MUNSUN 麥盛

Munsun Capital Group Limited

麥盛資本集團有限公司

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

(Stock code: 1194)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Munsun Capital Group Limited (the "**Company**") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2019, together with the unaudited comparative figures for the six months ended 30 June 2018 as follows:

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 June **2019** **(Unaudited)** ***HK$'000***	 2018 (Unaudited) *HK$'000*
Revenue	4(a)	**335,195**	307,480
Cost of sales	6(b)	**(244,829)**	(197,402)
Gross profit		**90,366**	110,078
Other income	5	**1,079**	9,665
Other losses	5	**(281,237)**	(4,126)
Selling and distribution costs		**(4,546)**	(5,256)
Administrative expenses		**(96,718)**	(84,040)
(Loss)/profit from operations		**(291,056)**	26,321
Finance costs	6(a)	**(169,847)**	(192,031)
Share of profit of an associate		**956**	1,025
Loss before tax	6	**(459,947)**	(164,685)
Income tax credit	7	**5,396**	196
Loss for the period attributable to owners of the Company		**(454,551)**	(164,489)
		HK cents	*HK cents* (restated)
Loss per share	9		
Basic		**(7.79)**	(19.48)
Diluted		**(7.79)**	(19.48)

Condensed Consolidated Statement Of Comprehensive Income

For the six months ended 30 June 2019

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(454,551)**	(164,489)
Other comprehensive income/(expense) for the period (net of tax)		
Items that will not be reclassified to profit or loss:		
Fair value gain on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")	**61,412**	—
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(5,434)**	(76,556)
	55,978	(76,556)
Total comprehensive expense for the period attributable to owners of the Company	**(398,573)**	(241,045)

Condensed Consolidated Statement Of Financial Position

As at 30 June 2019

(Expressed in Hong Kong dollars)

	Notes	At **30 June** **2019** **(Unaudited)** ***HK$'000***	At 31 December 2018 (Audited) *HK$'000*
Non-current assets			
Intangible assets		**5,960,295**	6,279,604
Fixed assets		**5,058,032**	5,056,737
Right-of-use assets		**78,929**	—
Deposits paid for gold mining rights and exploration rights		**144,513**	144,666
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)		**341,314**	280,166
Investment in an associate		**11,445**	10,501
Trade, loans and other receivables, deposits and prepayments	10	**111,769**	109,532
Pledged deposits	14	**45,516**	45,564
Deposits paid for fixed assets		**88,412**	87,787
Other deposits		**5,402**	10,536
Total non-current assets		**11,845,627**	12,025,093
Current assets			
Inventories		**204,088**	197,023
Trade, loans and other receivables, deposits and prepayments	10	**273,190**	320,092
Pledged deposits	14	**56,895**	56,955
Client trust bank balances		**2,293**	2,947
Cash and bank balances		**108,586**	80,971
Total current assets		**645,052**	657,988

Condensed Consolidated Statement Of Financial Position (continued)

As at 30 June 2019

(Expressed in Hong Kong dollars)

	Notes	At **30 June 2019** **(Unaudited)** ***HK$'000***	At 31 December 2018 (Audited) *HK$'000*
Current liabilities			
Trade and other payables	11	**780,700**	751,596
Contract liabilities	11	**60,310**	29,237
Bank and other borrowings		**1,871,010**	2,231,387
Lease liabilities		**8,972**	—
Derivative financial instruments	12	**78**	216
Convertible bonds	12	**326,803**	329,946
Tax payable		**15,152**	17,840
Total current liabilities		**3,063,025**	3,360,222
Net current liabilities		**(2,417,973)**	(2,702,234)
Total assets less current liabilities		**9,427,654**	9,322,859
Non-current liabilities			
Bank and other borrowings		**1,490,131**	1,017,804
Lease liabilities		**37,391**	—
Deferred tax liabilities		**573,877**	580,227
Total non-current liabilities		**2,101,399**	1,598,031
NET ASSETS		**7,326,255**	7,724,828
CAPITAL AND RESERVES			
Share capital	13	**5,837**	583,692
Share premium and reserves		**7,320,418**	7,141,136
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**7,326,255**	7,724,828

Notes to the Interim Results Announcement

For the six months ended 30 June 2019

(Expressed in Hong Kong dollars unless otherwise indicated)

1. GENERAL INFORMATION

Munsun Capital Group Limited (the "Company") was incorporated in the Cayman Islands and continued in Bermuda with limited liability. The address of its registered office and principal place of business are disclosed in the corporate information section of the interim report. The Company and its subsidiaries (collectively the "Group") are principally engaged in mining and processing of gold ores and sale of gold products in The People's Republic of China (the "PRC"), purchase and sale of metals and minerals in the PRC, and provision of financial services business in Hong Kong and the PRC, including asset management, securities brokerage, financing and advisory services.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Company have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") Interim financial reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In preparing the interim condensed consolidated financial statements, the Company's directors have considered the future liquidity of the Group. The Group incurred a loss attributable to owners of the Company of HK$454,551,000 for the six months ended 30 June 2019 and, as at 30 June 2019, the Group had net current liabilities of HK$2,417,973,000. These conditions indicate that the existence of a material uncertainty which may cast a doubt on the Group's ability to continue as a going concern. Nevertheless, the Company's directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

(i) Subsequent to the end of the reporting period, the Group has obtained new bank and other borrowings of approximately HK$34 million. Save as disclosed above, the Company's directors are confident that the Group will be able to obtain the renewal of bank and other borrowings due in the foreseeable future.

(ii) A shareholder of the Company, Liu Shiwei, has agreed to provide continuing financial support as necessary to enable the Group to meet its liabilities as and when they fall due in the foreseeable future.

