd. (i)(ii) 北京盤實實業有限公司	PRC	RMB 150,000,000	100%	–	100%	Investment holding
Beijing Hengwen Industrial Co., Ltd. (i)(ii) 北京恒穩實業有限公司	PRC	RMB 120,000,000	100%	–	100%	Investment holding
Laiyuan County Aowei Mining Investments Co., Ltd. (i)(ii) 淶源縣奥威礦業投資有限公司	PRC	RMB 120,000,000	100%	–	100%	Investment holding
Laiyuan County Jingyuancheng Mining Co., Ltd. (i)(ii) 淶源縣京源城礦業有限公司	PRC	RMB 160,000,000	100%	–	100%	Mining, processing and sale of iron ore products
Laiyuan County Jiheng Mining Co., Ltd. (i)(ii) 淶源縣冀恒礦業有限公司	PRC	RMB 100,000,000	100%	–	100%	Mining, processing and sale of iron ore products
Xinan Investments Limited 熹南投資有限公司	BVI	1 share of USD1.00 each	100%	100%	–	Investment holding
Xinan Limited 熹南有限公司	Hong Kong	1 share of HKD1.00 each	100%	–	100%	Investment holding
Baoding Xinan Medical Management Consulting Co., Ltd.(i)(ii) 保定熹南醫療管理諮詢有限公司	PRC	RMB 5,000,000	100%	–	100%	Hospital management
Baoding Aoxiang Property Services Co.,Ltd. (i)(ii) 保定奥祥物業服務有限公司	PRC	RMB 1,000,000	100%	–	100%	Property management
Baoding Xiang'an Pharmaceutical Sales Co., Ltd. (i)(ii) 保定翔安藥品銷售有限公司	PRC	RMB 4,000,000	100%	–	100%	Supply chain business

(i) The official names of the entities are in Chinese. The English names are for identification purpose only.
(ii) These subsidiaries are registered as limited liability companies under PRC Law.

(Expressed in Renminbi unless otherwise indicated)

17 Long-term receivables

	2019 RMB'000	2018 RMB'000
Environmental reclamation deposits (Note (i))	**30,340**	44,760
Receivables from Rongcheng Hospital (Note(ii))	**11,000**	11,000
	41,340	55,760

Notes:

(i) Environmental reclamation deposits placed with government in respect of the Group's reclamation obligations for the closure of mines.

(ii) The balances represent a five-year loan to Rongcheng County Hospital maturing in year 2021, which is unsecured and interest-free. Pursuant to the Group's accounting policy, management measures loss allowance for long-term receivables on an individual basis at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk of the loan balance since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. During the year ended 31 December 2019, management determined that the credit risks of such balances of RMB11 million related to the individual did not increased significantly. Management's estimation has considered the future profitability assessment of the Rongcheng County Traditional Chinese Medicine Hospital and specified the repayment term with the Hospital as credit enhancements.

All of the balances are not expected to be repaid/refunded within the next 12 months.

18 Other non-current assets

	2019 RMB'000	2018 RMB'000
Prepayments for construction work and equipment purchases	**2,597**	2,655
Prepayments for on-site loading service and transportation service (Note 20(c))	**219,334**	323,002
Others	**–**	1,025
	221,931	326,682

(Expressed in Renminbi unless otherwise indicated)

19 Inventories

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

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

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

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

20 Trade and other receivables

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

(a) Ageing analysis

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

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

(b) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

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

Notes:

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

(c) Other receivables

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

Note:

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

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

(d) Impairment of trade and other receivables

Credit losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the credit losses is written off against trade receivables directly (Note 2(k)(i)).

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

21 Cash and cash equivalents and other cash flow information

(a) The Group's cash and cash equivalents comprise:

	2019 **RMB'000**	2018 RMB'000
Cash on hand	**128**	94
Cash at banks	**461,511**	65,890
	461,639	65,984

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Borrowings *(Note 22)* RMB'000	Accrued interest *(Note 23)* RMB'000
At 1 January 2018	320,000	556
Changes from financing cash flows:		
Proceeds from new bank loans	280,000	–
Repayment of bank loans	(320,000)	–
Interest paid	–	(23,296)
Total changes from financing cash flows	(40,000)	(23,296)
Other changes:		
Interest expenses	–	23,184
At 31 December 2018/1 January 2019	**280,000**	**444**
Changes from financing cash flows:		
Proceeds from new bank loans	**555,000**	**444**
Repayment of bank loans	**(280,000)**	**–**
Interest paid	**–**	**(32,516)**
Total changes from financing cash flows	**275,000**	**(32,516)**
Other changes:		
Interest expenses	**–**	**33,594**
At 31 December 2019	**555,000**	**1,522**

