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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Munsun Capital Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

(Expressed in Hong Kong dollars)

	Note	2018 HK$'000	2017 HK$'000
Revenue	4(a)	**813,901**	838,305
Cost of sales		**(587,769)**	(520,507)
Gross profit		**226,132**	317,798
Other income	5	**18,157**	19,665
Other net gain/(loss)	5	**2,225**	(86,922)
Selling and distribution costs		**(12,255)**	(15,579)
Administrative expenses		**(154,091)**	(181,831)
Profit from operations		**80,168**	53,131
Finance costs	6(a)	**(538,212)**	(426,782)
Share of profit of associate		**2,039**	1,973
Loss before tax	6	**(456,005)**	(371,678)
Income tax expense	7	**(10,330)**	(18,512)
Loss for the year attributable to owners of the Company		**(466,335)**	(390,190)
		HK cents	*HK cents (Restated)*
Loss per share	9		
Basic		**(20.40)**	(53.87)
Diluted		**(20.40)**	(53.87)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

(Expressed in Hong Kong dollars)

	Note	**2018** *HK$'000*	2017 *HK$'000*
Loss for the year		**(466,335)**	(390,190)
Other comprehensive (loss)/income for the year (net of tax)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of			
– subsidiaries		**(290,483)**	358,409
– associate		**(507)**	572
		(290,990)	358,981
Items that may not be reclassified subsequently to profit or loss:			
Increase in fair value of financial assets at fair value through other comprehensive income		**29,408**	–
		(261,582)	358,981
Total comprehensive loss for the year attributable to owners of the Company		**(727,917)**	(31,209)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

(Expressed in Hong Kong dollars)

	Note	**2018**	2017
		HK$'000	*HK$'000*
Non-current assets			
Intangible assets		**6,279,604**	6,455,816
Fixed assets		**5,056,737**	5,298,507
Deposits paid for gold mining and exploration rights		**144,666**	152,375
Financial assets at fair value through other comprehensive income		**280,166**	–
Available-for-sale investments		**–**	264,120
Investment in associate		**10,501**	8,969
Trade, loans and other receivables, deposits and prepayments	*10*	**109,532**	49,379
Pledged deposits	*12*	**45,564**	47,992
Deposits paid for fixed assets		**87,787**	93,379
Other deposits		**10,536**	13,464
Total non-current assets		**12,025,093**	12,384,001
Current assets			
Inventories		**197,023**	181,389
Trade, loans and other receivables, deposits and prepayments	*10*	**320,092**	316,183
Pledged deposits	*12*	**56,955**	564,163
Client trust bank balances		**2,947**	4,032
Cash and cash equivalents		**80,971**	142,039
Total current assets		**657,988**	1,207,806
Current liabilities			
Trade and other payables	*11*	**751,596**	739,115
Contract liabilities	*11*	**29,237**	–
Bank and other borrowings		**2,231,387**	2,071,096
Financial liabilities at fair value through profit or loss		**–**	988,444
Derivative financial instruments	*13*	**216**	–
Convertible bonds	*13*	**329,946**	385,460
Tax payable		**17,840**	9,176
Total current liabilities		**3,360,222**	4,193,291

	Note	2018 HK$'000	2017 HK$'000
Net current liabilities		**(2,702,234)**	(2,985,485)
Total assets less current liabilities		**9,322,859**	9,398,516
Non-current liabilities			
Bank and other borrowings		**1,017,804**	1,573,945
Deferred tax liabilities		**580,227**	614,691
Total non-current liabilities		**1,598,031**	2,188,636
NET ASSETS		**7,724,828**	7,209,880
CAPITAL AND RESERVES			
Share capital	*14*	**583,692**	1,737,240
Reserves		**7,141,136**	5,472,640
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**7,724,828**	7,209,880

NOTES TO THE ANNUAL RESULTS ANNOUNCEMENT

(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 annual 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"), provision of financial services business in Hong Kong and the PRC, including asset management, securities brokerage, financing and advisory services.

During the year, the Group further extended its business into purchase and sale of metals and minerals in the PRC.

2. Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting year of the Group and the Company. Note 3 provides information on any significant changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting years reflected in these consolidated financial statements.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the financial statements of the Company and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis, except financial assets and liabilities at fair value through profit or loss or through other comprehensive income and derivative financial instruments that are carried at fair value. Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and its subsidiaries in Hong Kong is Hong Kong dollars ("HK$") and that of its subsidiaries in Mainland China is Renminbi ("RMB"). For the purposes of presenting the consolidated financial statements, the Group has adopted Hong Kong dollars as its presentation currency.

In preparing the consolidated financial statements, the Directors have considered the future liquidity of the Group. The Group incurred a loss for the year attributable to owners of the Company of HK$390,190,000 and HK$466,335,000 for the years ended 31 December 2017 and 2018 respectively, and, as at that date, the Group had net current liabilities of HK$2,702,234,000. These conditions indicate the existence of a material uncertainty which may cast a doubt on the Group's ability to continue as a going concern. Nevertheless, the 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 been granted new bank and other borrowings of approximately HK$111 million. Details are set out in note 15(a). Save as disclosed above, the Directors are of the opinion that the Group will be able to obtain the renewal of bank and other borrowings due in the foreseeable future.

(ii) As detailed in Note 14(iv) to the consolidated financial statements, the Company completed a rights issue in September 2018, resulting in net cash proceeds of approximately HK$326 million and the reduction of loans by approximately HK$761 million. The directors of the Company are considering various alternatives, including but not limited to the restructuring of certain current due loans to long term loans and other capital raising activities, to support its working capital needs;

(iii) A substantial shareholder of the Company, Mr. 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.

(iv) Based on a cash flow forecast prepared by the Group's management for the twelve months after the end of the reporting period, 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 Directors are of the opinion that it is appropriate to prepare of the consolidated financial statements for the year ended 31 December 2018 on a going concern basis. The consolidated financial statements have not reflected any effects of adjustments if the Group was unable to continue to operate as a going concern.

3. Changes in accounting policies

In the current year, the Group has where applicable applied the following new and revised HKFRSs issued by the HKICPA which are or have become effective:

Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28
Amendments to HKFRS 2	Share-based payment: Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers
Amendments to HKAS 40	Transfers of Investment Property
HKFRIC 22	Foreign currency transactions and advance consideration

The adoption of the above new and revised HKFRSs has no material impact on these financial statements, except for HKFRS 9 and HKFRS 15 as described below:

(a) Impact on the consolidated financial statements

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting HKFRS 9. The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. Therefore, comparative information continues to be reported under HKAS 39.

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

The following table shows the changes in measurement categories of financial assets from HKAS 39 to HKFRS 9:

	HKAS 39 carrying amount at 31 December 2017 HK$'000	**Reclassification HK$'000**	**HKFRS 9 carrying amount at 1 January 2018 HK$'000**
Available-for-sale investments	**264,120**	**(264,120)**	**—**
Financial assets at fair value through other comprehensive income	**—**	**264,120**	**264,120**
	264,120	**—**	**264,120**

The Group has elected to designate the available-for-sale investments as financial assets at fair value through other comprehensive income and to present subsequent changes in fair value in other comprehensive income and accumulated in investment revaluation reserve (non-recycling). At the time of disposal, the accumulated fair value is transferred to retained profits.

As these financial assets were previously classified as available-for-sale and measured at its fair value, therefor, no material adjustment was made on the opening balance upon the adoption of HKFRS 9.

(b) Impairment of financial assets

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the incurred loss accounting model in HKAS 39.