(iii) The Group's current liabilities include the fair value of convertible bonds of approximately HK$327 million in relation to the outstanding principal amounts of the convertible bonds of approximately HK$312 million at 30 June 2019. Pursuant to the 2021 Convertible Bonds Restructure (as defined in note 12(c)) completed on 27 August 2019, the Company's total outstanding principal amounts of the convertible bonds at 30 June 2019 will be repayable on 30 September 2021. Details are set out in note 12(c).

(iv) Based on a cash flow forecast prepared by the Group's management for the twelve months ending 30 June 2020, the Group will be able to generate adequate cash flows from its continuing operations and to obtain sufficient fundings to meet the debts of the Group as and when they fall due in the foreseeable future.

Accordingly, the Company's directors are of the opinion that it is appropriate to prepare the interim condensed consolidated financial statements for the six months ended 30 June 2019 on a going concern basis. The interim condensed consolidated financial statements have not reflected any effects of adjustments, should the Group be unable to operate as a going concern.

3. CHANGES IN ACCOUNTING POLICIES

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life.

Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as fixed assets of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;

- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the People's Republic of China/properties in Hong Kong was determined on a portfolio basis; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities is 5.375%.

	At 1 January 2019 *HK$'000*
Discounted operating lease commitments at 31 December 2018	43,613
Less: Recognition exemption – short-term leases	(3,850)
Lease liabilities as at 1 January 2019	39,763
Analysed as	
Current	2,803
Non-current	36,960

The Group renewed the leases of several existing properties by entering into new lease contracts which commence after date of initial application, these new contracts are accounted as lease modifications of the existing contracts upon application of HKFRS 16.

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

		Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		39,747
Reclassified from prepaid lease payments	Note	33,504
By class:		
Leasehold lands		33,504
Office properties		39,747

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, prepaid lease payments amounting to HK$33,504,000 at 1 January 2019 were reclassified to right-of-use assets.

Amounts recognised in the statement of financial position and profit or loss

	Right-of-use assets *HK$'000* *(Unaudited)*	Lease liabilities *HK$'000* *(Unaudited)*
As at 1 January 2019	73,251	39,763
Additions	9,384	9,403
Depreciation charge	(3,706)	—
Interest expense	—	1,073
Payments	—	(3,876)
As at 30 June 2019	78,929	46,363

3.2 Significant changes in significant judgements and key sources of estimation uncertainty

Under HKAS 34.15, an entity shall include in its interim financial report an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. Therefore, entities should disclose any significant judgement and estimations used which are significant to the interim period. The following are significant judgements/estimates relating to application of HKFRS 16 for consideration, the list is not exhaustive:

- Lease or service

- Determination on lease term of contracts with renewal options

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

4. **REVENUE AND SEGMENT INFORMATION**

(a) ***Revenue***

Revenue represents sales value of gold products and other by-products to customers (net of value added tax, returns and discounts) under the Gold Mining Operation (as defined below), sales value of metals and minerals under the Trading of Metals and Minerals operation (as defined below) and management and performance fees, securities commission and brokerage fee and interest income under the Financial Services Operation (as defined below). The revenue for the reporting period is analysed as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers arising from Gold Mining Operation		
Sale of		
– Gold products	**276,296**	248,727
– Other by-products	**29,466**	51,774
	305,762	300,501
Revenue from contracts with customers arising from Trading of Metals and Minerals		
– Sale of metals and minerals	**24,849**	–
Revenue from contracts with customers arising from Financial Services Operation		
– Service fee income	**4,584**	6,979
	335,195	307,480
Sale of gold products and other by-products recognised at point in time	**330,611**	300,501
Services fee income recognised over time	**4,584**	6,979
	335,195	307,480

(b) ***Segment Information***

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(i) mining and processing of gold ores and sales of gold products and other by-products (the "Gold Mining Operation");

(ii) purchase and sales of metals and minerals (the "Trading of metals and minerals"); and

(iii) provision of financial services including asset management, securities brokerage, financing and advisory services (the "Financial Services Operation").

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that interest income and finance costs are excluded from such measurement.

Segment liabilities exclude bank and other borrowings, convertible bonds and related derivative financial instruments and other unallocated corporate liabilities as these liabilities are managed on a group basis.

More than 90% of the Group's revenue was derived from activities in the PRC and its principal assets were located in the PRC during the reporting period. Accordingly, no analysis by geographical information is provided.

The following is an analysis of the Group's revenue and results by reportable segments:

	Six months ended 30 June 2019 (Unaudited)				Six months ended 30 June 2018 (Unaudited)			
	Gold Mining Operation	**Trading of Metals and Minerals**	**Financial Services Operation**	**Total**	Gold Mining Operation	Trading of Metals and Minerals	Financial Services Operation	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue								
Revenue from external customers	**305,762**	**24,849**	**4,584**	**335,195**	300,501	—	6,979	307,480
Segment (loss)/profit	**(8,741)**	**50**	**(281,887)**	**(290,578)**	22,430	—	(3,610)	18,820
Reconciliation:								
Interest income				**478**				8,526
Finance costs				**(169,847)**				(192,031)
Loss before tax				**(459,947)**				(164,685)
Other segment information								
Capital expenditure	**85,591**	—	—	**85,591**	70,698	—	60	70,758
Depreciation and amortisation	**91,921**	—	**382**	**92,303**	69,201	—	512	69,713
Share of profit of an associate	—	—	**956**	**956**	—	—	1,025	1,025

The following is an analysis of the Group's assets and liabilities by reportable segments:

	At 30 June 2019 (Unaudited)				At 31 December 2018 (Audited)			
	Gold Mining Operation	**Trading of metals and minerals**	**Financial Services Operation**	**Total**	Gold Mining Operation	Trading of metals and minerals	Financial Services Operation	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets and total assets	**11,947,095**	**—**	**543,584**	**12,490,679**	11,940,509	—	742,572	12,683,081
Segment liabilities	**1,419,840**	**—**	**56,562**	**1,476,402**	1,328,626	—	50,274	1,378,900
Reconciliation:								
Corporate and other unallocated liabilities				**3,688,022**				3,579,353
Total liabilities				**5,164,424**				4,958,253

Revenue from customers, which are all in the Gold Mining Operation, contributing 10% or more of the total revenue of the Group are as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A	**95,710**	79,110
Customer B	**92,689**	89,458
Customer C	**77,631**	46,965
Customer D	**N/A***	45,511

* The transactions with this customer did not contribute 10% or more of total revenue of the Group during the six months ended 30 June 2019.

