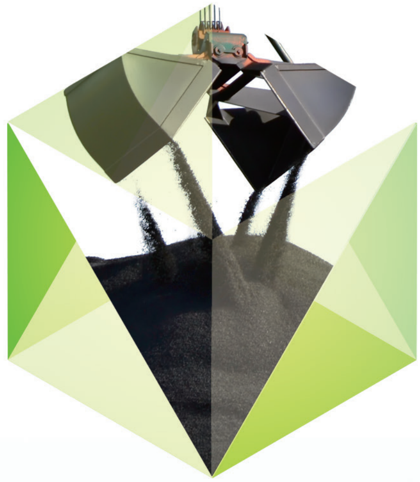
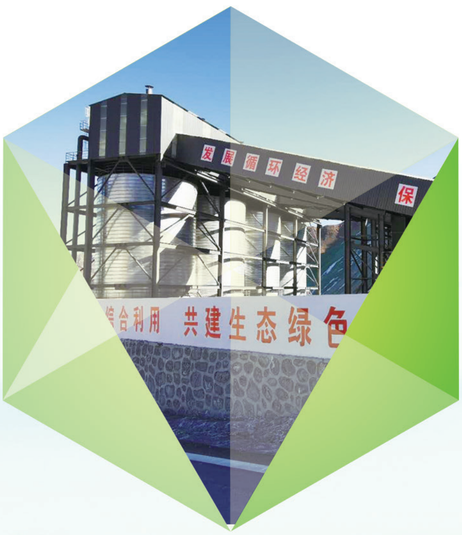
奧威控股有限公司
AOWEI HOLDING LIMITED

(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





2020
INTERIM REPORT

CORE VALUE

CREATE

Wealth for the Society

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CREATE

Value for OUR Shareholders

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CREATE

Prospects for OUR Employees

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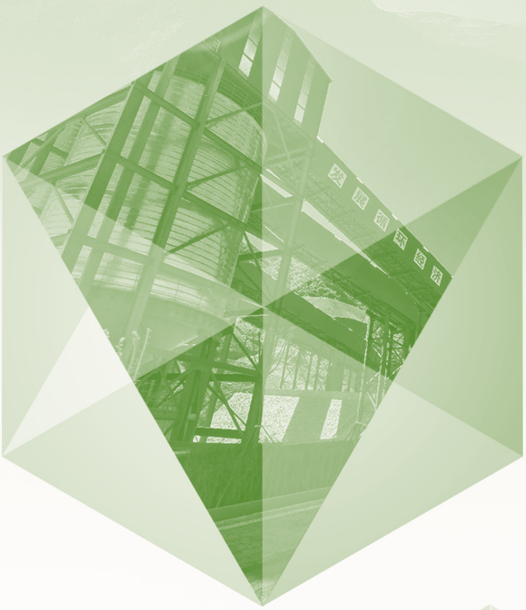
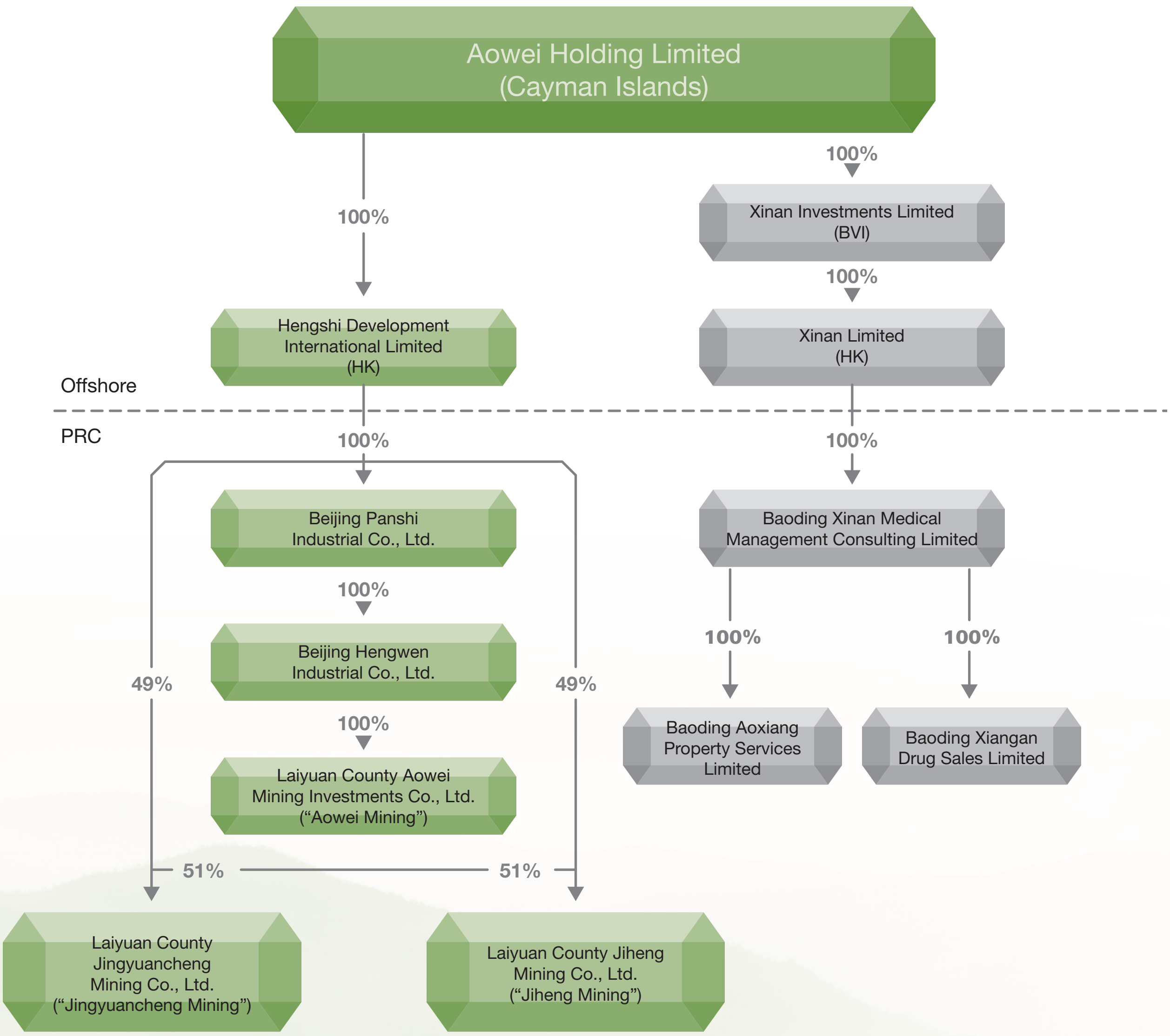