The Group has trade, loan and other receivables that are subject to HKFRS 9's new ECL model, and the Group was required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group applies (i) simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables from initial recognition; and (ii) general approach to measuring ECL for the loan receivable.

General approach

ECLs are recognised in two stages. For credit exposures for 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 for 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).

Simplified approach

For trade and other receivables that do not contain a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of new approach did not result in any impact on the amounts reported in the opening consolidated statement of financial position on 1 January 2018 and the financial information during the year ended 31 December 2018.

Trade and loan and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, (i) the failure of a debtor to engage in a repayment plan with the Group; (ii) the debtor does not have a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may reduce the ability of the debtor to fulfil its contractual cash flow obligations.

While cash and cash equivalents, deposits, pledged deposits and other deposits are subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 supersedes HKAS 11 Construction contracts, HKAS 18 Revenue and related interpretations and applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other accounting standards. HKFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

HKFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. HKFRS 15 also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption and it elected to apply that method to only those contracts that were not completed at the date of initial application. The comparative information for the consolidated financial statements would be presented based on the requirements of HKAS 18 and related interpretations, thus the comparative figures have not been restated.

Set out below are the amounts by which each consolidated financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	HK$'000
Liabilities	
Receipts in advance (before adoption of HKFRS 15)	64,541
Contract liabilities (restated upon adoption of HKFRS 15)	(35,458)
Receipts in advance (restated upon adoption of HKFRS 15))	29,083

The adoption of HKFRS 15 has had no material impact on the statement of profit or loss and other comprehensive income or on the Group's operating, investing and financing cash flows for the year ended 31 December 2018.

4. Revenue and segment information

(a) Revenue

Revenue represents (i) 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); (ii) sales value of metals and minerals to customers (net of value added tax, returns and discounts) under the trading of metals and minerals (as defined below); and (iii) management and performance fees, securities commission and brokerage fee and interest income under the Financial Services Operation (as defined below). The revenue during the year is analysed as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contract with customers arising from Gold Mining Operation		
Sale of		
— Gold products	**601,460**	654,195
— Other by-products	**79,371**	153,351
	680,831	807,546
Revenue from contract with customers arising from trading of metals and minerals		
— Sale of metals and minerals	**114,003**	—
Revenue from contract with customers arising from Financial Services Operation		
— Service fee income	**19,067**	30,759
Total revenue from contracts with customers	**813,901**	838,305
Sale of gold products, other by-products, metals and minerals transferred at point in time	**794,834**	807,546
Services transferred over time	**19,067**	30,759
	813,901	838,305

Performance obligation

Information about the Group's performance obligations is summarised below:

Sales of gold products and other by-products

The performance obligation is satisfied upon delivery of goods.

Sales of metals and minerals

The performance obligation is satisfied upon delivery of goods.

Management services

The performance obligation is satisfied upon services are rendered.

Brokerage services

The performance obligation is satisfied upon services are rendered.

(b) Segment Information

For management purposes, the Group is organised into business units based on their products and services and has three (2017: two) 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") (which was commented during the year); 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.

All assets are allocated to reporting operating segments.

Segment liabilities exclude bank and other borrowings, convertible bonds and their 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 Group's operation by business segment is as follows:

	2018				2017			
	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								
Revenues from external customers	**680,831**	**114,003**	**19,067**	**813,901**	807,546	—	30,759	838,305
Segment profit/(loss)	**76,367**	**231**	**(10,060)**	**66,538**	117,323	—	(76,960)	40,363
Reconciliation:								
Interest income				**15,669**				14,741
Finance costs				**(538,212)**				(426,782)
Loss before tax				**(456,005)**				(371,678)
Other segment information								
Capital expenditure	**131,830**	**—**	**60**	**131,890**	277,769	—	62	277,831
Depreciation and amortisation	**196,675**	**—**	**1,002**	**197,677**	192,546	—	1,159	193,705
Fair value loss on financial assets at fair value through profit or loss	**—**	**—**	**—**	**—**	—	—	85,196	85,196
Share of profit of associate	**—**	**—**	**2,039**	**2,039**	—	—	1,973	1,973

	At 31 December 2018				At 31 Decmber 2017			
	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	**11,940,509**	**—**	**742,572**	**12,683,081**	12,892,026	—	699,781	13,591,807
Segment liabilities	**1,328,626**	**—**	**50,274**	**1,378,900**	2,321,653	—	29,773	2,351,426
Reconciliation:								
Corporate and other unallocated liabilities				**3,579,353**				4,030,501
Total liabilities				**4,958,253**				6,381,927

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

	2018	2017
	HK$'000	*HK$'000*
Customer A	**196,626**	101,156
Customer B	**124,310**	163,021
Customer C	**95,399**	122,926
Customer D	**82,056**	N/A*
Customer E	**N/A***	141,771
Customer F	**N/A***	183,670

* The transactions with these respective customers did not contribute 10% or more of total revenue of the Group during the years ended 31 December 2018 or 2017.

5. Other income and other net gain/(loss)

	2018	2017
	HK$'000	*HK$'000*
Other income		
Bank interest income	**15,669**	14,741
Dividend income	**986**	537
Sundry incomes	**1,502**	4,387
	18,157	19,665
Other net gain/(loss)		
Exchange gain/(loss), net	**2,797**	(1,879)
Fair value loss on financial assets at fair value through profit or loss	**—**	(85,196)
(Loss)/gain on disposal of fixed assets	**(572)**	153
	2,225	(86,922)

6. Loss before tax

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

		2018	2017
		HK$'000	*HK$'000*
(a)	**Finance costs:**		
	Interest on bank and other borrowings	**450,032**	397,645
	Interest on convertible bonds (note 13)	**26,988**	44,431
		477,020	442,076
	Interest on financial liabilities at fair value through profit or loss	**49,111**	20,910
	Total interest expenses on financial liabilities	**526,131**	462,986
	Less: Interest capitalised into construction in progress	**(3,851)**	(6,762)
		522,280	456,224
	Fair value (gain)/loss on financial liabilities at fair value through profit or loss	**(1,187)**	1,388
	Fair value gain on derivative financial instruments (note 13)	**(37,638)**	(30,830)
	Loss on the 2018 Convertible Bonds Restructure (note 13)	**54,757**	—
		538,212	426,782

		2018	2017
		HK$'000	*HK$'000*
(b)	**Staff costs (including directors' remuneration)**		
	Salaries, wages and other benefits	**76,770**	83,745
	Contributions to retirement benefit schemes	**8,918**	8,211
		85,688	91,956

	2018	2017
	HK$'000	*HK$'000*
(c) Other items		
Cost of inventories sold under the Gold Mining Operation (note (i))	**473,997**	520,507
Cost of inventories sold under the Trading of metals and minerals	**113,772**	—
Total cost of sales	**587,769**	520,507
Amortisation of intangible assets	**86,914**	96,341
Auditor's remuneration		
— audit service	**3,360**	3,239
— non-audit service	**730**	970
Depreciation and amortisation of fixed assets	**110,763**	97,364
Operating lease charges in respect of:		
— land and buildings	**34,183**	22,829
— machinery and equipment	**80**	80

Note:

(i) Cost of inventories sold under the Gold Mining Operation includes HK$236,893,000 (2017: HK$216,939,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

7. Income tax

(a) Tax in the consolidated income statement represents:

	2018	2017
	HK$'000	*HK$'000*
Current tax		
— PRC income tax	**(13,327)**	(23,675)
(Under)/over-provision in prior years		
— PRC income tax	**(408)**	(1,630)
— Hong Kong profits tax	**—**	1,402
	(408)	(228)
	(13,735)	(23,903)
Deferred tax credit	**3,405**	5,391
Total income tax expense	**(10,330)**	(18,512)

(b) The provision for PRC income tax is calculated on the assessable profit of the Group's subsidiaries incorporated in the PRC at 25% during the years ended 31 December 2018 and 2017.