5. OTHER INCOME AND OTHER LOSSES

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income		
Bank interest income	**478**	8,526
Dividend income	**—**	736
Sundry income	**601**	403
	1,079	9,665
Other losses		
Impairment loss on goodwill (note 15(a))	**(273,893)**	—
Exchange loss, net	**(6,905)**	(3,755)
Loss on disposal of fixed assets	**(439)**	(371)
	(281,237)	(4,126)

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting) the following items:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on bank and other borrowings	**157,810**	143,293
Effective interest expense on convertible bonds (note 12)	**12,063**	14,374
	169,873	157,667
Interest on lease liabilities	**1,073**	—
Interest on financial liabilities at fair value through profit or loss	—	26,263
Total interest expenses on financial liabilities	**170,946**	183,930
Less: Interest capitalised into construction in progress	**(961)**	(3,211)
Fair value gain on financial liabilities at fair value through profit or loss	—	(1,200)
Loss on the 2018 Convertible Bonds Restructure	—	54,757
Fair value gain on derivative financial instruments (note 12)	**(138)**	(42,245)
	169,847	192,031
(b) Other items:		
Cost of inventories sold under Gold Mining Operation	**220,030**	197,402
Cost of inventories sold under Trading of Metals and Minerals	**24,799**	—
Total cost of sales	**244,829**	197,402
Amortisation of intangible assets	**42,552**	31,811
Depreciation and amortisation of fixed assets	**46,045**	37,902
Depreciation of right-of-use assets	**3,706**	—
Lease payments for short term leases	**5,776**	—
Operating lease charges in respect of		
— land and buildings	—	9,844
— machinery and equipment	—	40

7. INCOME TAX CREDIT

(a) Tax in the interim condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
— PRC Enterprise Income Tax	**—**	(4,322)
Under-provision in prior years		
— PRC Enterprise Income Tax	**(345)**	—
	(345)	(4,322)
Deferred tax credit	**5,741**	4,518
Total income tax credit	**5,396**	196

(b) (i) The provision for PRC income tax is calculated on the assessable profits of the Group's subsidiaries at 25% for the six months ended 30 June 2019 and 2018.

(ii) No provision for the Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong profits tax for the six months ended 30 June 2019 and 2018.

(iii) Pursuant to the rules and regulations of Bermuda, the Cayman Islands and the British Virgin Islands, the Group is exempted from any income tax in Bermuda, the Cayman Islands and the British Virgin Islands.

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 and 2018.

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$454,551,000 (six months ended 30 June 2018: HK$164,489,000) and on the weighted average number of 5,836,921,000 (six months ended 30 June 2018: 844,394,000 (as restated)) ordinary shares in issue during the six months ended 30 June 2019.

The basic and diluted loss per share and weighted average number of ordinary shares for last reporting period have been adjusted to reflect the impact of the Right Issue (as defined and further details in note 13(a)).

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share during the six months ended 30 June 2019 and 2018. Therefore, the diluted loss per share is same as basic loss per share during the six months ended 30 June 2019 and 2018.

10. TRADE, LOANS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Notes	At 30 June 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
Trade and loans receivables		**214,367**	226,700
Less: Allowance for doubtful debts		—	—
	(a) to (c)	**214,367**	226,700
Other receivables		**74,189**	69,723
Total trade, loans and other receivables		**288,556**	296,423
Deposits and prepayments		**96,403**	133,201
		384,959	429,624
Non-current portion		**111,769**	109,532
Current portion		**273,190**	320,092
		384,959	429,624

At the end of the reporting period, all of the trade, loans and other receivables, deposits and prepayments are expected to be recovered or recognised as expenses within one year, except for the non-current portion.

(a) Trade and loans receivables

	Notes	At 30 June 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
Trade receivables under the Gold Mining Operation	(b)	**90,647**	107,319
Trade and loans receivables under the Financial Services Operation	(c)	**123,720**	119,381
		214,367	226,700

(b) Trade receivables under the Gold Mining Operation

(i) The ageing analysis of the trade receivables under the Gold Mining Operation (net of allowance for doubtful debts) based on invoice date at end of the reporting period is as follows:

	At 30 June 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
Less than two months	**299**	60,926
More than two months but less than four months	**3,003**	39,971
More than four months but less than six months	**—**	1,496
More than six months but less than one year	**82,424**	—
More than one year	**4,921**	4,926
	90,647	107,319

The Group generally requires the customers to make payment on the date of delivery of products or within 7 days after delivery of products. Credit term within several months which is determined by per-transaction basis with reference to the product is granted to the customers with high credibility.

(ii) Impairment under HKFRS 9

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses ("ECL"). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

(c) Trade and loans receivables under the Financial Services Operation

	At 30 June 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
Trade receivables from securities brokerage business:		
– Cash clients	**545**	712
Trade and loan receivables from other financial services business	**123,175**	118,669
	123,720	119,381

(i) The settlement terms of trade receivables from securities brokerage business are two days after the trade date. No ageing analysis is disclosed as the ageing analysis does not give additional value in view of the nature of these trade receivables. The credit terms on trade and loan receivables from the other financial services business under the Financial Services Operation are ranging from one year to three years. The ageing analysis of these trade and loans receivables (net of allowance for doubtful debts) from other financial services business under the Financial Services Operation based on the age of these receivables since the effective dates of the relevant contracts at end of the reporting period is as follows:

	At 30 June 2019 (Unaudited) ***HK$'000***	At 31 December 2018 (Audited) *HK$'000*
Less than one year	**7,956**	7,964
More than one year	**115,219**	110,705
	123,175	118,669