CORPORATE INFORMATION

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) Since 2019, through the investment and construction of the solid waste comprehensive utilization project of Jiheng Mining, the Group has 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

REGISTERED OFFICE

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Ugland House Grand Cayman KY1-1104
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40th Floor, Sunlight Tower,
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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
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HONG KONG LEGAL ADVISOR

Loong & Yeung
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China Building
29 Queen's Road Central
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PRINCIPAL SHARE REGISTRAR IN THE CAYMAN ISLANDS

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Grand Cayman
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CORPORATE INFORMATION

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Shops 1712-1716
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Hong Kong

INVESTOR INQUIRIES

Website: www.aoweiholding.com
E-Mail: ir@aow.com.cn

DIRECTORS

Executive Directors

Mr. Li Yanjun *(Chairman)*
Mr. Li Ziwei *(Chief Executive Officer)*
Mr. Sun Jianhua *(Chief Financial Officer)*
Mr. Jin Jiangsheng (resigned on 07 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

FINANCIAL HIGHLIGHTS

The revenue of the Group for the period ended 30 June 2020 (the "**Reporting Period**") was approximately RMB226.8 million, representing a decrease of approximately RMB203.8 million or 47.3% as compared with the corresponding period last year.

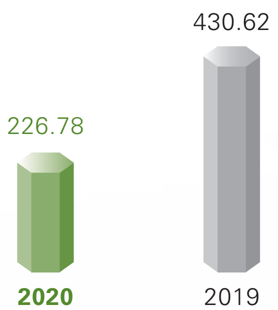
The Group's gross profit was approximately RMB9.3 million for the Reporting Period, representing a decrease of approximately RMB154.0 million or 94.3% as compared with the corresponding period last year; the Group's gross profit margin for the Reporting Period was approximately 4.1%.

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

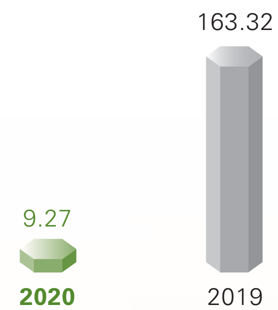
The Group's basic and diluted losses per share attributable to equity shareholders for the Reporting Period was RMB0.05 per share, while the basic and diluted earnings per share for the corresponding period last year were RMB0.05 per share.