(c) No provision for Hong Kong profits tax has been made during the years ended 31 December 2018 and 2017 as the Group did not have any assessable profit subject to Hong Kong profits tax.

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

8. Dividend

The directors of the Company do not recommend the payment of any dividend for the years ended 31 December 2018 and 2017.

9. Loss per share

(a) Basic loss per share

The basic and diluted loss per share and weighted average number of ordinary shares for the year ended 31 December 2017 have been adjusted to reflect the impact of the Share Consolidation (as defined in note 14 to this announcement) and Rights Issue (as defined in note 14 to this announcement) which was effective on 28 May 2018 and 26 September 2018, respectively.

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$466,335,000 (2017: HK$390,190,000) and on the weighted average number of 2,286,114,000 (2017: 724,360,000 (as restated)) ordinary shares in issue during the year.

(b) Diluted loss per share

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 years ended 31 December 2018 and 2017. Therefore, the diluted loss per share is same as basic loss per share during the years ended 31 December 2018 and 2017.

10. Trade, loans and other receivables, deposits and prepayments

	Note	**2018**	2017
		HK$'000	*HK$'000*
Trade and loans receivables		**226,700**	132,336
Less: Allowance for doubtful debts		**—**	—
	(a) to (c)	**226,700**	132,336
Other receivables		**69,723**	115,369
Sub-total		**296,423**	247,705
Deposits and prepayments		**133,201**	117,857
		429,624	365,562
Non-current portion		**109,532**	49,379
Current portion		**320,092**	316,183
		429,624	365,562

As at 31 December 2018, 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

	Note	**2018**	2017
		HK$'000	*HK$'000*
Trade receivables under the Gold Mining Operation	(b)	**107,319**	23,524
Trade and loans receivables under the Financial Services Operation	(c)	**119,381**	108,812
		226,700	132,336

(b) Trade receivables under the Gold Mining Operation

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:

	2018	2017
	HK$'000	*HK$'000*
Less than two months	**60,926**	18,757
More than two months but less than four months	**39,971**	—
More than four months but less than six months	**1,496**	4,767
More than six months but less than one year	**—**	—
More than one year	**4,926**	—
	107,319	23,524

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 two to four (2017: two) months is granted to the customers with high credibility.

The ageing analysis of trade receivables under the Gold Mining Operation that are neither individually nor collectively considered to be impaired is as follows:

	2018	2017
	HK$'000	*HK$'000*
Neither past due nor impaired	**100,897**	18,757
Less than six months past due	**1,496**	4,767
More than six months but less than one year past due	**—**	—
More than one year past due	**4,926**	—
	107,319	23,524

At the end of the reporting period, trade receivables under the Gold Mining Operation that were neither past due nor impaired relate to certain independent customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to certain independent customers that have a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The Group did not hold any collateral over these balances.

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

	2018	2017
	HK$'000	*HK$'000*
Trade receivables from securities brokerage business:		
– Cash clients	**712**	1,182
– Clearing house in HK	**—**	164
	712	1,346
Trade and loan receivables from other financial services business	**118,669**	107,466
	119,381	108,812

(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:

	2018	2017
	HK$'000	*HK$'000*
Less than one year	**7,964**	258
More than one year	**110,705**	107,208
	118,669	107,466

(ii) The trade and loans receivables under the Financial Services Operation that are neither individually nor collectively considered to be impaired is as follows:

	2018	2017
	HK$'000	*HK$'000*
Neither past due nor impaired	**117,577**	106,697
Less than six months past due	**109**	407
More than six months but less than one year past due	**459**	1,053
More than one year past due	**1,236**	655
	1,804	2,115
	119,381	108,812

At the end of the reporting period, trade and loans receivables under the Financial Services Operation of the Group that were neither past due nor impaired relate to certain independent customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to cash clients from securities brokerage business of HK$630,000 (2017: HK$1,098,000) and the management fee receivables from the asset management funds managed by the Group of HK$1,174,000 (2017: HK$1,017,000). The Group held the securities of these cash clients from securities brokerage business as collateral over their individual balance and has assessed the recoverability of the management fee receivables from the asset management funds. The management believed that no impairment allowance was necessary in respects of these receivables.

11. Trade and other payables, and contract liabilities

	Note	**2018** *HK$'000*	2017 *HK$'000*
Trade payables	(a) to (c)	**173,572**	156,568
Accrued charges and other payables		**541,010**	518,006
Financial liabilities measured at amortised cost		**714,582**	674,574
Receipts in advance		**37,014**	64,541
		751,596	739,115
Contract liabilities		**29,237**	—

As detailed in note 3(b) to this announcement, upon the adoption of HKFRS 15, receipts in advance from customers of HK$35,458,000 as at 1 January 2018 were restated as contract liabilities. The balance of receipts in advance represents mainly government grants received in advance.

(a) Trade payables

	Note	**2018** *HK$'000*	2017 *HK$'000*
Trade payables under the Gold Mining Operation	(b)	**170,570**	152,288
Trade payables under the Financial Services Operation	(c)	**3,002**	4,280
		173,572	156,568

(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:

	2018 *HK$'000*	2017 *HK$'000*
Less than three months	**16,104**	86,362
More than three months but less than one year	**27,032**	59,799
More than one year	**127,434**	6,127
	170,570	152,288

(c) Trade payables under the Financial Services Operation

	2018	2017
	HK$'000	*HK$'000*
Trade payables from securities brokerage business:		
– Cash clients	**2,952**	4,280
– Clearing house in HK	**50**	—
	3,002	4,280

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. Pledge of assets

As at 31 December 2018, the Group's assets with the following carrying amounts were pledged to secure bank and other borrowings (2017: bank and other borrwings and financial liabilities at fair value through profit or loss):

	2018	2017
	HK$'000	*HK$'000*
Intangible assets — mining rights	**5,592,650**	2,174,843
Fixed assets	**761,837**	816,326
Financial assets at fair value through other comprehensive income	**280,166**	—
Available-for-sale investments	**—**	251,958
Pledged deposits	**102,519**	612,155
	6,737,172	3,855,282

Except as disclosed above, as at 31 December 2018, all issued shares of three (2017: six), 49% issued shares of one (2017: nil) and 51% issued shares of two (2017: nil) subsidiaries of the Company were subject to share charge as security pledged for the Group's bank and other borrowings (2017: bank and other borrwings and financial liabilities at fair value through profit or loss).