(ii) Impairment under HKFRS 9

The Group applies general approach to measuring ECL for the trade and loan receivables from other financial services business as these business contained a significant financing component. ECLs are recognised in two stages. For credit exposures which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

11. TRADE AND OTHER PAYABLES, AND CONTRACT LIABILITIES

	Notes	At 30 June 2019 (Unaudited) HK$'000	At 31 December 2018 (Audited) HK$'000
Trade payables	(a) to (c)	**176,415**	173,572
Accrued charges and other payables		**567,220**	541,010
Financial liabilities measured at amortised cost		**743,635**	714,582
Receipts in advance		**37,065**	37,014
		780,700	751,596
Contract liabilities – receipts in advance from customers		**60,310**	29,237

(a) Trade payables

	Note	At 30 June 2019 (Unaudited) HK$'000	At 31 December 2018 (Audited) HK$'000
Trade payables under the Gold Mining Operation	(b)	**174,126**	170,570
Trade payables under the Financial Services Operation	(c)	**2,289**	3,002
		176,415	173,572

(b) Trade payables under the Gold Mining Operation

The ageing analysis of trade payables under the Gold Mining Operation based on invoice date at the end of the reporting period is as follows:

	At 30 June 2019 (Unaudited) HK$'000	At 31 December 2018 (Audited) HK$'000
Less than three months	**8,849**	16,104
More than three months but less than one year	**92,868**	27,032
More than one year	**72,409**	127,434
	174,126	170,570

(c) Trade payables under the Financial Services Operation

	At 30 June 2019 (Unaudited) ***HK$'000***	At 31 December 2018 (Audited) *HK$'000*
Trade payables from securities brokerage business:		
– Cash clients	**2,289**	2,952
– Clearing house in HK	—	50
	2,289	3,002

The settlement terms of trade payables from securities brokerage business are two days after the trade date. Trade payables to cash clients also include those payables placed in trust and segregated accounts with authorised institutions. No ageing analysis is disclosed as the ageing analysis does not give additional value in view of the nature of these trade payables.

12. CONVERTIBLE BONDS

The 2018 Convertible Bonds	**Liability component** ***HK$'000***	**Derivatives** ***HK$'000***	**Total** ***HK$'000***
At 31 December 2018 and 1 January 2019 (audited)	329,946	216	330,162
Effective interest expense charged to condensed consolidated statement of profit or loss (note 6(a))	12,063	—	12,063
Interest paid	(15,206)	—	(15,206)
Fair value gain (note 6(a))	—	(138)	(138)
At 30 June 2019 (unaudited)	326,803	78	326,881

(a) The convertible bonds bear interest at 11% per annum with effect from and including 4 November 2018 and will be mature on 4 August 2019, the other key terms of the convertible bonds are further detailed in the Company's financial statements for the year ended 31 December 2018. Accordingly, the liability component and derivatives were classified as current liabilities as at 30 June 2019.

During the reporting period, none of the convertible bonds were exercised. At 30 June 2019, the outstanding principal amount of the convertible bonds was approximately HK$312 million.

(b) At 30 June 2019 and 31 December 2018, the fair values of derivatives of the 2018 Convertible Bonds were determined based on the valuation performed by an independent firm of professional valuers with recognised qualifications and experiences using Binomial option pricing model. The derivatives of the 2018 Convertible Bonds represent the option of the bondholders to convert the 2018 Convertible Bonds into the Company's ordinary shares. Fair value gain on derivative financial instruments of the 2018 Convertible Bonds of HK$138,000 was recognised for the reporting period. The following assumptions are used to calculate the respective fair values of the derivatives:

	At 30 June 2019	At 31 December 2018
Share price (HK$)	**0.085**	0.185
Conversion price (HK$)	**0.8144**	0.8144
Expected remaining life of the convertible bonds (years)	**0.10**	0.60
Expected volatility (%)	**48**	75
Risk free rate (%)	**2.19**	1.79
Expected dividend yield (%)	**0**	0
Discount rate (%)	**9.0**	10.9

(c) Subsequent to the end of the reporting period, the Company invited bondholders to consider amendment to the existing terms and conditions of the 2018 Convertible Bonds (the "2021 Convertible Bonds Restructure"). The key amendments to the existing terms and conditions of the 2018 Convertible Bonds under the 2021 Convertible Bonds Restructure include: (i) extension of the maturity of the Bonds whereby the Company will redeem each Bond at its outstanding principal amount together with accrued and unpaid interest thereon on 30 September 2021; (ii) reduction of the interest rate of the Bonds to 8.0% per annum which shall be payable (I) for the period from and including 4 August 2019 to but excluding 31 March 2020, in arrear on 31 March 2020; and (II) thereafter semi-annually in arrear on 31 March and 30 September each year; (iii) reduction in the conversion price to HK$0.088; (iv) addition of the downward-only reset to the conversion price, whereby on each of 31 March 2020, 30 September 2020 and 31 March 2021, if the volume weighted average price during a period of 20 consecutive trading days immediately prior to such date is less than the conversion price prevailing on the last day of such period, the conversion price shall be reset to the average market price, subject to a minimum reset price equal to HK$0.071 (subject to adjustments); and (v) addition of the partial redemption right which applies to all bondholders whereby the Company will, at the option of the bondholder, redeem such bondholder's bonds on each of 31 March 2020, 30 September 2020, and 31 March 2021 at the principal amount which represents not more than 7.5%, 7.5% and 15%, respectively, of the then outstanding principal amount of the bonds held by such bondholder (each a "Relevant Principal Amount") together with accrued but unpaid interest thereon, provided that the redemption amount representing the Relevant Principal Amount payable by the Company on each put option date to each such bondholder must be in an authorised denomination (i.e. HK$1,000,000 in nominal amount each of the bonds or integral multiples thereof).