(Expressed in Renminbi unless otherwise indicated)

22 Borrowings

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

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

Note:

(i) As at 31 December 2019, the Group's bank loans of RMB170,000,000, RMB85,000,000 and RMB300,000,000 (2018: RMB180,000,000, RMB100,000,000 and nil) were secured by the Group's mining right, right-of-use assets (land use rights), properties and equipment (see Notes 11 and 13), by the right-of-use assets (land use rights) and properties of a related party of the Group (see Note 31(b)(iii)), and collectively secured by land and properties of third parties and a related party (see Note 31(b)(iii)), respectively.

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

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

(c) The Group's banking facilities comprise

	2019	2018
	RMB'000	RMB'000
Secured by:		
Mining rights, right-of-use assets (land use rights) and properties of the Group (Notes 11 and 13)	170,000	243,000
Land and properties of related parties and third parties (Note 31(b)(iii))	460,000	160,000
	630,000	403,000

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

The Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial statement ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. During the year ended 31 December 2019, none of the covenants relating to drawn down facilities had been breached.

23 Trade and other payables

	2019 RMB'000	2018 RMB'000
Trade payables	73,925	43,655
Other taxes payable	15,732	14,038
Receipts in advance	10,283	3,528
Payables for construction work, equipment purchase and others	5,620	7,363
Amounts due to related parties (Note 31(b))	7	107
Interest payables	1,522	444
Others (Note (i))	65,563	43,162
	172,652	112,297

Note:

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

As at 31 December 2019, all trade payables are due and payable on presentation or within one year. All of the other payables were expected to be settled within one year or are repayable on demand.

24 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	31 December 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**3,990**	**4,230**
After 1 year but within 2 years	**3,452**	**3,900**
	7,442	**8,130**
Less: total future interest expenses		**(688)**
Present value of lease liabilities		**7,442**

The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to IFRS 16 are set out in Note 2(c).

25 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2019 RMB'000	2018 RMB'000
Income tax payable at 1 January 2019	**69,491**	49,249
Provision for the year (Note 6(a))	**49,174**	69,454
Disposal of a subsidiary (Note 35)	**(154)**	–
Income tax paid	**(50,495)**	(49,212)
Income tax payable at 31 December 2019	**68,016**	69,491

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accrued expenses	Impairment losses on non-current assets	Long-term payables	Safety production fund	Depreciation and amortisation	Accrued reclamation obligations	Provision for doubtful debts	Deferred tax liabilities arising from business combination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	19,741	83,428	5,618	(241)	13,886	7,349	72	(44,413)	85,440
Credited/(expense) to profit or loss (Note 6(a))	8,489	–	1,806	241	1,464	1,411	3,111	1,559	18,081
At 31 December 2018 and 1 January 2019	28,230	83,428	7,424	–	15,350	8,760	3,183	(42,854)	103,521
Credited to profit or loss (Note 6(a))	5,886	22,947	1,106	–	(6,281)	(2,107)	586	42,854	64,991
Disposal of a subsidiary (Note 35)	(2,291)	–	(2,963)	–	3,686	–	–	–	(1,568)
At 31 December 2019	31,825	106,375	5,567	–	12,755	6,653	3,769	–	166,944

(ii) Reconciliation to the consolidated statement of financial position

	2019	2018
	RMB'000	RMB'000
Net deferred tax assets	166,944	146,375
Net deferred tax liabilities	–	(42,854)
	166,944	103,521

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(r), the Group has not recognised deferred tax assets in respect of tax losses and impairment losses on non-current assets amounted to RMB305,047,000 and nil, respectively, as at 31 December 2019 (31 December 2018: RMB260,367,000 and RMB43,428,100, respectively) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Included in the total amount of tax losses are RMB167,759,000 (31 December 2018: RMB173,447,000) in relation to Group entities operated in the PRC, for which the tax losses can be carried forward for five years from the year incurred.