13. Convertible bonds

The 2016 Convertible Bonds

	Liability component *HK$'000*	Derivatives *HK$'000*	Total *HK$'000*
At 1 January 2017	368,308	30,830	399,138
Interest expense charged to consolidated income statement (note 6(a))	44,431	—	44,431
Interest paid	(27,279)	—	(27,279)
Fair value gain (note 6(a))	—	(30,830)	(30,830)
At 31 December 2017	385,460	—	385,460
At 1 January 2018	**385,460**	**—**	**385,460**
Interest expense charged to consolidated income statement (note 6(a))	**4,180**	**—**	**4,180**
Interest paid	**(2,728)**	**—**	**(2,728)**
Extinguishment upon the completion of the 2018 Convertible Bonds Restructure (note (i))	**(386,912)**	**—**	**(386,912)**
At 31 December 2018	**—**	**—**	**—**
Representing:			
At 31 December 2018	**—**	**—**	**—**
At 31 December 2017			
Current liabilities	385,460	—	385,460

The 2018 Convertible Bonds

	Liability component *HK$'000*	Derivatives *HK$'000*	Total *HK$'000*
At 2 February 2018 (note (i))	**320,394**	**37,854**	**358,248**
Interest expense charged to consolidated income statement (note 6(a))	**22,808**	**—**	**22,808**
Interest paid	**(13,256)**	**—**	**(13,256)**
Fair value gain (note 6(a))	**—**	**(37,638)**	**(37,638)**
At 31 December 2018	**329,946**	**216**	**330,162**
Representing:			
At 31 December 2018			
Current liabilities	**329,946**	**216**	**330,162**

Notes:

(i) Loss on the 2018 Convertible Bonds Restructure

	Carrying amount of the 2016 Convertible Bonds	Cash paid for the 2018 Convertible Bonds Restructure (Note (ii))	Fair value of the 2018 Convertible Bonds	Loss on the 2018 Convertible Bonds Restructure (Note 6(a))
	HK$'000	***HK$'000***	**HK$'000**	**HK$'000**
Liability components and derivatives	**386,912**	**83,421**	**358,248**	**(54,757)**

(ii) Cash paid for the 2018 Convertible Bonds Restructure:

	HK$'000
Cash payment	**75,251**
Transaction costs	**8,170**
Total cash outflow included in consolidated statement of cash flows	**83,421**

(a) On 4 February 2013, the Company issued the convertible bonds with the principal amount of HK$1,028 million which charged interest at 7.25% per annum with maturity date on 4 February 2018 (the "2013 Convertible Bonds"). On 5 February 2013, the 2013 Convertible Bonds were listed on the Singapore Exchange Securities Trading Limited. The 2013 Convertible Bonds entitled the bondholders to convert the 2013 Convertible Bonds into ordinary shares of the Company at a conversion price of HK$1.8125 per share at any time on or after 17 March 2013 up to the close of business on the date falling ten days prior to the maturity date on 4 February 2018. The bondholders had the right to require the Company to redeem the 2013 Convertible Bonds on 4 February 2016 at its principal amount together with accrued unpaid interest (the "Put Option"). In 2016, the Company made the convertible bonds restructure (the "2016 Convertible Bonds Restructure") that included extinguishment of the bondholders' rights on the Put Option and amendment to the existing terms and conditions of the 2013 Convertible Bonds. On 16 March 2016, the 2016 Convertible Bonds Restructure was completed and the Company issued and allotted approximately 1,176 million new ordinary shares of the Company and paid the aggregate amount of approximately HK$361 million to the bondholders.

The key amendments to other existing terms and conditions of the 2013 Convertible Bonds under the 2016 Convertible Bonds Restructure (the "2016 Convertible Bonds") include a reduction in the conversion price to HK$0.4283 per share and a reset to the conversion price on each of 4 August 2016 and 4 February 2017. If the volume weighted average price during a period of 20 consecutive trading days immediately prior to each date thereto is less than the conversion price prevailing on the last day of such period, the conversion price shall be reset, subject to a minimum reset price equal to HK$0.25 ("Conversion Price Reset"). Modification is made to the redemption right at the option of the Company. Save as disclosed as above, the 2016 Convertible Bonds were charged interest rate at 7.25% per annum and would be mature on 4 February 2018 that were kept unchanged with these terms of the 2013 Convertible Bonds. The conversion price of the 2016 Convertible Bonds was adjusted from HK$0.4283 to HK$0.26 and further adjusted to HK$0.25 under the Conversion Price Reset on 4 August 2016 and 4 February 2017 respectively. At 31 December 2017, the outstanding principal amount of the 2016 Convertible Bonds was approximately HK$376 million.

(b) During the year, the Company through an independent consent solicitation agent, Daiwa Capital Markets HongKong Limited, invited bondholders to consider amendment to the existing terms and conditions of the 2016 Convertible Bonds (the "2018 Convertible Bonds Restructure"). The key amendments to the existing terms and conditions of the 2016 Convertible Bonds under the 2018 Convertible Bonds Restructure include: (a) a cash redemption amount of HK$131,099 per each bond with principal amount of HK$1,000,000 to each bondholder in addition to the HK$350,000 per HK$1,000,000 principal amount paid on 16 March 2016 under 2016 Convertible Bonds Restructure (the "Principal Paydown Amount") plus an amount equal to 20% of the accrued interest to be paid on the completion date of the 2018 Convertible Bonds Restructure; (b) extension of the maturity of the 2016 Convertible Bonds together with accrued and unpaid interest thereon to 4 August 2019; (c) modification to the redemption right at the option of the Company, whereby: (i) the Company may at any time on or after 4 October 2018 to, and including 4 November 2018 (the "Optional Redemption Date"), redeem all, but not some only, of the bonds on the payment business day specified in the optional redemption notice as being the Optional Redemption Date at their outstanding principal amount together with accrued but unpaid interest to such date; (ii) if the Company issues an optional redemption notice, each bondholder will have the right to elect that all or some only of such holder's convertible bond(s)(subject to partial redemption at the amount equal to HK$362,271.85 (the "Partial Redemption Amount") per each bond) shall not be redeemed (such bonds in respect of which such election is made) (the"Retained Bonds"); (iii) on the Optional Redemption Date, all Retained Bonds will be partially redeemed at the Partial Redemption Amount, whereupon the outstanding principal amount of such Retained Bond shall be reduced by the Partial Redemption Amount for all purposes; (iv) on the Optional Redemption Date, all convertible bonds other than Retained Bonds shall be redeemed in full by the Company at their outstanding amount together with accrued but unpaid interest to such date; and (v) removal of the Company's existing right to early redemption exercisable after 4 February 2017 under the 2016 Convertible Bonds; (d) modification of the interest rate whereby the convertible bonds bear interest from and including 4 February 2013 but excluding 4 February 2018 at the rate of 7.25% per annum and thereafter at 8.5% per annum, and in the event that the Company does not issue the Optional Redemption Notice, the interest rate shall increase to 11% per annum with effect from and including 4 November 2018; (e) modification to the conversion period so that the conversion right in respect of a convertible bond may only be exercised at the option of the bondholder at any time on or after 5 November 2018; (f) reduction in the conversion price to HK$0.0618; and (g) removal of Conversion Price Reset provision in the existing terms and conditions of the 2016 Convertible Bonds.

The 2018 Convertible Bonds Restructure was approved by a written resolution of the bondholders and by the shareholders at the Company's special general meeting on 5 January 2018 and 31 January 2018 respectively. On 2 February 2018, the Company completed the 2018 Convertible Bonds Restructure and paid the Principal Paydown Amount of approximately HK$75 million plus 20% of the accrued interest of approximately HK$3 million in an aggregate amount of approximately HK$78 million to the bondholders. The total outstanding principal amount of the 2016 Convertible Bonds of approximately HK$376 million reduced to approximately HK$312 million at 2 February 2018 and will be repayable on 4 August 2019. Details of the 2018 Convertible Bonds Restructure are set out in the Company's circular on 15 January 2018 and the Company's announcements between 21 December 2017 and 2 February 2018.