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

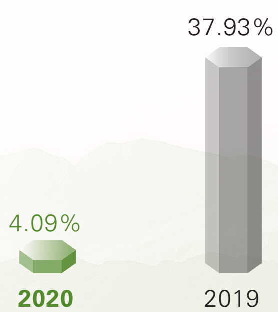
REVENUE (RMB million)
for the six months ended 30 June



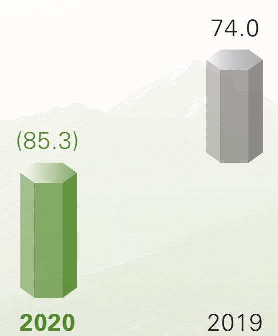
GROSS PROFIT (RMB million)
for the six months ended 30 June



GROSS PROFIT MARGIN
for the six months ended 30 June



(LOSS)/PROFIT FOR THE PERIOD (RMB million)
for the six months ended 30 June



MANAGEMENT DISCUSSION AND ANALYSIS

MINING SERVICE

Market Review

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

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

Business Review

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

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

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

Notes:

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

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

MINES IN OPERATION

Zhijiazhuang Mine

Zhijiazhuang Mine, which is wholly-owned and operated by the Group's wholly-owned subsidiary, Jiheng Mining, is located in Yangjiazhuang Village, Laiyuan County, the PRC. It has a mining permit covering the area of 0.3337 sq.km. and has comprehensive basic infrastructure such as water, electricity, highway and railway. The annual mining capacity of Zhijiazhuang Mine was 2.4 Mtpa, and the dry processing capacity and the wet processing capacity were 4.2 Mtpa and 1.8 Mtpa respectively, as at 30 June 2020.

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

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

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

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

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

Wang'ergou Mine and Shuanmazhuang Mine

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

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

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

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

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

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

Green Construction Materials – Construction Sand and Gravel Materials Business

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

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

SAFETY AND ENVIRONMENTAL PROTECTION

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

Domestic environmental protection policies and supervision became increasingly stricter, especially for the industrial and mining industry in which the Group operated. The Group strictly complied with relevant provisions of national environmental protection policies. With adhering to ecological priority and practicing the concept of green development, and for the purpose of building of green mines, the Group strove to build modern ecological mines by taking measures for environmental protection and recovery, and to achieve energy conservation, emission reduction and clean production by means of recycling and technology upgrading, so as to relieve the impacts of production activities on the environment. As disclosed in the announcement of the Company dated 17 June 2020, taking into account Jiheng Mining's sustainable operation and development in the future, the Group has decided to keep the operation of Jiheng Mining suspended and implement works on green mines construction in it. The suspension of operation is expected to lead to a decrease in the revenue of the Group during the period, but the Company believes that the green mines construction will benefit the sound operation and sustainable development of Jiheng Mining in the future.

MEDICAL SERVICE

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

FINANCIAL REVIEW

Revenue

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

Of which, revenue from single major customer of the Group namely Laiyuan County Juze Trading Co., Ltd ("**Juze Trading**") was approximately RMB142.1 million, representing 62.7% of the Group's sales for the Reporting Period (the corresponding period in 2019: RMB222.9 million, representing 51.8% of the Group's sales), with sales volume of 237,928 tons (the corresponding period in 2019: 396,212 tons). The end customers of Juze Trading were steel companies in China Hebei Province. During the Reporting Period, the percentage of revenue generated from sales of iron ore concentrates to Juze Trading increased as compared to the same period of last year. The increase was mainly because the Group proactively adjusted its sales strategy based on market conditions due to the impact of COVID-19 epidemic and traffic control measures taken by Laiyuan County Government to raise the proportion of iron ore concentrates sales to Juze Trading in Laiyuan County, thus ensuring the Group's revenue.

Cost of sales

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

Gross profit and gross profit margin

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

Distribution costs

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

Administrative expenses

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

Finance costs

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

Income tax expenses

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

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

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

Property, plant and equipment

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

Intangible assets

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

Inventories

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

Trade and other receivables

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

As at 30 June 2020, prepayments to Laiyuan County Huiguang Logistics Co., Ltd. ("**Huiguang**") for on-site loading services, and to Laiyuan County Aotong Transportation Co., Ltd. ("**Aotong**"), Laiyuan County Ruitong Transportation Co., Ltd. ("**Ruitong**") and Rongcheng County Ronghui Logistics Co., Ltd. ("**Ronghui**") for transportation services were amounted to RMB321,155,000, RMB143,467,000, RMB96,509,000 and RMB46,995,000 (31 December 2019: RMB181,303,000, RMB283,538,000, RMB86,524,000 and RMB nil), respectively.

