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## **Bay Area Gold Group Limited**

**灣區黃金集團有限公司**

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

**(Stock Code: 1194)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

The board (the “**Board**”) of directors (the “**Directors**”) of Bay Area Gold 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 2019, together with the comparative figures for the previous year as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

(Expressed in Hong Kong dollars)

		2019	2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	4(a)	<b>1,040,044</b>	813,901
Cost of sales		<u>(868,701)</u>	<u>(587,769)</u>
<b>Gross profit</b>		<b>171,343</b>	226,132
Other income	5	<b>3,291</b>	18,157
Other net gain	5	<b>1,943</b>	2,225
Impairment loss on goodwill		<b>(273,893)</b>	–
Selling and distribution costs		<b>(10,537)</b>	(12,255)
Administrative expenses		<u>(183,162)</u>	<u>(154,091)</u>
<b>(Loss)/profit from operations</b>		<b>(291,015)</b>	80,168
Finance costs	6(a)	<b>(366,355)</b>	(538,212)
Share of profit of an associate		<u>1,944</u>	<u>2,039</u>
<b>Loss before tax</b>	6	<b>(655,426)</b>	(456,005)
Income tax credit/(expenses)	7	<u>24,094</u>	<u>(10,330)</u>
<b>Loss for the year attributable to owners of the Company</b>		<u><b>(631,332)</b></u>	<u><b>(466,335)</b></u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Loss per share</b>	9		
Basic		<u><b>(10.78)</b></u>	<u>(20.40)</u>
Diluted		<u><b>(10.78)</b></u>	<u>(20.40)</u>

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

(Expressed in Hong Kong dollars)

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Loss for the year</b>	<u>(631,332)</u>	<u>(466,335)</u>
<b>Other comprehensive expense for the year</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(91,648)	(290,990)
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”), net of tax	<u>18,267</u>	<u>29,408</u>
	<u>(73,381)</u>	<u>(261,582)</u>
<b>Total comprehensive expense for the year attributable to owners of the Company</b>	<u><u>(704,713)</u></u>	<u><u>(727,917)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(Expressed in Hong Kong dollars)

	Notes	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>			
Intangible assets		5,860,716	6,279,604
Fixed assets		5,032,015	5,056,737
Right-of-use assets		39,731	–
Deposits paid for gold mining rights and exploration rights		142,088	144,666
Investments in equity instruments at FVTOCI		293,964	280,166
Investment in an associate		12,241	10,501
Trade, loans and other receivables, deposits and prepayments	10	111,880	109,532
Pledged deposits	14	44,752	45,564
Deposits paid for fixed assets		87,853	87,787
Other deposits		1,006	10,536
<b>Total non-current assets</b>		<b>11,626,246</b>	<b>12,025,093</b>
<b>Current assets</b>			
Inventories		137,688	197,023
Trade, loans and other receivables, deposits and prepayments	10	259,720	320,092
Pledged deposits	14	61,534	56,955
Client trust bank balances		2,355	2,947
Cash and bank balances		68,473	80,971
<b>Total current assets</b>		<b>529,770</b>	<b>657,988</b>
<b>Current liabilities</b>			
Trade and other payables	11	945,586	751,596
Contract liabilities	11	38,698	29,237
Bank and other borrowings		2,063,686	2,231,387
Derivative financial instruments	12	–	216
Convertible bonds	12	–	329,946
Lease liabilities		4,166	–
Tax payable		4,654	17,840
<b>Total current liabilities</b>		<b>3,056,790</b>	<b>3,360,222</b>

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Net current liabilities</b>		<u>(2,527,020)</u>	<u>(2,702,234)</u>
<b>Total assets less current liabilities</b>		<u>9,099,226</u>	<u>9,322,859</u>
<b>Non-current liabilities</b>			
Bank and other borrowings		1,177,603	1,017,804
Derivative financial instruments	<i>12</i>	55,802	–
Convertible bonds	<i>12</i>	272,391	–
Lease liabilities		3,570	–
Deferred tax liabilities		<u>558,576</u>	<u>580,227</u>
<b>Total non-current liabilities</b>		<u>2,067,942</u>	<u>1,598,031</u>
<b>NET ASSETS</b>		<u><b>7,031,284</b></u>	<u><b>7,724,828</b></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>13</i>	5,936	583,692
Reserves		<u>7,025,348</u>	<u>7,141,136</u>
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u><b>7,031,284</b></u>	<u><b>7,724,828</b></u>

## **NOTES TO THE ANNUAL RESULTS ANNOUNCEMENT**

(Expressed in Hong Kong dollars unless otherwise indicated)

### **1. GENERAL INFORMATION**

Bay Area Gold Group Limited (formerly known as 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”), trading 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 OF CONSOLIDATED FINANCIAL STATEMENTS**

The 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. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance. The 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”).

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 to the annual results announcement 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 the consolidated financial statements.