The 2021 Convertible Bonds Restructure was approved by the bondholders and by the shareholders at the Company's special general meeting on 1 August 2019 and 27 August 2019 respectively. Details of the 2021 Convertible Bonds Restructure are set out in the Company's circular on 9 August 2019 and the Company's announcements on 10 July 2019, 1 August 2019 and 27 August 2019.

13. SHARE CAPITAL

	Note	Number of shares *'000*	*HK$'000*
Authorised:			
Ordinary shares of HK$0.1 each at 31 December 2018 and 1 January 2019		10,000,000	1,000,000
Capital Reorganisation	(b)	—	(990,000)
Ordinary shares of HK$0.001 each at 30 June 2019		10,000,000	10,000
Ordinary shares issued and fully paid:			
Ordinary shares of HK$0.1 each at 31 December 2018 and 1 January 2019		5,836,921	583,692
Capital Reorganisation	(b)	—	(577,855)
Ordinary shares of HK$0.001 each after the Share Consolidation and at 30 June 2019		5,836,921	5,837

(a) On 21 June 2018, the Company entered into an underwriting agreement (the "Underwriting Agreement") with certain underwriters for the proposed rights issue of not less than 5,003,075,640 rights shares and not more than 5,045,075,640 rights shares (the "Rights Share(s)") at the subscription price of HK$0.22 per each rights share on the basis of 6 rights shares for 1 existing issued share of the Company (the "Rights Issue"). The aggregate subscription price for the Rights Issue will be not less than approximately HK$1,101 million and not more than approximately HK$1,110 million. Pursuant to the Underwriting Agreement, the underwriters have undertaken to the Company to fully underwrite the Rights Shares and certain underwriters will set off the aggregate subscription price payable by the relevant underwriters to the Company for subscription of the Rights Shares which are not taken up by the qualifying shareholders of the Company pursuant to the Underwriting Agreement against part of the underwriters' loans, including the Loans of the incoming lenders, owed by the Company to the respective underwriter.

(b) Pursuant to a special resolution passed at the extraordinary meeting by the Company's shareholders on 27 February 2019, the Company has implemented the capital reorganisation (the "Capital Reorganisation") which comprises the following: (a) the issued share capital of the Company was reduced through a cancellation of the paid-up capital of the Company to the extent of HK$0.099 on each of the issued existing shares such that the nominal value of each issued existing share was reduced from HK$0.1 to HK$0.001; (b) immediately following the capital reduction taking effect, all the authorized but unissued share capital of the Company (which shall include the authorised but unissued share capital arising from the capital reduction) was cancelled in its entirety and forthwith upon such cancellation, the authorised share capital of the Company was increased to HK$10,000,000 by the creation of such number of additional new shares as shall be sufficient to increase the authorised share capital of the Company to HK$10,000,000 divided into 10,000 million new shares; and (c) the credit arising in the books of the Company from the capital reduction was credited to the contributed surplus account of the Company. The Capital Reorganisation was completed on 28 February 2019 and a credit of approximately HK$577,855,236 arisen from the capital reduction was transferred from the share capital account to the contributed surplus account of the Company. Details of the above are set out in the Company's circular on 4 February 2019 and the Company's announcements on 18 January 2019, 27 February 2019 and 28 February 2019.

(c) On 26 June 2019, the Group entered into the placing agreement with the placing agents to subscribe for a total of up to 1,167,380,000 placing shares at the placing price of HK$0.071 per placing share (the "Placing"). On 19 July 2019, the Group and the placing agents have entered into a supplemental agreement to the placing agreement to extend the long stop date from 26 July 2019 to 9 August 2019. On 9 August 2019, as certain conditions set out in the placing agreement have not been fulfilled on or before the long stop date, the placing agreement has been lapsed on 9 August 2019 and the placing will not proceed. Details of the above are set out in the Company's announcements on 26 June 2019, 19 July 2019 and 9 August 2019.

(d) Subsequent to the end of the reporting period, the Company increased its authorised share capital from HK$10,000,000 divided into 10,000,000,000 ordinary shares of HK$0.001 each to HK$50,000,000 divided into 50,000,000,000 ordinary shares of HK$0.001 each by the creation of 40,000,000,000 additional authorised but unissued shares. Details are set out in note 15(c) in this announcement.

14. PLEDGE OF ASSETS

The Group's assets with the following carrying amounts have been pledged to secure bank and other borrowings.

	At 30 June 2019 (Unaudited) ***HK$'000***	At 31 December 2018 (Audited) *HK$'000*
Intangible assets – mining rights	**5,547,661**	5,592,650
Fixed assets	**740,972**	761,837
Investments in equity instruments at fair value through other comprehensive income	**341,314**	280,166
Pledged deposits	**102,411**	102,519
	6,732,358	6,737,172

As at 30 June 2019, all issued shares of one (31 December 2018: three), 51% issued shares of none (31 December 2018: two) and 49% issued shares of two (31 December 2018: one) subsidiaries of the Company were subject to share charge as security pledged for the Group's bank and other borrowings.

15. EVENT AFTER THE REPORTING PERIOD

Save as disclosed in notes 12(c) and 13(c), the Group had the following significant events subsequent to the end of the reporting period and up to the date of this announcement:

(a) On 6 June 2019, Munsun Securities Limited ("Munsun Securities") and Munsun Asset Management (Asia) Limited ("Munsun Asset") (collectively referred to as the "Targets"), subsidiaries of the Company entered into a subscription agreement with an independent third party ("Subscriber") in relation to the subscription by the Subscriber and allotment and issue by Munsun Securities and Munsun Asset of up to 290,440,000 and 40,000,000 new shares, respectively (representing up to 80% of total number of issued shares as enlarged by the subscription) at the total consideration of HK$80 million in cash.