The year of expiry of tax losses not recognised is as follows:

	2019 RMB'000	2018 RMB'000
Year of expiry:		
2019	–	7,784
2020	59,148	74,266
2021	1,990	17,006
2022	3,287	6,621
2023	58,654	67,770
2024	44,680	–
	167,759	173,447

(d) Deferred tax liabilities not recognised

As at 31 December 2019, temporary differences in relation to undistributed profits of subsidiaries in Mainland China since 1 January 2008 and up to the public listing of the Company's shares on the Stock Exchange amounted to RMB542,212,000 (31 December 2018: RMB554,346,000). Relevant deferred tax liabilities of RMB27,111,000 (31 December 2018: RMB27,717,000) have not been recognised at the end of the respective reporting periods in respect of the withholding income tax (see Note 6(b)(v)) that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

26 Long-term payables

	2019 RMB'000	2018 RMB'000
Consideration payables for the acquisition of mining rights	**170,635**	234,898
Less: current portion of accrued reclamation obligations	**38,971**	111,785
	131,664	123,113

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

In accordance with Ji Guo Tu Zi Han No. [2015]1011 issued on 11 November 2015, Hebei Provincial Department of Land and Resources approved a revised annual instalment schedule in relation to the remaining parts of the above mining right considerable payables and the payment periods were extended to 2022.

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

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

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

27 Accrued reclamation obligations

	2019 RMB'000	2018 RMB'000
At 1 January 2019	**62,241**	59,576
Accretion expenses (Note 5(a))	**1,344**	3,395
Utilised during the year	**(1,453)**	(730)
Disposal of a subsidiary	**(22,812)**	–
At 31 December 2019	**39,320**	62,241
Less: current portion of accrued reclamation obligations	**3,048**	4,512
	36,272	57,729

The accrual for reclamation costs has been determined based on management's best estimates. The estimate of the associated 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 respective reporting periods are adequate and appropriate. The accrual is based on estimates and therefore, the ultimate liability may exceed or be less than such estimate.

28 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 *(Note 29(c))*	Share premium RMB'000 *(Note 29(d))*	Exchange reserve RMB'000 *(Note 29(d))*	Other reserve RMB'000 *(Note 29(d))*	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2018	131	1,142,640	(1,486)	150,576	(30,957)	1,260,904
Total comprehensive income for the year	–	–	1,797	–	(3,705)	(1,908)
Balance at 31 December 2018 and 1 January 2019	**131**	**1,142,640**	**311**	**150,576**	**(34,662)**	**1,258,996**
Total comprehensive income for the year	**–**	**–**	**625**	**–**	**(3,279)**	**(2,654)**
Balance at 31 December 2019	**131**	**1,142,640**	**936**	**150,576**	**(37,941)**	**1,256,342**

(b) Dividends

The board of directors of the Company does not recommend the payment of a final dividend in respect of the year ended 31 December 2019 (2018: RMB nil).

(c) Share capital

	2019		2018	
	Number of shares '000	RMB'000 (equivalent)	Number of shares '000	RMB'000 (equivalent)
Ordinary shares, issued and fully paid:				
At 1 January 2019 and 31 December 2019	**1,635,330**	**131**	1,635,330	131

On 13 July 2016, 127,486,892 shares with par value of HKD0.0001 per share were issued and allotted to Jovial Link as the consideration for acquisition of business.

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.

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Statutory surplus reserve

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

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

(iii) Specific reserve

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

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange adjustments arising from the translation of the HKD denominated financial statements to the Group's presentation currency. The reserve is dealt with in accordance with the accounting policy set out in Note 2(w).

(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;
- the shareholder's loans waived by the ultimate controlling party.

(e) Distributability of reserves

Pursuant to the Cayman Companies Law, Chapter 22 (2012 Revision, as consolidated and reserved) of the Cayman Islands, share premium of the Company is also a distributable reserve to the shareholders. As at 31 December 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB1,104,699,000 (31 December 2018: RMB1,107,978,000).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group defines the capital as total shareholders' equity plus loans and borrowings.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The gearing ratio (calculated as total bank and other borrowings divided by total assets) of the Group as at 31 December 2019 was 23.78% (31 December 2018: 12.60%).

29 Financial risk management and fair values measurement

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash at banks and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

All of the Group's cash at banks are deposited in the reputable banks which management assessed the credit risk to be insignificant.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally delivers goods to its customers after receiving full payments in advance. Under certain circumstances, a credit period of up to one year is granted to customers that have a good track record with the Group and in good credit condition. The Group seeks to maintain tight control over those outstanding balances in order to manage credit risk. Management monitors the balances on a regular basis and takes appropriate actions against overdue balances, if any. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2019, 91.43% (31 December 2018: 98.27%) of trade receivables was due from the Group's five largest customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 20.