In preparing the consolidated financial statements, the directors of the Company have considered the future liquidity of the Group. The Group incurred a loss attributable to owners of the Company of approximately HK\$466,335,000 and HK\$631,332,000 for the years ended 31 December 2018 and 2019 respectively, and the Group had net current liabilities of approximately HK\$2,527,020,000 as at 31 December 2019. These conditions indicate the existence of a material uncertainty which may cast a significant doubt on the Group's ability to continue as a going concern. Nevertheless, the directors of the Company 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\$11 million. The directors of the Company are also confident that the Group will be able to obtain the renewal of bank and other borrowings due in the foreseeable future taking into account of the proven records of renewal of the bank and other borrowings in past years together with the good and continuous relationship between relevant banks/borrowers with the Group.
- (ii) As detailed in note 12(e) to the annuals results announcement, the 2021 Convertible Bonds Restructure was approved by the bondholders and by the shareholders of the Company's special general meeting on 1 August 2019 and 27 August 2019 respectively. The maturity of the 2021 Convertible Bonds extend to 30 September 2021. 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, in which certain creditors have signed memorandum of understanding with the Group for the restructuring of respective current due loans.
- (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 on the basis that bank and other borrowings due within the next twelve months will be further extended beyond this 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 of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2019 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

#### **New and Amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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 year has had no material impact on the Group's financial position and financial performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

## **HKFRS 16 “Leases”**

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

### ***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.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities. Any difference at the date of initial application is recognised in the opening accumulated losses 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. 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;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. 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 PRC/properties in Hong Kong was determined on a portfolio basis; and
- iv. 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.

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 is 5.375%.



	<b>At 1 January 2019</b> <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	33,371
Lease liabilities discounted at relevant incremental borrowing rate	28,905
Less: Recognition exemption – short-term leases	(3,898)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	<u>25,007</u>
Analysed as	
Current	4,715
Non-current	20,292
	<u>25,007</u>

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

	<b>Right-of-use assets</b> <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon initial application of HKFRS 16	25,007
Reclassified from prepaid lease payments	33,504
	<u>58,511</u>
By class:	
Leasehold land	33,504
Office properties	25,007
	<u>58,511</u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	<b>Carrying amounts previously reported at 31 December 2018</b> <i>HK\$'000</i>	<b>Impacts of adopting HKFRS 16</b> <i>HK\$'000</i>	<b>Carrying amounts under HKFRS 16 at 1 January 2019</b> <i>HK\$'000</i>
	<i>Note</i>		
Right-of-use assets	–	58,511	58,511
Prepaid lease payments	<i>(a)</i>	33,504	–
Lease liabilities – current		4,715	4,715
Lease liabilities – non-current		20,292	20,292
		<u>          </u>	<u>          </u>

*Note:*

- (a) Upfront payments for leasehold land in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon initial application of HKFRS 16 on 1 January 2019, the prepaid lease payments amounting to approximately HK\$33,504,000 were reclassified to right-of-use assets.

## **New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### ***Amendments to HKFRS 10 and HKAS 28 Sale or “Contribution of Assets between an Investor and its Associate or Joint Venture”***

The amendments to HKFRS 10 “Consolidated Financial Statements” and HKAS 28 “Investments in Associates and Joint Ventures” deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

### ***Amendments to HKAS 1 and HKAS 8 “Definition of Material”***

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

### ***Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards***

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

#### 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 sold 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 recognised under the Financial Services Operation (as defined below). The revenue for the year is analysed as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Revenue from contracts with customers arising from Gold Mining Operation</b>		
Sale of		
– Gold products	<b>671,266</b>	601,460
– Other by-products	<b>71,007</b>	79,371
	<b>742,273</b>	680,831
<b>Revenue from contracts with customers arising from Trading of Metals and Minerals</b>		
–Sale of metals and minerals	<b>289,723</b>	114,003
<b>Revenue from contracts with customers arising from Financial Services Operation</b>		
– Income from management services and brokerage services rendered	<b>8,048</b>	19,067
<b>Total revenue from contracts with customers</b>	<b>1,040,044</b>	813,901
<b>Timing of revenue recognition</b>		
Sale of gold products, other by-products, metals and minerals transferred at point in time	<b>1,031,996</b>	794,834
Services transferred over time	<b>8,048</b>	19,067
	<b>1,040,044</b>	813,901

##### ***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 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.

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

	For the year ended 31 December 2019					For the year ended 31 December 2018				
	Gold Mining Operation	Trading of Metals and Minerals	Financial Services Operation	Inter-segment elimination	Consolidated	Gold Mining Operation	Trading of Metals and Minerals	Financial Services Operation	Inter-segment elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue</b>										
- External sales	742,273	289,723	8,048	-	1,040,044	680,831	114,003	19,067	-	813,901
- Inter-segment sales	3,359	-	-	(3,359)	-	-	-	-	-	-
	<u>745,632</u>	<u>289,723</u>	<u>8,048</u>	<u>(3,359)</u>	<u>1,040,044</u>	<u>680,831</u>	<u>114,003</u>	<u>19,067</u>	<u>-</u>	<u>813,901</u>
<b>Segment (loss)/profit</b>	<u>5,672</u>	<u>1,882</u>	<u>(297,968)</u>		<u>(290,414)</u>	<u>76,367</u>	<u>231</u>	<u>(10,060)</u>		<u>66,538</u>
Reconciliation:										
Interest income					1,343					15,669
Finance costs					(366,355)					(538,212)
<b>Loss before tax</b>					<u>(655,426)</u>					<u>(456,005)</u>
<b>Other segment information</b>										
Capital expenditure	185,420	-	-	-	185,420	131,830	-	60	-	131,890
Depreciation and amortisation	195,454	-	399	-	195,853	196,675	-	1,002	-	197,677
Impairment loss on goodwill	-	-	273,893	-	273,893	-	-	-	-	-
Share of profit of an associate	-	-	1,944	-	1,944	-	-	2,039	-	2,039