The amendments to the terms and conditions of the 2016 Convertible Bonds under the 2018 Convertible Bonds Restructure are considered to be substantial modification of terms and conditions of the 2016 Convertible Bonds. Accordingly, the 2016 Convertible Bonds have been accounted for as extinguishment and the 2018 Convertible Bonds have been recognised upon the completion of the 2018 Convertible Bonds Restructure on 2 February 2018. The Group recognised a loss of the 2018 Convertible Bonds Restructure of HK$54,757,000 during the reporting period, which was mainly arisen from the difference between the conversion price of the 2018 Convertible Bonds of HK$0.0618 and the share price of the Company of HK$0.071 at the date of completion of the 2018 Convertible Bonds Restructure. The Group recognised the liability component and derivatives of the 2018 Convertible Bonds on 2 February 2018 which were determined based on the valuations performed by an independent firm of professional valuers with recognised qualifications and experiences using average market interest rate for bonds with similar credit rating and industry and Binomial option pricing model, respectively. The effective interest rate of the liability component is 8% per annum. The derivatives of the 2018 Convertible Bonds include the option of the bondholders to convert the 2018 Convertible Bonds into the Company's ordinary shares and the option of the Company to redeem the 2018 Convertible Bonds. Both options are interdependent.

(c) The conversion price of the 2018 Convertible Bonds was adjusted from HK$0.0618 to HK$1.236 for the Share Consolidation with effect from 28 May 2018 (note 14(iii)). The conversion price of the 2018 Convertible Bonds was further adjusted from HK$1.236 to HK$0.8144 for the Rights Issue (as defined and further detailed in note 14(iv)) with effect from 27 August 2018, the first date on which the Company's shares in issue were traded on ex-rights. Details of the adjustments of the conversion price of the 2018 Convertible Bonds are set out in the Company' s announcements on 28 May 2018 and 27 August 2018.

During the year, none of the 2016 Convertible Bonds and the 2018 Convertible Bonds were exercised. The 2016 Convertible Bonds and 2018 Convertible Bonds were listed on the Singapore Exchange Securities Trading Limited. At 31 December 2018, the outstanding principal amount of the 2018 Convertible Bonds was approximately HK$312 million.

(d) At 2 February 2018 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$37,638,000 was recognised during the year. The following assumptions are used to calculate the respective fair values of the derivatives:

	At 31 December 2018	At 2 February 2018
Share price (HK$)	**0.185***	0.071
Conversion price (HK$)	**0.8144***	0.0618
Expected remaining life of the convertible bonds (years)	**0.60**	1.52
Expected volatility (%)	**75**	61
Risk free rate (%)	**1.79**	1.09
Expected dividend yield (%)	**0**	0
Discount rate (%)	**10.9**	7.9

* Adjusted for the Share Consolidation and Rights Issue with effect from 28 May 2018 and 27 August 2018, respectively.

14. Share Capital

	Note	Number of shares '000	HK$'000
Authorised:			
Ordinary shares of HK$0.125 each			
At 1 January 2017		**20,000,000**	**2,500,000**
Increased during the year		**10,000,000**	**1,250,000**
At 31 December 2017 and 1 January 2018		**30,000,000**	**3,750,000**
Capital Reorganisation	(i)	**—**	**(3,600,000)**
Share Consolidation	(iii)	**(28,500,000)**	**—**
Ordinary shares of HK$0.1 each after Share Consolidation		**1,500,000**	**150,000**
Increased during the year	(iv)	**8,500,000**	**850,000**
Ordinary shares of HK$0.1 each at 31 December 2018		**10,000,000**	**1,000,000**
Ordinary shares issued and fully paid:			
Ordinary shares of HK$0.125 each at 1 January 2017, 31 December 2017 and 1 January 2018		**13,897,919**	**1,737,240**
Capital Reorganisation	(i)	**—**	**(1,667,750)**
Ordinary shares of HK$0.005 each after the Capital Reorganisation		**13,897,919**	**69,490**
Issue of new shares under share placing	(ii)	**2,779,000**	**13,895**
		16,676,919	**83,385**
Share Consolidation	(iii)	**(15,843,073)**	**—**
Ordinary shares of HK$0.1 each after the Share Consolidation		**833,846**	**83,385**
Issue of new shares under Rights Issue	(iv)	**5,003,075**	**500,307**
Ordinary shares of HK$0.1 each at 31 December 2018		**5,836,921**	**583,692**

(i) Pursuant to a special resolution passed at the extraordinary meeting by the Company's shareholders on 27 November 2017, the Company has taken the following events:

- cancellation of the entire amount standing to the credit of the share premium account of the Company of approximately HK$5,611,589,000 and to transfer the credit arising from such cancellation to an account designated as the contributed surplus account of the Company before the change of domicile becoming effective on 12 December 2017;

- changed the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda with effect from 12 December 2017; and

- implemented the capital reorganisation (the "Capital Reorganisation") after the change of domicile becoming effective 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$0.12 on each of the issued existing shares such that the nominal value of each issued existing share was reduced from HK$0.125 to HK$0.005; (b) immediately following the capital reduction taking effect, all the authorised 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$150 million 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$150 million divided into 30,000 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 2 January 2018, a credit of approximately HK$1,667,750,000 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 2 November 2017 and the Company's announcements on 12 October 2017, 27 November 2017, 12 December 2017 and 2 January 2018.

(ii) On 17 January 2018, the Company entered into a placing agreement with an independent placing agent whereby the Company conditionally agreed to place, through the placing agent, on best effort basis, up to 2,779,000,000 new ordinary shares of the Company at the subscription price of HK$0.057 per share. On 1 February 2018, the Company issued and allotted 2,779,000,000 new ordinary shares of the Company with net proceeds approximately HK$155,277,000 after deducting issuing expenses HK$3,126,000. All new ordinary shares issued and allotted rank pari passu in all respects with the then existing ordinary shares of the Company in issue. Details are set out in the Company's announcements on 17 January 2018 and 1 February 2018.

(iii) Pursuant to a resolution passed at the special general meeting by the Company's shareholders on 25 May 2018, every twenty issued and unissued shares of the Company of a par value HK$0.005 each in the share capital of the Company were consolidated into one share of the Company of a par value HK$0.1 each (the "Share Consolidation") with effect from 28 May 2018. The number of the authorised ordinary shares of the Company was reduced from 30,000,000,000 to 1,500,000,000 and the number of issued ordinary shares was reduced from 16,676,918,800 to 833,845,940 upon the completion of the Share Consolidation. The consolidated shares rank pari passu in all respects with each other. Details are set out in the Company's announcements on 10 April 2018 and 25 May 2018 and the Company's circular on 4 May 2018.

(iv) 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 (the "Untaken Shares") 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 (the "Set-off").

The estimated net cash proceeds from the Rights Issue (taking into account the effect of the Set-Off and deducting the related expenses for the Rights Issue) will be not less than approximately HK$326 million and not more than approximately HK$1,096 million. In order for the Company to allot and issue the Rights Shares proposed under the Rights Issue and to provide the flexibility for future development, the Company increased its authorised share capital from HK$150,000,000 divided into 1,500,000,000 ordinary shares of HK$0.1 each to HK$1,000,000,000 divided into 10,000,000,000 ordinary shares of HK$0.1 each by the creation of an additional 8,500,000,000 new ordinary shares (the "Increase Authorised Share Capital"), all of which will rank pari passu with all existing ordinary shares of the Company in all respects. The Rights Issue and the Increase Authorised Share Capital have been approved by the shareholders of the Company at the Company's special general meeting on 23 August 2018 and the Increase Authorised Share Capital was effective from 23 August 2018. At 27 September 2018, the Rights Issue transaction for 5,003,075,640 Rights Shares with net cash proceeds of approximately HK$326 million (taking into account the effect of the Set-off of approximately HK$761 million and deducting the related expenses for the Right Issue of approximately HK$13 million) has completed. Details are set out in the Company's announcements between 21 June 2018 and 26 September 2018 and its circular and prospectus on 3 August 2018 and 4 September 2018 respectively.