Trade and other payables

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

Analysis of cash usage

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

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

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

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

Net cash flow used in investment activities

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

Net cash flow generated from financing activities

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

Cash and borrowings

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

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

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

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

Gearing ratio

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

Interest rate risk and foreign currency risk

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

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

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

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

Pledge of assets, contingent liabilities

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

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

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

Future plan and outlook

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

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

OTHER INFORMATION

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

As at 30 June 2020, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Interests in the Shares of the Company:

Name of Directors and Senior Management	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding
Mr. Li Ziwei	Founder of a discretionary trust(2)(3)	1,221,877,000(L)	74.72%
Mr. Li Yanjun	Interests held jointly with another person(2)(3)	1,221,877,000(L)	74.72%

Notes:

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

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

3. Mr. Li Yanjun and Mr. Li Ziwei through the controlled corporations of Mr. Li Ziwei provided an interest in 1,089,630,000 shares as security to a person other than a qualified lender.

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

As at 30 June 2020 and so far as is known to the Directors, the interests or short positions of the substantial shareholders, other than the Directors or the chief executives of the Company whose interests and short positions in the shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, who had 5% or more interests or short positions in the Shares and underlying Shares as recorded in the register required to be maintained by the Company under Section 336 of the SFO, were as follows:

Interests in the Shares of the Company:

Name of Shareholders	Capacity/Nature of interest	Number of Shares	Approximate Percentage in issued Shares
Aowei International Developments Limited	Beneficial owner(2)(3)	1,221,877,000(L)	74.72%
Chak Limited	Interest in controlled corporation(2)(3)	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)(3)	1,221,877,000(L)	74.72%
Hengshi International Investments Limited	Beneficial owner(2)(3)	1,221,877,000(L)	74.72%
Seven Limited	Interest in controlled corporation(2)(3)	1,221,877,000(L)	74.72%
Fresh Idea Ventures Limited	Person having a security interest in shares(4)	1,089,630,000(L)	66.63%
Huarong International Financial Holdings Limited	Interest in controlled corporation(4)	1,089,630,000(L)	66.63%
China Huarong Asset Management Co., Ltd. 中國華融資產管理股份有限公司	Interest in controlled corporation(4)	1,089,630,000(L)	66.63%

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.

(3) Aowei International Developments Limited and Hengshi International Investments Limited provided an interest in 1,089,630,000 Shares as security to a person other than a qualified lender. Each of Chak Limited, Credit Suisse Trust Limited, Hengshi Holdings Limited and Seven Limited, by virtue of their relationship with Aowei International Developments Limited and Hengshi International Investments Limited as disclosed in note (2) above, is deemed to have provided an interest in 1,089,630,000 Shares as security to a person other than a qualified lender.

(4) Fresh Idea Ventures Limited acquired security interest in an aggregate of 1,089,630,000 Shares. Fresh Idea Ventures Limited is 100% controlled by Linewear Assets Limited, which in turn is 100% controlled by Huarong International Financial Holdings Limited. Huarong International Financial Holdings Limited is thus deemed to be interested in the aforesaid 1,089,630,000 Shares. Huarong International Financial Holdings Limited is controlled by Camellia Pacific Investment Holding Limited as to 51%, which in turn is 100% controlled by China Huarong International Holdings Limited. China Huarong International Holdings Limited is controlled by China Huarong Asset Management Co., Ltd., 華融實業投資管理有限公司, and Huarong Zhiyuan Investment & Management Co., Ltd. as to 84.84%, 13.36%, and 1.80%, respectively. Each of 華融實業投資管理有限公司, and Huarong Zhiyuan Investment & Management Co., Ltd. is 100% controlled by China Huarong Asset Management Co., Ltd. 中國華融資產管理股份有限公司. China Huarong Asset Management Co., Ltd. 中國華融資產管理股份有限公司 is thus deemed to be interested in the aforesaid 1,089,630,000 Shares.

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

Save as disclosed above, so far as is known by or otherwise notified to the Directors, no other person or entity (other than the Director(s) or chief executive(s) of the Company) had interests or short positions in the Shares or underlying Shares representing 5% or more of the issued share capital of the Company as at 30 June 2020.

SHARE OPTION SCHEME

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

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

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

OTHER INFORMATION

CHANGE OF DIRECTORS INFORMATION

On 7 April 2020 Mr. Jin Jiangsheng resigned as executive Director of the Company. For details, please refer to the Company's announcement dated 7 April 2020.

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

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

As at 30 June 2020, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective close associates (as defined under the Listing Rules) is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has any other conflicts of interests with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

EMPLOYEES AND REMUNERATION POLICY

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

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

STAFF TRAINING SCHEME

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

SUBSEQUENT EVENT

From 30 June 2020 to the date of this report, there were no significant events affecting the Company and its subsidiaries after the Reporting Period.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

INTERIM DIVIDEND

The Board has resolved not to distribute any interim dividend for the six months ended 30 June 2020.