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

	At 31 December 2019				At 31 December 2018			
	Gold Mining Operation <i>HK\$'000</i>	Trading of metals and minerals <i>HK\$'000</i>	Financial Services Operation <i>HK\$'000</i>	Total <i>HK\$'000</i>	Gold Mining Operation <i>HK\$'000</i>	Trading of metals and minerals <i>HK\$'000</i>	Financial Services Operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets and total assets</b>	<b><u>11,672,411</u></b>	<b><u>—</u></b>	<b><u>483,605</u></b>	<b><u>12,156,016</u></b>	<b><u>11,940,509</u></b>	<b><u>—</u></b>	<b><u>742,572</u></b>	<b><u>12,683,081</u></b>
<b>Segment liabilities</b>	<b><u>1,460,001</u></b>	<b><u>—</u></b>	<b><u>95,249</u></b>	<b><u>1,555,250</u></b>	<b><u>1,328,626</u></b>	<b><u>—</u></b>	<b><u>50,274</u></b>	<b><u>1,378,900</u></b>
Reconciliation: Corporate and other unallocated liabilities				<b><u>3,569,482</u></b>				<b><u>3,579,353</u></b>
<b>Total liabilities</b>				<b><u>5,124,732</u></b>				<b><u>4,958,253</u></b>

Revenues from customers contributing 10% or more of the total revenue of the Group are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A – <i>Note(i)</i>	<b>217,798</b>	196,626
Customer B – <i>Note(ii)</i>	<b>161,780</b>	124,310
Customer C – <i>Note(iii)</i>	<b>129,115</b>	N/A*
Customer D – <i>Note(iv)</i>	<b>109,798</b>	N/A*
Customer E – <i>Note(ii)</i>	<b>106,359</b>	95,399
Customer F – <i>Note(v)</i>	<b><u>N/A*</u></b>	<b><u>82,056</u></b>

\* The transactions with these respective customers did not contribute 10% or more of total revenue of the Group for the years ended 31 December 2019 or 2018.

*Notes:*

- (i) Revenue from Gold Mining Operation and Trading of Metals and Minerals for the year ended 31 December 2019 (2018: revenue from Gold Mining Operation).
- (ii) Revenue from Gold Mining Operation for the year ended 31 December 2019 (2018: revenue from Gold Mining Operation).
- (iii) Revenue from Gold Mining Operation for the year ended 31 December 2019.
- (iv) Revenue from Trading of Metals and Minerals for the year ended 31 December 2019.
- (v) Revenue from Gold Mining Operation for the year end 31 December 2018.

## 5. OTHER INCOME AND OTHER NET GAIN

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	1,343	15,669
Dividend income	–	986
Sundry income	1,948	1,502
	<u>3,291</u>	<u>18,157</u>
<b>Other net gain</b>		
Exchange gain, net	1,560	2,797
Gain on termination of lease	509	–
Loss on disposal of fixed assets	(126)	(572)
	<u>1,943</u>	<u>2,225</u>

## 6. LOSS BEFORE TAX

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>(a) Finance costs:</b>		
Interest on bank and other borrowings	323,408	450,032
Interest on convertible bonds ( <i>note 12</i> )	<u>32,468</u>	<u>26,988</u>
	355,876	477,020
Interest on financial liabilities at fair value through profit or loss	<u>–</u>	<u>49,111</u>
	355,876	526,131
Total interest expenses on financial liabilities	355,876	526,131
Less: Interest capitalised into construction in progress	<u>(2,193)</u>	<u>(3,851)</u>
	353,683	522,280
Interest on lease liabilities	1,502	–
Fair value gain on financial liabilities at fair value through profit or loss	–	(1,187)
Fair value gain on derivative financial instruments ( <i>note 12</i> )	(67,478)	(37,638)
Loss on the 2018 Convertible Bonds Restructure ( <i>note 12(i)</i> )	–	54,757
Loss on the 2021 Convertible Bonds Restructure ( <i>note 12(iii)</i> )	<u>78,648</u>	<u>–</u>
	<u><b>366,355</b></u>	<u><b>538,212</b></u>
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>(b) Staff costs (including directors' remuneration)</b>		
Salaries, wages and other benefits	70,280	76,770
Contributions to retirement benefit schemes	<u>8,840</u>	<u>8,918</u>
	<u><b>79,120</b></u>	<u><b>85,688</b></u>