15. Events after the reporting period

The Group had the following significant events subsequent to the end of the reporting period and up to the date of this results announcement:

(a) The Group has been granted new bank and other borrowings of HK$111 million.

(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 authorised 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.

16. Comparative figures

The cooperatives loss per share for the year ended 31 December 2017 has been restated to reflect the impact of the Share Consolidation and Righs Issue which was effective on 28 May 2018 and 26 September 2018, respectively (note 9). In addition, the Group has initially applied HKFRS 9 and HKFRS 15 as at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

EXTRACT OF INDEPENDENT AUDITOR' S REPORT

The auditor will express an unqualified opinion in the independent auditor' s report, but will draw attention by adding material uncertainty related to going concern paragraph as follows:

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards （「HKFRSs」） issued by the Hong Kong Institute of Certified Public Accountants （「HKICPA」） and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note2(b) to the consolidated financial statements, which indicates the losses incurred for the years ended 31 December 2017 and 2018 and the extent of net current liabilities as at 31 December 2018. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. In light of all the measures and arrangements detailed in Note2(b) to the consolidated financial statements, the Directors are of the opinion that the Group will be able to finance its future working capital and financial requirements. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue and Results

During the year, the Group recorded profit from operations of HK$80 million as compared with profit from operations of HK$53 million last year. The increase in profit from operations is mainly due to the fair value loss on financial assets at fair value through profit or loss of HK$85 million, which included fair value loss arisen from listed shares and unlisted equity investments in investment funds of HK$81 million and HK$4 million respectively, recorded by the Group last year, but, no relevant loss incurred during this year. However, the profit from operations is eroded by the decrease of sales revenue and gross profit mentioned in following paragraph in this section. In addition, the Group has an increase of the finance costs to HK$538 million (2017: HK$427 million) during the year (details are set out in the following section headed “Finance Costs”). Accordingly, the Group’s loss after tax increased to HK$466 million during the year as compared to HK$390 million last year.

During the year, the Group’s revenue and gold production decreased by 3% to HK$814 million (2017: HK$838 million) and 16% to 62 thousand ounces (2017: 74 thousand ounces) respectively. The decrease in revenue is mainly arisen from the decrease in gold price, stricter environmental regulations and controls in China and earlier start of raining season in Yunnan in the PRC resulted in decrease in the Group’s gold production during the year. The gross profit margin of the Group decreased to 28% during the reporting period (2017: 38%) which is attributable from the increase of revenue on trading of metals and minerals which has a lower gross profit margin than other operating segments, the decrease in gold price and the increase in the Group’s production costs per unit. The Group’s sale revenue decreased by 3% during the reporting period, but its production costs, particularly fixed production costs, were not reduced in the same rate. In addition, increased mining depth and complicated geologic structure in the particular mining site currently under production pushed production cost higher.

The Group’s total comprehensive loss increased by 22 times to HK$728 million during the year as compared to HK$31 million last year. The increase in total comprehensive loss is attributable to the Group’s recognition on an exchange loss on translation of financial statements of PRC subsidiaries and associate of HK$291 million during the year (2017: exchange gain of HK$359 million) that is arisen from depreciation of exchange rate of RMB against HK$ during the year.

During the year, the loss per share of the Company was HK20.4 cents (2017 (restated): HK53.87 cents). The loss per share last year and this year has been adjusted to reflect the impact on the Share Consolidation and Rights Issue of the Company which was effective on 28 May 2018 and 27 August 2018, respectively. Details are set out in notes 9 and 14 in this announcement.

Other Income and Other Net Gain/Loss

During the year, the Group's other income was HK$18 million (2017: HK$20 million), representing a decrease by 10% as compared last year. The decrease is mainly due to the decrease in sundry income to HK$1.5 million (2017: HK$4 million).

During the year, the Group recorded the other net gain of HK$2 million as compared to the other net loss of HK$87 million last year. The turnaround to the other net gain is mainly attributable from the fair value loss on financial assets at fair value through profit or loss of HK$85 million which included fair value loss arisen from listed shares and unlisted equity investments in investment funds of HK$81 million and HK$4 million respectively recorded by the Group last year, but, no relevant loss was incurred during this year.

Selling and Distribution Costs

During the year, the Group's selling and distribution costs were HK$12 million (2017: HK$16 million), representing a decrease by 25% as compared with last year. The decrease is mainly attributable to the decrease in the Group's revenue.

Administrative Expenses

During the year, the Group's administrative expenses were HK$154 million (2017: HK$182 million), representing a decrease by 15% as compared with last year. The decrease is mainly due to a decrease in directors' and chief executive's emoluments to HK$4 million (2017: HK$14 million).

Finance Costs

During the year, the Group's finance costs were HK$538 million (2017: HK$427 million), representing an increase by 26% as compared with last year. The increase in finance costs is mainly due to a loss on the 2018 Convertible Bonds Restructure of HK$55 million (2017: Nil) recorded by the Group during the year, and increase in effective interest rates on the Group's bank and other borrowings due to the general increase in difficulty in sourcing finance in the market. However, the increase of finance costs is partly offset by the increase in non-cash fair value gain on derivative financial instruments relating to the convertible bonds from HK$31 million last year to HK$38 million during this year. Details of the 2018 Convertible Bonds Restructure and fair value gain on derivative financial instruments relating to the convertible bonds are set out in notes 6 (a) and 13 in this announcement.

Deferred Tax

As at 31 December 2018, deferred tax liabilities amounted to HK$580 million (2017: HK$615 million), which represented mainly the estimated tax effect 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 is subsequently reversed and credited to the consolidated income statement as a result of tax effect of the amortisation of the mining rights. Such liabilities are accounted for in accordance with the accounting principle and therefore no cash payment is required.

Liquidity and Financial Resources

At 31 December 2018, the Group's cash and bank balances (including pledged deposits) and net current liabilities were HK$183 million (2017: HK$754 million) and HK$2,702 million (2017: HK$2,985 million), respectively. The decrease in the Group's net current liabilities is mainly attributable from (i) the Company completed share placement with net proceeds of approximately HK$155 million; (ii) the Company completed rights issue with net proceeds of approximately HK$327million and set-off the underwriter loan approximately HK$761 million; and (iii) the decrease in pledged bank deposits under current assets of HK$507 million and bank and other borrowings and financial liabilities at fair value through profit or loss under current liabilities of HK$828 million which is attributable from the settlement of bank and other borrowings and financial liabilities at fair value through profit or loss secured by the pledged bank deposits during the year. At 31 December 2018, the Group's net assets increased to HK$7,725 million (2017: HK$7,210 million).

The Group has met its needs of working capital and capital expenditure mainly through cash generated from operations, bank and other borrowings and financial liabilities at fair value through profit or loss. As at 31 December 2018, the Group's bank and other borrowings were repayable within one to five years and its fixed rate borrowings over total borrowings was 84%. There is no significant seasonality of the borrowings demand of the Group. The 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 (b) 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

At 31 December 2018, the total number of issued ordinary shares of the Company was 5,836,921,580 shares, each of HK$0.1 (the "Shares"). During the year, the Company has completed the capital reorganisation, the share consolidation, the share placing and the 2018 convertible bonds restructure as well as the rights issue and increase in authorized share capital. Details are set out in notes 13 and 14 in this announcement respectively.