MAJOR LEGAL PROCEEDING

During the Reporting Period, the Group was not involved in any major legal proceedings or arbitrations. To the best knowledge of the Directors, there is no pending or potential major legal proceeding or claim as at the date of this report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi)

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

The notes on pages 28 to 50 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 20(a).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 *(audited)* RMB'000
Non-current assets			
Property, plant and equipment, net	*8*	**755,756**	795,145
Construction in progress		**1,955**	1,429
Intangible assets	*9*	**81,296**	84,304
Long-term receivables	*11*	**30,340**	41,340
Deferred tax assets		**175,789**	166,944
Other non-current assets	*12*	**242,534**	221,931
Total non-current assets		**1,287,670**	1,311,093
Current assets			
Inventories	*13*	**85,123**	113,411
Trade and other receivables	*14*	**542,963**	448,192
Cash and cash equivalents	*15*	**360,221**	461,639
Total current assets		**988,307**	1,023,242
Current liabilities			
Short-term borrowings	*16*	**440,000**	555,000
Trade and other payables	*17*	**174,406**	172,652
Current taxation		**46,410**	68,016
Current portion of long-term payables	*18*	**19,904**	38,971
Current portion of accrued reclamation obligations	*19*	**3,392**	3,048
Lease liabilities		**3,668**	3,990
Total current liabilities		**687,780**	841,677
Net current assets		**300,527**	181,565
Total assets less current liabilities		**1,588,197**	1,492,658

The notes on pages 28 to 50 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 – unaudited (continued)
(Expressed in Renminbi)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 (audited) RMB'000
Non-current liabilities			
Lease liabilities		**3,672**	3,452
Long-term borrowings	*16*	**178,000**	–
Long-term payables, less current portion	*18*	**134,890**	131,664
Accrued reclamation obligations, less current portion	*19*	**35,520**	36,272
Total non-current liabilities		**352,082**	171,388
NET ASSETS		**1,236,115**	1,321,270
CAPITAL AND RESERVES			
Share capital	*20(b)*	**131**	131
Reserves	*20*	**1,235,984**	1,321,139
TOTAL EQUITY		**1,236,115**	1,321,270

Approved and authorised for issue by the board of directors on 26 August 2020.

Li Yanjun
Chairman and Executive Director

Li Ziwei
Chief Executive Officer and Executive Director

The notes on pages 28 to 50 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							
	Share capital	**Share premium**	**Statutory surplus reserve**	**Specific reserve**	**Exchange reserve**	**Other reserve**	**Retained earnings**	**Total equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 20(b)	*Note 20(c)*	*Note 20(c)*	*Note 20(c)*	*Note 20(c)*	*Note 20(c)*		
At 1 January 2019	131	1,142,640	84,556	56,498	(419)	(126,229)	262,796	1,419,973
Changes in equity for the six months ended 30 June 2019								
Profit for the period	–	–	–	–	–	–	73,961	73,961
Other comprehensive income	–	–	–	–	114	–	–	114
Total comprehensive income	–	–	–	–	114	-	73,961	74,075
Transfer to specific reserve, net of utilisation	–	–	–	(5,788)	–	–	5,788	–
At 30 June 2019	131	1,142,640	84,556	50,710	(305)	(126,229)	342,545	1,494,048
Changes in equity for the six months ended 31 December 2019								
Loss for the period	–	–	–	–	–	–	(172,932)	(172,932)
Other comprehensive income	–	–	–	–	154	–	–	154
Total comprehensive income	–	–	–	–	154	–	(172,932)	(172,778)
Transfer to specific reserve, net of utilisation	–	–	–	(1,984)	–	–	1,984	–
Balance at 31 December 2019 and 1 January 2020	**131**	**1,142,640**	**84,556**	**48,726**	**(151)**	**(126,229)**	**171,597**	**1,321,270**
Changes in equity for the six months ended 30 June 2020								
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(85,324)**	**(85,324)**
Other comprehensive income	**–**	**–**	**–**	**–**	**169**	**–**	**–**	**169**
Total comprehensive income	**–**	**–**	**–**	**–**	**169**	**–**	**(85,324)**	**(85,155)**
Transfer to specific reserve, net of utilisation	**–**	**–**	**–**	**406**	**–**	**–**	**(406)**	**–**
At 30 June 2020	**131**	**1,142,640**	**84,556**	**49,132**	**18**	**(126,229)**	**85,867**	**1,236,115**