	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>(c) Other items</b>		
Cost of inventories sold under Gold Mining Operation ( <i>note (i)</i> )	584,220	473,997
Cost of inventories sold under Trading of Metals and Minerals	<u>284,481</u>	<u>113,772</u>
Total cost of sales	868,701	587,769
Amortisation of intangible assets	96,843	86,914
Auditor's remuneration		
– audit service	2,780	3,360
– non-audit service	560	730
Depreciation and amortisation of fixed assets	89,967	110,763
Depreciation of right-of-use assets	9,043	–
Operating lease charges in respect of:		
– land and buildings	–	34,183
– machinery and equipment	–	80
Lease payments for short term leases	<u>5,790</u>	<u>–</u>

*Note:*

- (i) Cost of inventories sold under the Gold Mining Operation includes HK\$212,919,000 (2018: HK\$236,893,000) relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

## 7. INCOME TAX CREDIT/(EXPENSE)

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax		
– PRC Enterprise Income Tax	<u>–</u>	<u>(13,327)</u>
Over/(under)-provision in prior years		
– PRC Enterprise Income Tax	<u>12,656</u>	<u>(408)</u>
	12,656	(13,735)
Deferred tax credit	<u>11,438</u>	<u>3,405</u>
Total income tax credit/(expense)	<u>24,094</u>	<u>(10,330)</u>

- (b) The provision for PRC Enterprise Income Tax is calculated on the assessable profit of the Group's subsidiaries incorporated in the PRC at 25% (2018: 25%).
- (c) No provision for Hong Kong profits tax has been made for the years ended 31 December 2019 and 2018 as the Group did not have any assessable profit for both years 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 2019 and 2018.

## **9. LOSS PER SHARE**

### **(a) Basic loss per share**

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$631,332,000 (2018: approximately HK\$466,335,000) and on the weighted average number of approximately 5,854,905,000 (2018: approximately 2,286,114,000) 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 2019 and 2018. Therefore, the diluted loss per share is same as basic loss per share during the years ended 31 December 2019 and 2018.

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

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
Trade and loans receivables		<b>155,835</b>	226,700
Less: Allowance for doubtful debts		—	—
		<hr/>	<hr/>
Other receivables	<i>(a) to (c)</i>	<b>155,835</b>	226,700
		<b>119,598</b>	69,723
		<hr/>	<hr/>
Total trade, loans and other receivables		<b>275,433</b>	296,423
Deposits and prepayments		<b>96,167</b>	133,201
		<hr/>	<hr/>
		<b>371,600</b>	429,624
		<hr/> <hr/>	<hr/> <hr/>
<b>Non-current portion</b>		<b>111,880</b>	109,532
<b>Current portion</b>		<b>259,720</b>	320,092
		<hr/>	<hr/>
		<b>371,600</b>	429,624
		<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2019 and 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

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
Trade receivables under the Gold Mining Operation	<i>(b)</i>	<b>35,754</b>	107,319
Trade and loans receivables under the Financial Services Operation	<i>(c)</i>	<b>120,081</b>	119,381
		<hr/>	<hr/>
		<b>155,835</b>	226,700
		<hr/> <hr/>	<hr/> <hr/>

### (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:

	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
Less than two months	<b>628</b>	60,926
More than two months but less than four months	<b>9,450</b>	39,971
More than four months but less than six months	<b>4,622</b>	1,496
More than six months but less than one year	<b>18,119</b>	—
More than one year	<b>2,935</b>	4,926
	<hr/>	<hr/>
	<b>35,754</b>	107,319
	<hr/> <hr/>	<hr/> <hr/>

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.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables from securities brokerage business:		
– Cash clients	–	712
Trade and loan receivables from other financial services business	<u>120,081</u>	<u>118,669</u>
	<u><u>120,081</u></u>	<u><u>119,381</u></u>

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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Less than one year	3,723	7,964
More than one year	<u>116,358</u>	<u>110,705</u>
	<u><u>120,081</u></u>	<u><u>118,669</u></u>

11. TRADE AND OTHER PAYABLES, AND CONTRACT LIABILITIES

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	<i>(a) to (c)</i>	129,566	173,572
Accrued charges and other payables		<u>779,604</u>	<u>541,010</u>
Financial liabilities measured at amortised cost		909,170	714,582
Receipts in advance		<u>36,416</u>	<u>37,014</u>
		<u><u>945,586</u></u>	<u><u>751,596</u></u>
Contract liabilities – receipts in advance from customers	<i>(d)</i>	<u><u>38,698</u></u>	<u><u>29,237</u></u>

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. As at 31 December 2019 and 2018, the remaining balance of receipts in advance represents mainly government grants received in advance.