The Company engaged an independent firm of professional valuers with recognised qualifications and experiences for the fair value of the Company's 20% share of net assets of the Targets as at 30 June 2019 as if the transaction was completed on 30 June 2019 ("A"). The 100% of the net assets value of the Targets and 100% of the goodwill in association with the Targets as at 30 June 2019 was used in the computation as if the transaction was completed on 30 June 2019 ("B"). A one-off loss on goodwill impairment of approximately HK$274 million which is the difference between A and B, being the estimated loss which is expected to be arisen from the deemed disposal of subsidiaries at completion was recognised to profit or loss in respect of the current interim period (note 5).

Details of the subscription are set out in the Company's announcements on 6 June 2019, 17 July 2019 and 21 August 2019. Up to the date of this results announcement, the subscription is not yet fully completed.

(b) The Group has obtained new bank and other borrowings of approximately HK$34 million.

(c) The authorised share capital of the Company is HK$10,000,000 divided into 10,000,000,000 Shares, of which 5,836,921,580 Shares are in issue as at 30 June 2019. Taking into account the number of shares that may be allotted and issued pursuant to the Placing and upon the exercise of the conversion right of the convertible bonds, the Company proposed to increase the authorised share capital of the Company from HK$10,000,000 divided into 10,000,000,000 ordinary shares of HK$0.001 each to HK$50,000,000 divided into 50,000,000,000 ordinary shares of HK$0.001 each by the creation of 40,000,000,000 additional authorised but unissued shares to allow the Company greater flexibility to accommodate future expansion and growth of the Group. The proposed increase in authorised share capital was approved by the shareholders at the Company's special general meeting on 27 August 2019 (note 13(d)).

16. COMPARATIVE FIGURES

Loss per share (note 9) for last reporting period has been restated to reflect the impact of the Rights Issue as stated in note 13(a).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Key highlights

- Loss from operations of HK$291 million (2018: profit from operations of HK$26 million)
- Net loss increased by 177% to HK$455 million (2018: HK$164 million)
- Loss per share decreased by 60% to HK7.79 cents (2018: HK19.48 cents (restated))
- Total comprehensive expenses increased by 66% to HK$399 million (2018: HK$241 million)
- Revenue increased by 9% to HK$335 million (2018: HK$307 million)
- Gold production increased by 30% to 30 thousand ounces (2018: 23 thousand ounces)

- Gearing ratio increased to 32% at 30 June 2019 (31 December 2018: 31%)

Revenue and Results

During the reporting period, the Group recorded loss from operations of HK$291 million as compared with profit from operations of HK$26 million last reporting period. The turnaround to the loss from operations is mainly due to a one-off loss on goodwill impairment of approximately HK$274 million (details are set out in notes 5 and 15(a) in this announcement) (2018: HK$ nil), the decrease in bank interest income, increase in administrative expenses and the decrease in gross profit mentioned in following paragraph in this section. Accordingly, the Group's loss after tax increased to HK$455 million during the reporting period as compared to HK$164 million in the last reporting period.

During the reporting period, the Group's revenue increased by 9% to HK$335 million (2018: HK$307 million). The increase in revenue is mainly arisen from the increase in gold price, increase in trading of metals and minerals and the increase in the Group's gold production during the reporting period. The gross profit margin of the Group decreased to 27% during the reporting period (2018 full year of 28% and 2018 first-half of 36%) which is attributable to the increase of revenue in trading of metals and minerals which has a lower gross profit margin than other operating segments, and the increase in the Group's production costs per unit. In addition, increased mining depth and complicated geologic structure in the mining sites currently under production pushed production cost higher.

The Group's total comprehensive expenses increased by 66% to HK$399 million during the reporting period as compared to HK$241 million in the last reporting period. The increase in total comprehensive expenses is mainly attributable to a one-off loss on goodwill impairment of approximately HK$274 million (details are set out in notes 5 and 15(a) in this announcement) (2018: HK$ nil). However, the increase of total comprehensive expenses is partly offset by the decrease in Group's recognition of exchange loss (arisen from depreciation of exchange rate of RMB against HK$) on translation of financial statements of PRC subsidiaries and associate to HK$5 million during the reporting period (2018: HK$77 million) and HK$61 million (2018: HK$ nil) fair value gain on investments in equity instrument at fair value through other comprehensive income.

Details of the segment information of the Group's revenue and results from its gold mining business, trading of metals and minerals and financial services business are set out in note 4 in this announcement.

During the reporting period, the loss per share of the Company was HK7.79 cents (2018: HK19.48 cents (restated)). The loss per share last reporting period has been adjusted to reflect the impact on the Rights Issue (details are set out in note 13(a) in this announcement) of the Company which was effective on 27 August 2018.

Other Income and Other Losses

The Group's other income decreased by 90% to HK$1 million during the reporting period as compared to HK$10 million last reporting period. The decrease in other income is mainly due to the decrease in bank interest income to HK$0.5 million (2018: HK$9 million).

The Group's other losses increased from HK$4 million in the last reporting period to HK$281 million during the reporting period. The increase is attributable to a one-off loss on goodwill impairment of approximately HK$274 million (details are set out in notes 5 and 15(a) in this announcement) (2018: HK$ nil) and the increase in exchange loss to HK$7 million (2018: HK$4 million).

Selling and Distribution Costs

During the reporting period, the Group's selling and distribution costs approximated to that of the last reporting period of HK$5 million.

Administrative Expenses

During the reporting period, the Group's administrative expenses increased to HK$97 million (2018: HK$84 million), representing an increase by 15% as compared with last reporting period.

Finance Costs

During the reporting period, the Group's finance costs were HK$170 million (2018: HK$192 million), representing a decrease by 11% as compared to last reporting period. The decrease in finance costs is mainly due to the one-off loss on the 2018 Convertible Bonds Restructure of HK$55 million recorded by the Group during the last reporting period, but, no relevant loss incurred during the reporting period. However, this is partly offset by the decrease in non-cash fair value gain on derivative financial instruments relating to the convertible bonds from HK$42 million in the last reporting period to HK$0.1 million during the reporting period. In addition, there was no interest on financial liabilities at fair value through profit or loss (2018: 26 million) during the reporting period.