The notes on pages 28 to 50 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
Operating activities			
Cash (used in)/generated from operations		**(88,499)**	420,510
Income tax paid		**(22,972)**	(32,694)
Net cash (used in)/generated from operating activities		**(111,471)**	387,816
Investing activities			
Payments for the purchase of property, plant and equipment and other non-current assets		**(44,339)**	(217,335)
Loans repaid by a third party		**11,000**	–
Net cash inflow from disposal of a subsidiary		**–**	35,776
Other cash flows arising from investing activities		**290**	245
Net cash used in investing activities		**(33,049)**	(181,314)
Financing activities			
Proceeds from borrowings		**390,000**	470,000
Repayments of borrowings		**(327,000)**	(180,000)
Lease rentals paid		**(330)**	(330)
Interests paid		**(19,703)**	(13,466)
Net cash generated from financing activities		**42,967**	276,204
Net (decrease)/increase in cash and cash equivalents		**(101,553)**	482,706
Cash and cash equivalents at 1 January		**461,639**	65,984
Effect of foreign exchange rates changes		**135**	98
Cash and cash equivalents at 30 June	*15*	**360,221**	548,788

The notes on pages 28 to 50 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 Corporate information

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

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

2 Basis of preparation

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

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

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

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

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

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

3 Changes in accounting policies

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

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

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

4 Revenue and operating segments

(a) Disaggregation of revenue

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

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

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

(b) Operating Segments

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

(Expressed in Renminbi unless otherwise indicated)

4 Revenue and operating segments *(continued)*

(b) Operating Segments *(continued)*

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

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

- Medical segment: the provision of hospital management, establishment of specialist clinics, supply of medical consumables and nursing service. The Group has ceased to provide management services to its only operating hospital namely Rongcheng County Traditional Chinese Medicine Hospital (the "Hospital") since 1 January 2020. On 3 March 2020, the Group and the Hospital entered into an agreement terminating hospital management right between the Group and the Hospital (also see Notes 9 and 10). Since then, the Group has operated no other substantial business under this segment.

(i) Segment results, assets and liabilities

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

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

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

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

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

4 Revenue and operating segments *(continued)*

(b) Operating Segments *(continued)*

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

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

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

(Expressed in Renminbi unless otherwise indicated)

4 Revenue and operating segments *(continued)*

(b) Operating Segments *(continued)*

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

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

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

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

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

5 (Loss)/profit before taxation

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

(a) Net finance costs:

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

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

(b) Other items:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Cost of inventories (Note)	**217,509**	267,295
Depreciation charge		
– owned property, plant and equipment	**52,717**	31,383
– right-of-use assets	**1,989**	26
Amortisation charge		
– owned mining rights and software	**3,008**	6,444
– right-of-use assets	**10,089**	7,836
Impairment losses (reversed)/recognised on trade and other receivables (Note 14(c))	**(533)**	179

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

(Expressed in Renminbi unless otherwise indicated)

6 Income tax

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

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

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

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

Notes:

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

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

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

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

7 (Losses)/earnings per share

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

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

8 Property, plant and equipment, net

(a) Right-of-use assets

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

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

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC, with original lease periods over 5 to 50 years. Up to the issue of these financial statements, the Group is still in the process of applying for the title certificates of certain of its leasehold land with a carrying amount of approximately RMB84,819,000 (31 December 2019: RMB74,834,000). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use of the above-mentioned properties and leasehold land.

(b) Acquisitions and disposals of owned assets

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

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

As at 30 June 2020, certain of the Group's borrowings were secured by the Group's property, plant and equipment and right of use assets (see Note 16(c)) with a carrying amount of RMB31,280,000 and RMB10,281,000 (31 December 2019: RMB39,626,000 and RMB10,382,000), respectively.

9 Intangible assets

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

In connection with the acquisition of Xinan Investments Limited completed in July 2016, the Group obtained hospital management right through the related hospital management agreements. The management right was recognised at its fair value amounting to RMB187,000,000, and is amortised on a straight-line basis over 30 years as agreed in the hospital management agreements. On 17 December 2019, in order to comprehensively improve the county's medical service level and effectively improve people's livelihood to provide solid medical and health service guarantee for the planning and construction of Xiong'an New District in accordance with the implementation plan of Rongcheng County People's Government, the Rongcheng County Hygiene and Health Bureau (the "Bureau") communicated with the Hospital in writing in relation to the termination of the Hospital Management Agreements between the Hospital and Baoding Xinan Medical Management Consulting Company Limited ("Baoding Xinan") in light of the spirit of the implementation plan of "Three-year Improvement Project of Medical Service Capacity" of Rongcheng County. Management has performed an impairment assessment of the Xinan CGU as at 31 December 2019 based on the prevailing circumstances, and determined the recoverable amount of the Xinan CGU by using discounted cash flow techniques. Based on the impairment assessment, impairment loss of RMB165,184,000 was identified and allocated to reduce the carrying amount of the intangible assets as at 31 December 2019. On 3 March 2020, the Group and the Hospital terminated the hospital management agreement and such hospital management right has been disposed of at RMB nil consideration. As full impairment losses on the carrying value of the hospital management right have been provided for in previous years, there is no impact on the profit or loss for the six months ended 30 June 2020.