(a) Trade payables

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables under the Gold Mining Operation	<i>(b)</i>	127,214	170,570
Trade payables under the Financial Services Operation	<i>(c)</i>	<u>2,352</u>	<u>3,002</u>
		<u><u>129,566</u></u>	<u><u>173,572</u></u>

**(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:

	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
Less than three months	<b>12,793</b>	16,104
More than three months but less than one year	<b>18,074</b>	27,032
More than one year	<b>96,347</b>	127,434
	<u><b>127,214</b></u>	<u>170,570</u>

**(c) Trade payables under the Financial Services Operation**

	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
Trade payables under securities brokerage business:		
– Cash clients	<b>2,352</b>	2,952
– Clearing house in Hong Kong	<u>–</u>	<u>50</u>
	<u><b>2,352</b></u>	<u>3,002</u>

The settlement terms of trade payables under securities brokerage business are two days after the trade date. Trade payables to cash clients also include those payables arose from clients' cash deposits (client trust bank balances) for securities brokerage transactions. No ageing analysis is disclosed as the ageing analysis does not give additional value in view of the nature of these trade payables.

- (d)** The contract liabilities at 1 January 2019 were fully recognised as revenue in the current year (1 January 2018: fully recognised during the year ended 31 December 2018).

## 12. CONVERTIBLE BONDS

<b>The 2016 Convertible Bonds</b>	<b>Liability component HK\$'000</b>	<b>Derivatives HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2018	385,460	–	385,460
Interest expense charged to consolidated statement of profit or loss ( <i>note 6(a)</i> )	4,180	–	4,180
Interest paid	(2,728)	–	(2,728)
Extinguishment upon the completion of the 2018 Convertible Bonds Restructure ( <i>note (i)</i> )	(386,912)	–	(386,912)
At 31 December 2018	–	–	–
<b>The 2018 Convertible Bonds</b>	<b>Liability component HK\$'000</b>	<b>Derivatives HK\$'000</b>	<b>Total HK\$'000</b>
At 2 February 2018 ( <i>note (i)</i> )	320,394	37,854	358,248
Interest expense charged to consolidated statement of profit or loss ( <i>note 6(a)</i> )	22,808	–	22,808
Interest paid	(13,256)	–	(13,256)
Fair value gain ( <i>note 6(a)</i> )	–	(37,638)	(37,638)
At 31 December 2018	329,946	216	330,162
Interest expense charged to consolidated statement of profit or loss ( <i>note 6(a)</i> )	14,331	–	14,331
Interest paid	(32,361)	–	(32,361)
Fair value gain ( <i>note 6(a)</i> )	–	(138)	(138)
Extinguishment upon the completion of the 2021 Convertible Bonds Restructure ( <i>note (iii)</i> )	(311,916)	(78)	(311,994)
At 31 December 2019	–	–	–
Representing:			
At 31 December 2019	–	–	–
At 31 December 2018			
Current liabilities	329,946	216	330,162
<b>The 2021 Convertible Bonds</b>	<b>Liability component HK\$'000</b>	<b>Derivatives HK\$'000</b>	<b>Total HK\$'000</b>
At 4 August 2019 ( <i>note (iii)</i> )	261,892	126,673	388,565
Conversion into shares	(7,638)	(3,531)	(11,169)
Interest expense charged to consolidated statement of profit or loss ( <i>note 6(a)</i> )	18,137	–	18,137
Fair value gain ( <i>note 6(a)</i> )	–	(67,340)	(67,340)
At 31 December 2019			
Non-current liabilities	272,391	55,802	328,193

Notes:

(i) **Loss on the 2018 Convertible Bonds Restructure**

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

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

	<i>HK\$'000</i>
Cash payment	75,251
Transaction costs	8,170
Total cash outflow included in consolidated statement of cash flows	<u>83,421</u>

(iii) **Loss on the 2021 Convertible Bonds Restructure**

	Carrying amount of the 2018 Convertible Bonds  <i>HK\$'000</i>	Cash paid for the 2021 Convertible Bonds Restructure (Note (iv))  <i>HK\$'000</i>	Fair value of the 2021 Convertible Bonds  <i>HK\$'000</i>	Loss on the 2021 Convertible Bonds Restructure (Note 6(a))  <i>HK\$'000</i>
Liability components and derivatives	311,994	2,077	388,565	(78,648)

(iv) **Cash paid for the 2021 Convertible Bonds Restructure:**

	<i>HK\$'000</i>
Transaction costs	2,077
Total cash outflow included in consolidated statement of cash flows	<u>2,077</u>

- (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 ended 31 December 2018, 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 13(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 13(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 ended 31 December 2018, 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 ended 31 December 2018. The following assumptions are used to calculate the respective fair values of the derivatives:

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

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

- (e) During the year ended 31 December 2019, 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 authorized 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 dated 9 August 2019 and the Company’s announcements dated 10 July 2019, 1 August 2019 and 27 August 2019.

During the year ended 31 December 2019, convertible bonds with an aggregate principal amount of HK\$8,694,524 were converted into 98,801,411 new ordinary shares of the Company of HK\$0.001 each (note 13(vii)). The 2021 Convertible Bonds were listed on the Singapore Exchange Securities Trading Limited. At 31 December 2019, the outstanding principal amount of the 2021 Convertible Bonds was approximately HK\$303 million.