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 year.

At 31 December 2018, the Group's gearing ratio decreased to 31% (2017: 37%). The Group monitors capital using a gearing ratio, which is calculated as the 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 pledge of assets of the Group are set out in note 12 in this announcement.

Contingent Liabilities

As at 31 December 2018, the Group did not have any material contingent liabilities.

Foreign Currency Exposure

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's subsidiaries in the PRC. The Group did not enter into any forward foreign exchange contracts to manage its foreign currency risk during the year as the Directors considered that the Group's exposure to exchange rate risk could be managed.

Business Risk

The Group is exposed to price risks arising from the market price fluctuations on gold products and equity securities. 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. The Group did not enter into any forward equity securities contracts to manage its equity securities price risk. The Group mitigates its price risk by performing detailed analysis of investments and dedicated professionals are assigned to oversee and monitor the performance of investments.

Significant investments

At 31 December 2018, the Group had investments classified as financial assets at fair value through other comprehensive income of HK$280 million, representing 2% of the Group's total assets, which include mainly investment in an unlisted company in the PRC of HK$268 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 31 December 2018.

Employees

As at 31 December 2018, the Group employed approximately 830 (2017: 920) 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. 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 results announcement.

Gold Market Outlook

The full year gold demand for in 2018 saw a gain of 4% reaching 4,345.1 tonnes according to the research of the World Gold Council. The rise is largely led by the strong central bank buying for diversification and safety driven by heightened geopolitical and economic uncertainty throughout the year. Central bank demand alone was the highest since 2015, rocketed by 74% reaching 651.5 tonnes. Global bar and coin demand boosted in the second half of the year, up by 4% to 1,090.2 tonnes in 2018. Annual inflow into gold-backed Exchange Traded Funds ("ETF") recorded 68.9 tonnes representing 67% lower than inflows in 2017. A recovery of ETF inflows of 112.4 tonnes in the fourth quarter primarily caused by the stock market volatility and signs of slowing in economic growth. Europe was the only region to see net ETF growth in 2018. Annual jewellery demand barely changed at 2,200 tonnes. China was the main area of jewellery growth, in spite of a slowdown in the fourth quarter mainly due to the trade frictions. Gold used in technological applications grew slightly by 1% to 334.6 tonnes in 2018 owing to the increasing expansion of high-end consumer electronics and vehicle electrification throughout the year.

As for gold supply, total supply increased steadily by 1% to 4,490.2 tonnes in 2018, with higher recycling and the mine production inched to a record high of 3,346.9 tonnes. The ongoing strict environmental regulations and controls in China resulted in a 9% fall in national mine production. With mine production expected to be stable in 2019, supply will remain constrained.

In the first quarter of 2018, gold price rose by 4% on fears of geopolitical uncertainties. During the third quarter, gold's price fell 5% largely caused by the strong US dollar and the Fed's interest rate hike expectations. In the fourth quarter, gold price increased slightly fuelled by higher market volatility. Gold price seesawed in 2018.

Looking forward to 2019, it is believed that U.S. dollar will weaken arising from geopolitical tensions caused by ongoing trade wars between the U.S. and China. Also, Fed policy stance on interest rate hike will become more neutral. Risk will be intensified by higher market volatility and increased likelihood of slowdown in global economic growth. As such, we would expect the prospect of gold market will be more favourable and there will be a slow recovery in gold price in 2019.

Production Safety and Environmental Protection

We operate in a responsible manner to ensure the health and safety of employees of our Group. We are committed to meeting applicable legal requirements and where possible seek to implement leading industry standards in our operations. We have established a dedicated safety and environment enhancement team that is responsible for the occupational health and safety of our mines and operations.

We are subject to various PRC laws and regulations with respect to the prevention and treatment of occupational diseases, the prevention of worksite accidents and the handling of industrial injuries. Production safety permits have been obtained for our mines.

We have adopted a comprehensive set of internal occupational health and safety policies for our mines. We conduct staff training, review internal safety procedures, carry out regular on-site safety inspections and continuously monitor the implementation of safety policies. Protective equipment and clothing are regularly provided to our mine personnel, and we regularly check proper usage of such equipment. In addition, each of our mines has been equipped with a real-time visual monitoring system to monitor mine operation and safety. We have also set up an inspection and detection system in the explosive warehouses in each of our mines to provide comprehensive protection to the usage and security of daily explosives.

We require our third-party contractors to possess requisite production safety licences and relevant qualifications for the work they contract from us and to undertake appropriate safety measures.

We have been in compliance with all relevant PRC laws and regulations regarding occupational health and safety in all material respects. We have not had any material accident involving death or personal injury at any of the mines operated by us.

In accordance with Rule 13.91 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), the Company will publish an Environmental, Social and Governance ("ESG") Report within three months after the publication of the annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

Relationship with Government and Awards

The Group has been maintaining good relationships with the local government where the mines are located.

In July 2012, the Group signed the cooperation framework agreement on mineral resources exploration and development with the local government of Yunnan Province. According to the agreement, with the local government's strong support and assistance on exploration development and consolidation of gold resources, the Group will have the priority rights to access to the gold mining assets in the region. Moreover, the local government will provide support on infrastructure, including power, water and logistics.

In 2011, the Group also signed the similar framework agreement with local government of Henan Province. According to the agreement, the local government will provide full support in terms of the Group's consolidation of precious metal resource sector in the region. The Group is also subject to the subsidy policy tailored for foreign investment as well as the favourable policy for land acquisition and other approvals.

Jinxing Mine and Luanling Mine had been granted a number of awards with fruitful results over the years. During the year, Jinxing Mine was granted an award of "Outperformed Enterprise in Economic Development" by the People's government of regional town Baitu in March 2018. Luanling Mine was granted the title of "2017 Advanced Unit for Workplace Safety in the Gold Industry of Luoyang City" by the Luoyang Gold Administration Bureau in February 2018.

Corporate Strategy and Corporate Prospect

Looking forward to 2019, it is believed that U.S. dollar will weaken arising from geopolitical tensions caused by ongoing trade wars between the U.S. and China. Also, Fed policy stance on interest rate hike will become more neutral. Risk will be intensified by higher market volatility and increased likelihood of slowdown in global economic growth. As it stands, we believe these factors will likely to make gold attractive in 2019.

As for mining business, the Group's objective is to maintain its stable development in respect of mine exploration and reserve increase by means of strict implementation of existing mines exploration planning. More effort will be put on optimizing the construction of the major exploration projects and on the cost control in an environmentally friendly manner. Being one of the largest privately owned, China-based gold mining companies, the Group commits business strategy as to:(i) continue to 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.

Following the Group's diversification of its operations into financial services industry in Hong Kong and the PRC, including asset management and securities brokerage, the Group will seek new investment opportunities for delivering long term capital growth 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.

Relationship With Suppliers, Customers and Other Stakeholders

The Group understands that the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationships with each of its key stakeholders.

The details of the Group's major customers, the credit terms granted to them and credit risk exposure are set out in the section headed "Major Customers and Suppliers" in the "Report of the Directors" and notes 18 and 32(a) in the financial statements.

Business Review

Financial Services Business

Following the Group's diversification of its operation into financial services industry, the Group continues to explore every opportunity to establish investment funds on high investment return in 2018.