As at 30 June 2020, certain of the Group's borrowings were secured by the Group's mining right (see Note 16(c)) with a carrying amount of RMB55,000 (31 December 2019: RMB55,000).

10 Goodwill

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

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

11 Long-term receivables

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Environmental reclamation deposits (Note (i))	**30,340**	30,340
Receivables from Rongcheng Hospital (Note(ii))	**–**	11,000
	30,340	41,340

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. This loan was fully repaid during the six months ended 30 June 2020.

All of the balances are not expected to be refunded within the next twelve months.

(Expressed in Renminbi unless otherwise indicated)

12 Other non-current assets

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Prepayments for construction work and equipment purchases (Note (i))	**52,260**	2,597
Prepayments for on-site loading service and transportation service (Note 14(b))	**190,274**	219,334
	242,534	221,931

Notes:

(i) Prepayments for construction work and equipment purchases mainly represents transportation and loading services provided by Laiyuan County Huiguang Logistics Co., Ltd. ("Huiguang"), Laiyuan County Aotong Transportation Co., Ltd. ("Aotong") and Laiyuan County Ruitong Transportation Co., Ltd. ("Ruitong") for the construction of green mining of Laiyuan County Jiheng Mining Co., Ltd. ("Jiheng Mining") and Laiyuan County Jingyuancheng Mining Co., Ltd. ("Jingyuancheng Mining") of the Group.

13 Inventories

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

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

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Carrying amount of inventories sold	**217,509**	264,178

(Expressed in Renminbi unless otherwise indicated)

14 Trade and other receivables

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

(a) Ageing analysis

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

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

(b) Other receivables

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Prepayments and deposits (Note)	**465,148**	369,394
Value added tax recoverable	**741**	741
Others	**8,921**	4,738
	474,810	374,873
Allowance for doubtful debts (Note 14(c))	**(325)**	(424)
	474,485	374,449

14 Trade and other receivables *(continued)*

(b) Other receivables *(continued)*

Note: Prepayments and deposits mainly represent advance payments made to the Group's mining contractors and transportation services providers. As at 30 June 2020, prepayments to Huiguang for on-site loading services, and to Aotong, Ruitong and Rongcheng County Ronghui Logistics Co., Ltd. ("Ronghui") for transportation services were amounted to RMB321,155,000, RMB143,467,000, RMB96,509,000 and RMB46,995,000 (31 December 2019: RMB181,303,000, RMB283,538,000, RMB86,524,000 and RMB nil), respectively.

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

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

(c) Impairment of trade and other receivables

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

(Expressed in Renminbi unless otherwise indicated)

15 Cash and cash equivalents

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Cash on hand	**110**	128
Cash at banks	**360,111**	461,511
	360,221	461,639

16 Borrowings

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

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

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

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

(Expressed in Renminbi unless otherwise indicated)

16 Borrowings *(continued)*

(c) The Group's banking facilities comprise:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Secured by:		
Mining right, right-of-use assets (land use rights) and properties of the Group (Notes 8 and 9)	**140,000**	170,000
Land use rights and properties of a related party and third parties (Note 23(b)(iii))	**480,000**	460,000
	620,000	630,000

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

17 Trade and other payables

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade payables	**83,149**	73,925
Other taxes payable	**12,812**	15,732
Receipts in advance	**7,207**	10,283
Payables for construction work, equipment purchases	**8,013**	5,620
Amounts due to related parties (Note 23(b))	**7**	7
Interest payables	**1,127**	1,522
Others (Note)	**62,091**	65,563
	174,406	172,652

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

18 Long-term payables

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

In March 2012 and January 2013, the Group acquired the Wang'ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine from Hebei Provincial Department of Land and Resources for considerations of RMB278,798,000 in aggregate and repayable by annual instalments with original payment periods over five to seven years.

In accordance with Ji Guo Tu Zi Han No. [2015] 1011 issued on 11 November 2015, Hebei Provincial Department of Land and Resources approved a revised annual instalment schedule in relation to the remaining parts of the above mining right consideration payables and the payment periods were extended to 2022.