At 4 August 2019 and 31 December 2019, the fair values of derivatives of the 2021 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 2021 Convertible Bonds represent the option of the bondholders to convert the 2021 Convertible Bonds into the Company’s ordinary shares. Fair value gain on derivative financial instruments of the 2018 and 2021 Convertible Bonds of HK\$67,478,000 was recognised during the year. The following assumptions are used to calculate the respective fair values of the derivatives:

	<b>At 31 December 2019</b>	At 4 August 2019
Share price (HK\$)	<b>0.049</b>	0.068
Conversion price (HK\$)	<b>0.088</b>	0.088
Expected remaining life of the convertible bonds (years)	<b>1.75</b>	2.16
Expected volatility (%)	<b>82</b>	83
Risk free rate (%)	<b>1.75</b>	1.67
Expected dividend yield (%)	<b>0</b>	0
Discount rate (%)	<b>16.53</b>	16.45

### 13. SHARE CAPITAL

	<i>Notes</i>	<b>Number of shares '000</b>	<i>HK\$'000</i>
<b>Authorised:</b>			
Ordinary shares of HK\$0.125 each At 1 January 2018		30,000,000	3,750,000
Capital Reorganisation	<i>(i)</i>	–	(3,600,000)
Share Consolidation	<i>(iii)</i>	<u>(28,500,000)</u>	<u>–</u>
Ordinary shares of HK\$0.1 each after Share Consolidation		1,500,000	150,000
Increased during the year	<i>(iv)</i>	<u>8,500,000</u>	<u>850,000</u>
Ordinary shares of HK\$0.1 each at 31 December 2018 and 1 January 2019		10,000,000	1,000,000
Capital Reorganisation	<i>(v)</i>	<u>–</u>	<u>(990,000)</u>
Ordinary shares of HK\$0.001 each after Capital Reorganisation		10,000,000	10,000
Increased during the year	<i>(vi)</i>	<u>40,000,000</u>	<u>40,000</u>
Ordinary shares of HK\$0.001 each at 31 December 2019		<u><u>50,000,000</u></u>	<u><u>50,000</u></u>
<b>Ordinary shares issued and fully paid:</b>			
Ordinary shares of HK\$0.125 each at 1 January 2018		13,897,919	1,737,240
Capital Reorganisation	<i>(i)</i>	<u>–</u>	<u>(1,667,750)</u>
Ordinary shares of HK\$0.005 each after Capital Reorganisation		13,897,919	69,490
Issue of new shares under share placing	<i>(ii)</i>	<u>2,779,000</u>	<u>13,895</u>
Share Consolidation	<i>(iii)</i>	<u>16,676,919</u>	<u>83,385</u>
		<u>(15,843,073)</u>	<u>–</u>
Ordinary shares of HK\$0.1 each after the Share Consolidation		833,846	83,385
Issue of new shares under Rights Issue	<i>(iv)</i>	<u>5,003,075</u>	<u>500,307</u>
Ordinary shares of HK\$0.1 each at 31 December 2018 and 1 January 2019		5,836,921	583,692
Capital Reorganisation	<i>(v)</i>	<u>–</u>	<u>(577,855)</u>
Ordinary shares of HK\$0.001 each after Capital Reorganisation		5,836,921	5,837
Shares issued upon conversion of convertible bonds	<i>(vii)</i>	<u>98,801</u>	<u>99</u>
Ordinary shares of HK\$0.001 each at 31 December 2019		<u><u>5,935,722</u></u>	<u><u>5,936</u></u>

(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;
- change 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 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 Rights 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.

- (v) 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 dated 4 February 2019 and the Company’s announcements dated 18 January 2019, 27 February 2019 and 28 February 2019.
- (vi) Pursuant to an ordinary resolution passed at the special general meeting by the Company’s shareholders on 27 August 2019, 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 the Company’s circular dated 9 August 2019 and the Company’s announcements dated 10 July 2019 and 27 August 2019.
- (vii) During the year ended 31 December 2019, convertible bonds with an aggregate principal amount of HK\$8,694,524 were converted into 98,801,411 new ordinary shares of the Company of HK\$0.001 each (note 12(e)).
- (viii) 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 lapsed on 9 August 2019 and the placing will not proceed. Details of the above are set out in the Company’s announcements dated 26 June 2019, 19 July 2019 and 9 August 2019.

#### 14. PLEDGE OF ASSETS

As at 31 December 2019, the Group's assets with the following carrying amounts were pledged to secure bank and other borrowings:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Intangible assets – mining rights	<b>5,592,814</b>	5,592,650
Fixed assets	<b>721,534</b>	761,837
Investment in equity instruments at FVTOCI	<b>293,964</b>	280,166
Pledged deposits	<b>106,286</b>	102,519
	<b>6,714,598</b>	6,737,172

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

#### 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:

The Group has been granted new bank and other borrowings of approximately HK\$11 million.

## **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 2019, 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 note 2 to the consolidated financial statements, which indicates the losses incurred of approximately HK\$631,332,000 and HK\$466,335,000 for the years ended 31 December 2019 and 2018 respectively, and the extent of net current liabilities of approximately HK\$2,527,020,000 as at 31 December 2019. 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 note 2 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 loss from operations of HK\$291 million as compared with profit from operations of HK\$80 million last year. The turnaround to the loss from operations is mainly due to a one-off loss on goodwill impairment of approximately HK\$274 million (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\$631 million during the year as compared to HK\$466 million in the last year.