(b) Liquidity risk

The Group has to maintain a suitable level of liquidity to finance the daily operation, capital expenditure and repayment of borrowings. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As at the date of these financial statements, the Group is in process of negotiation to refinance its short-term interest bearing borrowings of RMB555 million and the Group is considering alternative sources of financing as well, taking into account unutilised banking facilities (Note 22(c)), the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2019 contractual undiscounted cash flow					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing borrowings (Note 22)	555,000	577,121	577,121	–	–	–
Trade and other payables (Note 23)	172,652	172,652	172,652	–	–	–
Long-term payables (Note 26)	170,635	176,127	40,050	17,582	118,495	–
Accrued reclamation obligations (Note 27)	39,320	40,939	3,048	3,392	9,257	25,242
Lease liabilities (Note 25)	7,442	8,130	4,230	3,900	–	–
	945,049	974,969	797,101	24,874	127,752	25,242

	2018 contractual undiscounted cash flow					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing borrowings (Note 22)	280,000	288,282	288,282	–	–	–
Trade and other payables (Note 23)	112,297	112,297	112,297	–	–	–
Long-term payables (Note 26)	234,898	254,111	94,397	54,210	105,504	–
Accrued reclamation obligations (Note 27)	62,241	67,096	4,512	4,885	15,073	42,626
	689,436	721,786	499,488	59,095	120,577	42,626

(c) Interest rate risk

The Group's interest rate risk arises primarily from its short-term and long-term borrowings carrying interests at fixed rates exposed the Group to fair value interest rate risk. The Group manages its exposure to interest rate risk by maintaining high proportion of fixed rate borrowings. Details of the interest rates are disclosed in Note 22.

(d) Currency risk

The Group is exposed to currency risk primarily through financing activities which give rise to cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The Group's principal business is located in the PRC and the principal operation and transactions are carried out in RMB. Substantially all of the Group's assets and liabilities 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 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 and have not entered into any derivative instruments to manage foreign exchange fluctuations. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of the reporting period.

	2019		2018	
	USD'000	RMB'000	USD'000	RMB'000
Cash and cash equivalents	817	1,129	53	1,125

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained earnings) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remain constant.

	2019			2018		
	Increase/ (decrease) exchange rates	Effect on profit after tax and retained profits	Effect on other components of equity	Increase/ (decrease) exchange rates	Effect on profit after tax and retained profits	Effect on other components of equity
	%	RMB'000	RMB'000	%	RMB'000	RMB'000
United States Dollars	5	41	–	5	3	–
	(5)	(41)	–	(5)	(3)	–
Renminbi Yuan	5	56	(56)	5	56	(56)
	(5)	(56)	56	(5)	(56)	56

(e) Fair value measurement

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

Apart from the available-for-sale securities measured at fair value, all of the Group's other financial assets and liabilities are initially recognised at the fair value of consideration paid or received and subsequently carried at amortised costs, as appropriate.

The financial assets and liabilities are presented by class in the tables below at their carrying amounts, which generally approximate to fair values except for long-term receivables and borrowings as indicated below.

	2019			2018		
	Loans and receivables	Other financial assets and liabilities at amortised costs	Total	Loans and receivables	Other financial assets and liabilities at amortised costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents (Note (a))	461,639	–	461,639	65,984	–	65,984
Trade and other receivables (Note (b))	448,192	–	448,192	436,245	–	436,245
Long-term receivables (Note (a))	41,340	–	41,340	55,760	–	55,760
Trade and other payables (Note (b))	–	(172,652)	(172,652)	–	(112,297)	(112,297)
Borrowings (Note (a))	–	(555,000)	(555,000)	–	(280,000)	(280,000)
Total financial assets/(liabilities) carried at amortised costs	951,171	(727,652)	223,519	557,989	(392,297)	165,692
Non-financial assets/(liabilities)	1,383,164	(285,413)	1,097,751	1,663,766	(409,484)	1,254,282
Total assets/(liabilities)	2,334,335	(1,013,065)	1,321,270	2,221,755	(801,781)	1,419,974

Notes:

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

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

30 Commitments and contingencies

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

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

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

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

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 2(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 2(j), and the details regarding the Group's future lease payments are disclosed in Note 24.

(c) Environmental contingencies

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

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

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

(iii) varying costs of alternative remediation strategies;

(iv) changes in environmental remediation requirements; and

(v) the identification of new remediation sites.