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

(Expressed in Renminbi unless otherwise indicated)

18 Long-term payables *(continued)*

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

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

19 Accrued reclamation obligations

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
At 1 January	39,320	62,241
Accretion expenses (Note 5(a))	418	1,344
Utilised during the period/year	(826)	(1,453)
Disposal of a subsidiary	–	(22,812)
At 30 June/31 December	38,912	39,320
Less: current portion of accrued reclamation obligations	3,392	3,048
	35,520	36,272

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

20 Capital, reserves and dividends

(a) Dividends

The board of directors of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

(b) Share capital

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

	Number of shares '000	RMB'000 (equivalent)
Ordinary shares, issued and fully paid:		
At 1 January 2019, 31 December 2019 and 30 June 2020	1,635,330	131

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

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Statutory surplus reserve

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

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

20 Capital, reserves and dividends *(continued)*

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

(iii) Specific reserve

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

(iv) Exchange reserve

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

(v) Other reserve

The other reserve comprises the following:

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

21 Fair value measurement

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

Level 3: valuation is based on unobservable inputs.

At 30 June 2020, none of the Group's financial assets or liabilities were measured at fair value (on a recurring or non-recurring basis) in the consolidated statement of financial position across the three levels of the fair value hierarchy as defined in IFRS 13, *Fair value measurement*. At 30 June 2020, no unlisted debt securities were measured at fair value and classified into Level 3.

21 Fair value measurement *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

Fair value hierarchy *(continued)*

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the six months ended 30 June 2020 (six months ended 30 June 2019: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

All of the Group's financial assets and liabilities are initially recognised at the fair value of consideration paid or received and subsequently carried at amortised costs or fair value, as appropriate.

The carrying amounts of the Group's financial instruments carried out at cost or amortised cost were not materially different from their fair values as at 31 December 2019 and 30 June 2020.

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

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

22 Commitments and contingencies

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

As at 30 June 2020, the amount of capital commitments outstanding not provided for is RMB nil (31 December 2019: RMB nil)

(b) 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.

(c) Governmental and regulatory levies

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

(Expressed in Renminbi unless otherwise indicated)

23 Material related party transactions

(a) Key management personnel remuneration

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Basic salaries, allowances and benefits in kind	**2,211**	3,081
Retirement scheme contributions	**13**	31
	2,224	3,112

(b) Other related party transactions

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

Name of party	Relationship
Mr. Li Yanjun	The ultimate controller
Mr. Li Ziwei	Executive Director and Chief Executive Officer
Mr. Li Mengzhe	Director of Jiheng Mining
Hebei Aowei Industrial Group Co., Ltd. ("Hebei Aowei")	A company ultimately owned by Mr. Li Yanjun
Hengshi Holdings 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 periods presented are as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Property leasing charges (Note (i))	**–**	4,270
Advances received from a related party	**–**	363
Advances paid to related parties (Note (ii))	**264**	133

(Expressed in Renminbi unless otherwise indicated)

23 Material related party transactions *(continued)*

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

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Amounts due to related parties	7	7
Amounts due from related parties (Note (ii))	264	–

Notes:

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

(ii) Advances paid to a related party represent payments made on behalf of Mr. Li Yanjun and Mr. Li Ziwei. The amounts are unsecured, interest-free and have no fixed terms of repayment.

(iii) On 16 April 2020, the Group entered into an agreement renewing an existing bank loan with the aggregate amount of RMB300,000,000 for one year to 17 April 2021. The banking loan agreement is collectively secured by land use right amounting to RMB58,230,000 and properties amounting to RMB42,413,000 of Hebei Aowei, and properties amounting to RMB260,240,000 of a third party, Mr. Yuan Fujun, and land use right amounting to RMB16,063,000 of Hebei Fuye real estate development Co., Ltd. ("Hebei Fuye"), a company jointly owned by Mr. Yuan Fujun, and also guaranteed by Hebei Aowei, Mr. Li Yanjun, third parties, Mr. Yuan Fujun, Ms. Zhang Shuzhen and Hebei Fuye.

On 2 June 2020, the Group entered into a banking loan agreement with the aggregate amount of RMB180,000,000. The banking loan agreement is collectively secured by land use right and properties amounting to RMB180,000,000 of Beijing Tong Da Guang Yue Trading Co., Ltd., and guaranteed by Laiyuan County Aowei Mining Investments Co., Ltd., Jingyuancheng Mining, Mr. Li Yanjun and Mr. Li Mengzhe.

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.

24 Impacts of COVID-19 pandemic

The COVID-19 pandemic since early 2020 has brought certain uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures such as temporary adjustment to levels of production. The Group will keep the contingency measures under review as the situation evolves.