During the year, the Group's revenue increased by 28% to HK\$1,040 million (2018: HK\$814 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 year. The gross profit margin of the Group decreased to 16% during the year (2018: 28%) 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 site currently under production pushed production cost higher.

The Group's total comprehensive expenses decreased by 3% to HK\$705 million during the year as compared to HK\$728 million in the last year. The decreased in total comprehensive expenses is mainly attributable to 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\$92 million during the year (2018: HK\$291 million) and HK\$18 million (2018: HK\$29 million) fair value gain on investments in equity instruments at fair value through other comprehensive income. However, the decreased of total comprehensive expenses is partly offset by a one-off loss on goodwill impairment of approximately HK\$274 million (2018: HK\$nil).

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 year, the loss per share of the Company was HK10.78 cents (2018: HK20.40 cents).



## **Other Income and Other Net Gain**

The Group's other income decreased by 83% to HK\$3 million during the year as compared to HK\$18 million last year. The decrease in other income is mainly due to the decrease in bank interest income to HK\$1 million (2018: HK\$16 million).

During the year, the Group's other net gain was approximate to that of the last year of HK\$2 million.

## **Selling and Distribution Costs**

During the year, the Group's selling and distribution costs were HK\$11 million (2018: HK\$12 million), which were approximate with last year.

## **ADMINISTRATIVE EXPENSES**

During the year, the Group's administrative expenses were HK\$183 million (2018: HK\$154 million), representing a increase by 19% as compared with last year.

## **Finance Costs**

During the year, the Group's finance costs were HK\$366 million (2018: HK\$538 million), representing a decrease by 32% as compared to last year. The decrease in finance costs is mainly due to the decrease in total interest expenses on financial liabilities to HK\$356 million (2018: HK\$526 million). In addition, the increase in non-cash fair value gain on derivative financial instruments relating to the convertible bonds from HK\$38 million in the last year to HK\$67 million during the year. However, this is partly offset by the one-off loss on the 2021 Convertible Bonds Restructure of HK\$79 million recorded by the Group during the year (2018: one-off loss on the 2018 Convertible Bonds Restructure HK\$55 million).

## **Deferred Tax**

As at 31 December 2019, deferred tax liabilities amounted to HK\$559 million (2018: HK\$580 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 statement of profit or loss 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 2019, the Group's cash and bank balances (including pledged deposits) and net current liabilities were HK\$175 million (2018: HK\$183 million) and HK\$2,527 million (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\$168 million at 31 December 2019 which was arisen from a classification of bank and other borrowings under current liabilities at 31 December 2018 to non-current liabilities at 31 December 2019. The Group's net assets decreased to HK\$7,031 million (2018: HK\$7,725 million).

The Group has met its needs of working capital and capital expenditure mainly through cash generated from operations, bank and other borrowings and equity financing. As at 31 December 2019, the Group's bank and other borrowings were repayable within one to four years and its fixed rate borrowings over total borrowings was 91%. 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(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 2019, the total number of issued ordinary shares of the Company was 5,935,722,991 shares, each of HK\$0.001 (the "Shares"). During the year, the Company has completed the capital reorganisation and refreshment of general mandate, and the 2019 convertible bonds restructure as well as the increase in authorized share capital. Further details are set out in notes 12 and 13 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 2019, the Group's gearing ratio increased to 32% (2018: 31%). 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 and convertible bonds, less cash and bank balances 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 14 in this announcement.

## **CONTINGENT LIABILITIES**

As at 31 December 2019, 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. 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 2019, the Group had investments in equity instruments at fair value through other comprehensive income of HK\$294 million, representing 2% of the Group's total assets, which include mainly investment in an unlisted company in the PRC of HK\$283 million and investment in a private equity fund in the PRC of HK\$11 million.

Save as disclosed above, the Group did not have any other investments at 31 December 2019.

## **EMPLOYEES**

As at 31 December 2019, the Group employed approximately 710 (2018: 830) 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 annual gold demand in 2019 dropped slightly by 1% to 4,355.7 tones according to the research of the World Gold Council as the sharp rise in gold-backed Exchange Traded Funds ("ETF") inflows were almost set off by the huge fall in bar and coin demand in 2019. It saw a general growth in gold demand in the first half of 2019 whilst a widespread year-to-year falls in the second half of the year.

Tremendous inflows into ETF took place over the year as driven by the low interest rates and geopolitical uncertainty. Annual Inflows into ETF increased by 401.1 tonnes with heavy concentration in the third quarter as the gold price surged. The growth trend in ETF inflows declined to 26.8 tonnes in the fourth quarter. Sharp rise in gold price and a slow down in the economic growth in the second half of 2019 pushed down the global consumer demand in bar and coin particularly in two gold consuming giants, China and India. Central banks buying continued over the year and recorded 650.3 tonnes in 2019 representing 1% lower than 2018. Central banks demand slowed down by 38% in the second half year in contrast with the first half year's 65% increase. Gold used in technology sector slightly declined 2% to 326.6 tonnes in 2019. Driving by 5 G installations and development, technology demand showed a sign of recovery in the fourth quarter.