During the year under review, the Group has operated two investment funds under its management in the PRC. In the end of 2018, a subscription agreement had been signed with an investor for preparation and establishment of a new investment fund in January 2019 in spite of the overall sluggish market and industry supervision in 2018.

Trading of metals and minerals

The Group is involved in trading of metals and minerals in PRC and the revenue of this segment was approximately HK$114,003,000 (2017: nil).

Gold Mining Business

At the same time, the Group continued focusing in mine development and reserve converting exploration during the year. Total gold production was 2 tonnes (62 Koz) during the year, a 16% decrease as compared to that in 2017.

Henan Jinxing Gold Mine

Henan Jinxing Mine is located approximately 6 km from the regional town of Baitu and approximately 110 km southwest of Luoyang City, Henan Province. It is the largest mine in terms of gold resources of the Group. It is an underground mine and consists of two areas, namely Jinxing area and Xiepojing area. The Group acquired Jinxing Mine in 2010. Ten vein groups have been identified within the mining area, with similar orientation, size and shape. The variation of overall continuity of the thickness and grade of the vein is also relatively consistent, which suggested good potential for further resources expansion. Jinxing Mine has received the environmental approval and safety approval for its new tailings yard and has started the construction work. It has JORC code and its equivalent gold resources of 75.4 tonnes (2,423 Koz) with average grade of 4.6g/t. Gold production in 2018 was 0.7 tonnes (23 Koz), an increase of 1% compared to that of 2017.

In the end of August 2018, both projects, namely "Kangshan Gold Mine Area Production-Purpose Exploration by Luanchuan County Jinxing Mining Co., Ltd." of Henan Province and "Kangshan Gold Mine Area In-depth Investigation by Luanchuan County Jinxing Mining Co., Ltd." of Henan Province, have been initiated and the implementation solutions thereunder have also been optimized. Major construction works, such as reinforcement works, site selection and dust screen works as well as Beigou tailings dams expansion works, of Jinxing Mine have been completed.

Henan Luanling Gold Mine

Luanling Mine is located in Luanchuan County, Henan Province, 40 km away from Jinxing Mine. It is composed of Northern underground mining site and Southern open-pit and underground mining site and is contained within a single mining licence with an area of 9 km^2. The Group acquired the mine in 2010 and realised full scale production in 2012. It has JORC code gold resources of 60.7 tonnes (1,953 Koz) with average grade of 3.2g/t. Gold production in 2018 was 0.5 tonnes (14 Koz), a decrease of 18% compared to that of 2017.

Expert conference evaluations as well as prospecting tender conferences regarding The Implementation Solution of Gold Mine Area Production-Purpose Exploration by Luanchuan County Luanling Gold Mine Co., Ltd. of Henan Province and The Implementation Solution of Gold Mine Area In-depth Investigation by Luanchuan County Luanling Gold Mine Co., Ltd. of Henan Province for Henan Luanling Mine were organized whereby awardees were confirmed. Prospecting contracts were subsequently signed. Construction for production-purpose exploration and geological prospecting were also completed.

Yunnan Mojiang Gold Mine

Mojiang Mine is located in Mojiang County, Pu'er City, Yunnan Province, which is approximately 300 km southwest of the provincial capital – Kunming of Yunnan Province. It lies on the famous Mojiang-Jinping and Ailaoshan Fold, implying favourable geology attributions. It has JORC code gold resources of 14.9 tonnes (482 Koz) with average grade of 1.4 g/t. Gold production in 2018 was 0.7 tonnes (22 Koz), a 31% decrease compared to that of 2017.

Prospecting and drilling works of Mojiang Gold Mine are under construction. Open mining is strictly conducted in accordance with mining designs, systematic logging and sampling are conducted at the mining sites and its surroundings as well as ore block-out in order to ensure ore quality. Mining boundaries are timely amended if there are any ore attitude changes according to the geological logs. Combining both drilling information and tunnel logs, transverse and drift construction are designed and conducted.

Yunnan Hengyi Gold Mine

Hengyi Mine is located in Zhenyuan County, Yunnan Province. It is approximately 380 km southwest from Kunming. It holds two mining licenses, namely Shangzhai and Bianfushan.

Hengyi Mine is located between the Mojiang-Jinping Fold Belt and the Ailaoshan Fold Belt of the San Jiang Metamorphic Fold System. The San Jiang Metamorphic System is situated on the southwest margin of the Yangzi Platform and the northeast margin of the Simao Block between the Honghe and Amojiang Faults.

Since the Group's acquisition of Hengyi Mine in 2012, the Group has been working on ramping up its production capacity. Heap leaching has been practised for several years at the mine. It has JORC code gold resources of 51.4 tonnes (1,654 Koz) with an average grade of 2.7 g/t. Gold production in 2018 was 67 kg (2 Koz), a 347% increase compared to that of 2017.

Tunnel mining works at Langnitang mine section under Shangzhai mining rights of Hengyi Gold Mine were conducted.

Inner Mongolia Yongfeng Gold Mine

Yongfeng Mine is an underground mine which was acquired by the Group in 2009. Yongfeng Mine consists of two mining areas, namely Lianhuashan mining area and Honghuagou mining area, which are further divided into seven sub-mining areas. Yongfeng Mine is located in the middle segment of the northern margin of the North China Plate, adjacent to the Inner Mongolia Fold Belt in the North. Seven mineralised veins were identified. The mineralised veins have similar characteristics with an average width between 1 and 1.5 metre and occur as gold-bearing quartz veins. It has resources of 16.1 tonnes (519 Koz) with an average grade of 9.5 g/t. The output of Yongfeng Mine in 2018 was 20 kg (1 Koz), a 29% decrease compared to that of 2017.

MERGERS AND ACQUISITIONS AND DISPOSAL

There was no significant major merger, acquisition or disposal by the Group during the reporting period and up to the date of this results announcement.

AUDIT COMMITTEE

The Company has established the Audit Committee comprising three independent non-executive directors as members with written terms of reference.

The Audit Committee has, together with the Directors and external independent auditors, reviewed the results announcement and the consolidated financial statements, accounting principles and practices adopted by the Company for the year ended 31 December 2018.

SCOPE OF WORK OF AUDITORS

The figures in respect of the announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditors, Ascenda Cachet CPA Limited ("Ascenda Cachet"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2018. The work performed by Ascenda Cachet in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ascenda Cachet on the announcement.

CORPORATE GOVERNANCE

The Company complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2018 except for certain deviations which are summarized below:

(1) Code Provision A.2.1

Under provision A.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual.

On 13 December 2018, Mr. Yi Shuhao, the Chairman of the Company was appointed as the Chief Executive Officer of the Company. On the same date, Mr. Chen Sheng resigned as the Chief Executive Officer but remained as an Executive Director and redesignated as Vice Chairman. 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.

(2) Code Provision A.6.7

Code Provision A.6.7 stipulates that 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 Independent Non-Executive Directors of the Company could not attend the annual general meeting of the Company held on 26 June 2018 and the special general meetings of the Company held on 31 January 2018, 25 May 2018 and 23 August 2018. However, at the respective general meetings of the Company, there were Executive Directors and some other 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. All Directors have confirmed their full compliance with the required standard as set out in the Model Code during the year ended 31 December 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

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

The annual report for the year ended 31 December 2018 containing all the information required Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Munsun Capital Group Limited
Yi Shuhao
Chairman

Hong Kong, 29 March 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; and the Independent Non-Executive Directors of the Company are Ms. Wong Chi Yan, Professor Xiao Rong Ge and Professor Zhang Tianyu.