Deferred Tax

As at 30 June 2019, the Group's deferred tax liabilities amounted to HK$574 million (31 December 2018: HK$580 million), which represented mainly the estimated tax effects of the temporary differences arising from acquisitions of gold mines by the Group in previous years and was calculated at PRC income tax rate of 25% on the increase in fair value of mining rights. The deferred tax liability balance will be subsequently reversed and credited to the consolidated statement of profit or loss as a result of tax effect of the amortisation of the mining rights. Such liabilities were accounted for in accordance with the accounting principles and therefore no repayment is required.

Liquidity and Financial Resources

At 30 June 2019, the Group's cash and bank balances (including pledged deposits) and net current liabilities were HK$211 million (31 December 2018: HK$183 million) and HK$2,418 million (31 December 2018: HK$2,702 million) respectively. The decrease in the Group's net current liabilities is mainly attributable to the decrease in bank and other borrowings under current liabilities of HK$360 million at 30 June 2019 which was arisen from a classification of bank and other borrowings under current liabilities at 31 December 2018 to non-current liabilities at 30 June 2019. The Group's net assets decreased to HK$7,326 million (31 December 2018: HK$7,725 million).

The Group has met its needs of working capital and capital expenditure mainly through its cash generated from operations, bank and other borrowings and equity financing. As at 30 June 2019, the Group's bank and other borrowings were repayable within one to four years and its fixed rate borrowings over total borrowings was 86%. There is no significant seasonality of the borrowings demand of the Group. The Company's directors are of the opinion that the Group will be able to finance its future working capital and financial requirements as further detailed in note 2 in this announcement.

The Group's cash and bank balances and bank and other borrowings are mainly denominated in Hong Kong Dollars and Renminbi.

Capital Structure

As at 30 June 2019, the total number of issued ordinary shares of the Company was 5,836,921,580 at par value of HK$0.001 each.

During the reporting period, the Company has completed the capital reorganisation and refreshment of general mandate. In addition, the Company has also proposed the share placing as well as the 2018 convertible bonds restructure and increase in authorized share capital. Subsequent to the end of the reporting period, the Company increased its authorised share capital from HK$10,000,000 divided into 10,000,000,000 ordinary shares of HK$0.001 each to HK$50,000,000 divided into 50,000,000,000 ordinary shares of HK$0.001 each by the creation of an additional 40,000,000,000 new ordinary shares. Details of the above transactions are set out in notes 13 and 15 in this announcement. No convertible bonds of the Company was exercised during the reporting period.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher returns to the owners of the Company that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. There were no changes in the Group's approach to capital management during the reporting period.

At 30 June 2019, the Group's gearing ratio increased to 32% (31 December 2018: 31%). The Group monitors capital using a gearing ratio, which is net debts divided by total equity plus net debts. The Group's net debts include bank and other borrowings, financial liabilities at fair value through profit or loss and convertible bonds, less cash and cash equivalents and pledged deposits. The Group's total equity comprises total share capital and reserves of the Group.

Pledge of Assets

Details of the pledge of the Group's assets are set out in note 14 in this announcement.

Contingent Liabilities

As at 30 June 2019, the Group did not have any material contingent liabilities.

Foreign Exchange Risk

The Group's principal assets and liabilities are located in the PRC and are denominated in RMB which is the functional currency of the Group' subsidiaries in the PRC. The Group did not enter into any forward foreign exchange contracts to manage its foreign currency risk during the reporting period as the directors considered that the Group's exposure to exchange rate risk can be managed.

Business Risk

The Group is exposed to price risks arising from the market price fluctuations on gold products. To protect the Group from the impact of price fluctuations in gold products, the management closely monitors gold product price exposure and will consider to use derivative contracts should the need arises.

Significant investments

At 30 June 2019, the Group had investments in equity instruments at fair value through other comprehensive income of HK$341 million, representing 3% of the Group's total assets, which include mainly investment in an unlisted company in the PRC of approximately HK$329 million and investment in a private equity fund in the PRC of HK$12 million.

Save as disclosed above, the Group did not have any other investments at 30 June 2019.

Employees

As at 30 June 2019, the Group employed approximately 720 employees in the PRC and Hong Kong. All employees are remunerated according to their performance, experience and prevailing industry practices. Both on-the-job and professional training are provided as well. The Group provides retirement benefits in the form of Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Scheme Ordinance to its employees in Hong Kong. The Group provides defined contribution retirement benefit schemes organised by the relevant local government authorities in the PRC to its employees in the PRC.

Events after the Reporting Period

Details of the Group's events after the reporting period are set out in note 15 in this announcement.

Gold Market Outlook

In the first quarter of 2019, the overall gold demand increased by 7% to about 1,053.3 tonnes according to the research of World Gold Council. The increase was mainly lifted by the continued growth in central bank buying and gold-backed exchange-traded funds ("ETFs") largely driven by the continued geopolitical instability and on-going trade tensions. Central bank buying surged by 68% to 145.5 tonnes as compared to the same period last year. ETFs inflows of 40.3 tonnes represented an increase of 49% as compared to the last year's inflows. U.S. and Europe listed funds were key areas of growth. Global jewellery demand rose steadily by 1% to 530.3 tonnes as compared with the same period last year primarily boosted by India. Global bar and coin demand softened slightly by 1% to 257.8 tonnes. Gold used in the technology sectors decreased by 3% to 79.3 tonnes as compared with the same period last year primarily due to the slowdown in economic growth.

The total supply of gold remained steady at 1,150 tonnes in the first quarter of 2019 whilst recycling increased by 5% to 287.6 tonnes.

At the beginning of the second quarter of 2019, gold price increased by approximately 7.24%. The price was flat in April and May 2019 and then spiked in June 2019 due to the Fed's increasingly dovish stance, the U.S. intensified conflict with Iran as well as the on-going trade tensions between U.S. and China.