The full year gold supply rose slightly by 2% to 4,776.1 tonnes. The growth mainly concentrated in gold recycling with 11% surge in response to gold price rally began in June 2019 whilst mine production decreased 1% to 3,436.7 tonnes. With mine production expected to be stable in 2020, the supply will remain constrained.

The gold price jumped in the second half of 2019 as fuelled by escalating geopolitical uncertainties including the rising tensions in the Middle East linked to the U.S.-Iran confrontation, the U.S.-China trade conflicts combined with the lower interest rates. The gold price averaged US\$1,481 per oz in the fourth quarter. The gold price increased by about 18% in 2019.

Looking forward to 2020, it is expected that looming geopolitical uncertainties in the Middle East and U.S.-China trade tensions would continue combined with the low interest rates. The global economic growth would become softer following the wide-spread world-wide coronavirus starting in January 2020. All these would draw investors, including central banks, to add more gold as a safe-haven to diversify their risk in the portfolio. We would forecast a mildly bull market in gold in 2020.

## **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.

In November 2019, Luanling Mine was awarded the third place of “Jinding Cup” Quiz Game of Implementing Safety Production Ordinance of Luanchuan County in Henan Province issued by Safety Production Committee of Luanchuan County.

## **CORPORATE STRATEGY AND CORPORATE PROSPECT**

The Fed has lowered interest rates three times in 2019. Looking forward in 2020, the Fed policy of low interest rate is likely to remain unchanged. The prolonged conflict in the Middle East, on-going trade tensions between the U.S and China will present high risks to the geopolitical uncertainties. Worries over the further spreading of the new deadly coronavirus globally and fears about its potential adverse impact on the world economy will drive up gold’s safe-haven demand further. As it stands, we forecast a prosperous gold market in 2020.

The Company had entered into the sales and purchase agreement with an independent third party to dispose our financial services business segment. As at the date of this announcement, the said disposal has not completed. Yet, our strategy is to focus the Group's resources in gold mining business segment as our principal business in 2020. As such, 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. 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 19 and 34(a) in the consolidated financial statements.

## **BUSINESS REVIEW**

### **Financial Services Business**

During the year under review, the Group has successfully operated three investment funds under its management in the PRC. In 2019, no new funds have been raised and registered due to regulatory factors.

### **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\$289,723,000 (2018: HK\$114,003,000).

### **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 (65 Koz) during the year, a 5% increase as compared to that in 2018.

## **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 74.9 tonnes (2,406 Koz) with average grade of 4.6g/t. Gold production in 2019 was 0.5 tonnes (17 Koz), a decrease of 26% compared to that of 2018.

During the year of 2019, Jinxing Mine has exploited Xingxingyin No.1 Shaft, Houmushi No.2 Shaft and Matoumen. In addition, it also launched the in-depth investigation and exploration for the production of Kangshan Mine, including exploration works of drilling, geological surveys, shallow drilling on ground surface, induced polarization profiling and mechanical core drilling.

## **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<sup>2</sup>. The Group acquired the mine in 2010 and realised full scale production in 2012. It has JORC code gold resources of 60.1 tonnes (1,933 Koz) with average grade of 3.2g/t. Gold production in 2019 was 0.6 tonnes (20 Koz), an increase of 43% compared to that of 2018.

During the year of 2019, Luanling Mine has completed the underground mining, which includes drift, transverse mining and exploration construction, and stope preparation and cutting construction. In addition, it has conducted drilling construction, including in-depth investigation and production exploration.

## **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 Belt, implying favourable geology attributions. It has JORC code gold resources of 14.1 tonnes (458 Koz) with average grade of 1.4 g/t. Gold production in 2019 was 0.8 tonnes (24 Koz), a 9% increase compared to that of 2018.

During the year of 2019, Mojiang Mine has conducted exploration works mainly for the exploration design. It has completed the drilling and the addition of reserving gold. Due to the complexity of geological conditions of the mining area, more mined-out areas which increase the difficulty of geological mining, the exploration shall not be completed in 2019. However, the pit exploration and drivage have been completed and resulted in certain mining volume and by-product mines.

## **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 51.3 tonnes (1,650 Koz) with an average grade of 2.7 g/t. Gold production in 2019 was 118 kg (4 Koz), a 76% increase compared to that of 2018.

## **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 2019 was 8 kg (0.3 Koz), a 60% decrease compared to that of 2018.

## **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 2019.

## **SCOPE OF WORK OF AUDITORS**

The figures in respect of the announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditors, CCTH CPA Limited ("CCTH"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2019. The work performed by CCTH 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 CCTH 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 2019 except for the deviation which is summarized below:

### **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.

Although 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.

## **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 2019.

## **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 2019 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  
**Bay Area Gold Group Limited**  
**Yi Shuhao**  
*Chairman*

Hong Kong, 30 March 2020

*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. Huang Zhiwei; 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.*