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

(d) Governmental and regulatory levies

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

(Expressed in Renminbi unless otherwise indicated)

31 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, including amounts paid to the Company's directors as disclosed in Note 7 and certain of the highest paid employees as disclosed in Note 8, is as follows:

	2019 RMB'000	2018 RMB'000
Basic salaries, allowances and benefits in kind	5,673	6,598
Retirement scheme contributions	59	81
	5,732	6,679

Total remuneration is included in "staff costs" (see Note 5(b)).

(b) Other related party transactions

During the years 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.	A company ultimately owned by Mr. Li Yanjun
Aowei International Development Limited	A company ultimately owned by Mr. Li Yanjun and Mr. Li Ziwei
Hengshi Holdings Limited	A company ultimately owned by Mr. Li Yanjun and Mr. Li Ziwei
Hengshi International Investments Limited	A company ultimately owned by Mr. Li Yanjun and Mr. Li Ziwei
Beijing Tong Da Guang Yue Trading Co., Ltd.	A company jointly owned by Mr. Li Yanjun

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

	2019 RMB'000	2018 RMB'000
Property leasing charges (Note (i))	**4,270**	4,270
Advances received from a related party (Note (ii))	**556**	1,259
Advances paid to a related party (Note (ii))	**133**	–

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

	2019 RMB'000	2018 RMB'000
Amounts due to related parties (Note (i))	**7**	107

Notes:

(i) Property leasing charges represent office rental paid and payable to Hebei Aowei Industrial Group Co., Ltd..

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

(iii) On 15 December 2015, the Group entered into a bank facility agreement with the aggregate amount of RMB160.0 million, including bank loan facilities of RMB110.0 million and bank acceptance bill facilities of RMB50.0 million, respectively. The bank facility agreement has a term of 12 months is from the date of drawdown and 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 lands and properties of Beijing Tong Da Guang Yue Trading Co., Ltd. (a company jointly owned by Mr. Li Yanjun).

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 RMB 58,230,000 and properties amounting to RMB 42,413,000 of Hebei Aowei, and properties amounting to RMB 260,240,000 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 Industrial Group Co., Ltd., the Company rents properties from Hebei Aowei Industrial Group Co., Ltd. as office premises for the years ended 31 December 2018, 2019 and 2020.

As at the end of the respective reporting periods, the estimated total future minimum lease payments to Hebei Aowei Industrial Group Co., Ltd. under non-cancellable operating leases were payable as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	–	4,270
After 1 year but within 5 years	–	–
	–	4,270

(d) Applicability of the Listing Rules relating to connected transactions

Certain related party transactions in respect of Notes 31(b) and (c) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected Transactions and Continuing Connected Transactions" of the Report of the Directors.

(Expressed in Renminbi unless otherwise indicated)

32 Company-level statement of financial position

Approved and authorised for issue by the board of directors on 25 March 2020.

	31 December 2019 RMB'000	31 December 2018 RMB'000
Non-current asset		
Investment in a subsidiary	369,419	369,419
Total non-current asset	369,419	369,419
Current assets		
Other receivables	878,057	877,652
Cash and cash equivalents	9,804	12,857
Total current assets	887,861	890,509
Current liability		
Other payables	938	932
Total current liability	938	932
Net current assets	886,923	889,577
Total assets less current liability	1,256,342	1,258,996
NET ASSETS	1,256,342	1,258,996
CAPITAL AND RESERVES		
Share capital (Note 28(a))	131	131
Reserves (Note 28(d))	1,256,211	1,258,865
TOTAL EQUITY	1,256,342	1,258,996

Li Yanjun
Chairman and Executive Director

Li Ziwei
Chief Executive Officer and Executive Director

33 Non-adjusting events after the reporting period

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

34 Immediate and ultimate controlling party

As at 31 December 2019, the directors considered the immediate parent and ultimate controlling party of the Group to be Hengshi International Investments Limited and Mr. Li Yanjun and Mr. Li Ziwei, respectively. Hengshi International Investments Limited does not produce financial statements available for public use.

35 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	*11*	77,950
Intangible assets	*13*	31,860
Deferred tax assets	*25(b)*	1,568
Long term receivables		14,420
Other non-current assets		982
Inventories		5,335
Trade and other receivables		211
Cash as bank and in hand		224
Trade and other payables		(6,598)
Current taxation	*25(a)*	(154)
Current portion of long-term payable		(12,619)
Current portion of accrued reclamation obligations	*27*	(3,460)
Long-term payable, less current portion		(59,791)
Accrued reclamation obligations	*27*	(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

36 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Definition of a business*	1 January 2020
Amendments to IAS 1 and IAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.