Looking forward, the on-going geopolitical tensions, prolonged trade frictions and a potential interest rate cut from the Fed will continue to drive investors to use gold as safe liquid asset. We would expect a continued rise in gold price in the second half of 2019.

Business Review

Gold Mining Business

During the period under review, the Group continued to focus on the mine development and reserving converted exploration. Total gold production was 30 thousand ounces during the reporting period, a 30% increase as compared to the last reporting period.

Nevertheless, the Group has from time to time sought to enhance its exploration and mining activities by identifying suitable exploration and mining methods. During the first half of 2019, the Group continued with its efforts on exploration, organic expansion as well as cost control in an environmental friendly manner. We remain dedicated to the local communities, as "Operating in a Safe and Environmental friendly Manner" is our philosophy.

During the reporting period, Henan Jinxing Mine has undergone scheduled drilling. Presently, it has completed hundreds of meters of surface drilling. At present, two shafts are under collar excavation. Tunnel construction (including engineering cut works) as well as the testing of survey points at sections and control networks and engineering survey points have been completed.

The ore mined from Henan Luanling Mine has been excavated and drilled in the first half of the year (including production exploration and in-depth investigation). The green mine construction plan is being steadily advanced after evaluation and review, and related work has been in full swing. Geological exploration has achieved certain results (including production exploration and in-depth investigation). In addition, Luanling Mine has adopted a safety regular meeting system, revised the safety production responsibility system for all employees, strengthened mine production management and improved management standards.

In Yunnan Mojiang Mine, drilling activities in mining area are ongoing, and mine reserve through exploration increased significantly. Several mining sites, heap leaching sub-plants and ore heaps have been built in open pits for stripping and mining. Moreover, underground exploration works is also in progress.

In Yunnan Hengyi Mine, exploration and mining as well as tunnel works have been completed.

Financial Services Business

Following the Group's diversification of its operation into financial services industry, the Group continues to seek for the opportunities to establish investment funds with reasonable return in 2019.

During the period under review, the Group has successfully operated three investment funds under its management in the PRC.

In the first half of 2019, there is no new funds have been raised and registered due to regulatory factors, and we will continue to follow up on changes in regulatory policies and seek to raise and register new funds. Meanwhile, we will continue to actively expand overseas businesses taking the advantage of Hong Kong asset management license of the Company. At present, we keep in touch with relevant investors and strive to expand the scale of asset management in Hong Kong and enhance the team construction and system construction of Hong Kong securities segment in the second half of the year.

Mergers and Acquisitions and Disposal

There was no significant major merger, acquisition or disposal by the Group during the period under review.

Connected Transaction

There was no non-exempted connected transaction entered into by the Company during the period under review. The related party transactions as disclosed in interim condensed consolidated financial statements are fully exempted connected transactions under chapter 14A of the Listing Rules.

Corporate Strategy and Corporate Prospects

Looking forward to the second half of 2019, continued geopolitical uncertainty and low interest rates will remain the main driving forces for gold market. In strategy, the Group as one of the largest privately owned China-based gold mining companies, commits to realize its potential mining processing capacity as well as to further enhance its production processes and technology improvements for achieving cost efficiency. More effort will be paid to: (i) expand production capacity at our existing mines, (ii) speed up construction work of the capacity expansion and improve the exploration efficiency, and (iii) continue to conduct further exploration projects in order to increase resources and upgrade reserves.

In light of the prolonged trade disputes, the global financial market will continue to be unstable in the second half of the year. Following the diversification of the Group's operations into financial services industry, the Group will seek new investment opportunities for broadening the income streams in a world of fast-changing threats and opportunities. As always, the Group will remain vigilant on costs and adopt a prudent approach in its growth strategies.

Audit Committee

The Audit Committee has, together with the Company's directors and external independent auditor, reviewed the interim condensed consolidated financial statements, accounting principles and practices adopted by the Group for the six months ended 30 June 2019.

Corporate Governance

The Company has applied the principles of, and complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2019, except for certain deviations which are summarized belows:

Code Provision A.2.1

In accordance with the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Furthermore, the division of responsibilities between the chairman and chief executive officer should be clearly established.

Mr. Yi Shuhao is currently the Chairman of the Board and the Chief Executive Officer of the Company. The Board considers that vesting both of the roles of Chairman and Chief Executive Officer in Mr. Yi is beneficial to the business prospects and management of the Group as Mr. Yi has in-depth experience in business management and development and can lead the Group to have continuous growth in the future. The Company had considered the governance issue of balance of power and authority on the board and believed that the structure of the Company (including strong independent elements in the board and delegation of authorities to management) was sufficient to address this potential issue.

Code Provision A.6.7

In accordance with the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagements, some Executive Directors and Independent Non-Executive Directors could not attend the annual general meeting of the Company held on 27 June 2019 and the special general meeting of the Company held on 27 February 2019. However, at the annual general meeting and special general meeting of the Company, Mr. Yi Shuhao, an Executive Director and some Independent Non-Executive Directors present to enable the Board to develop a balanced understand of the views of the Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiries with the Directors, all Directors have confirmed their full compliance with the required standard as set out in the Model Code during the six months ended 30 June 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

An interim report for the six months ended 30 June 2019 containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the Company's shareholders and published on the websites of the Stock Exchange and the Company in due course.

On behalf of the Board
Yi Shuhao
Executive Director

Hong Kong, 29 August 2019

As at the date of this announcement, the Executive Directors of the Company are Mr. Yi Shuhao, Mr. Chen Sheng, Mr. Zhang Lirui, Mr. Wang Baozhi and Mr. Yu Yong; the Non-Executive Director of the Company is Mr. Hsu Jing-Sheng; and the Independent Non-Executive Directors of the Company are Ms. Wong Chi Yan, Professor Xiao Rong Ge and Professor Zhang Tianyu.