



Real Gold Mining Limited 瑞金礦業有限公司


(Incorporated in the Cayman Islands with limited liability)
Stock Code: 246

INTERIM REPORT 2016



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lu Chunxiang[#] (appointed with effect from 30 September 2016)
Mr. Li Feng[^] (appointed with effect from 30 September 2016)
Mr. Sean Zhang^{*} (resigned with effect from 18 April 2019)
Mr. Ren Yancheng[~] (appointed with effect from 1 June 2018)
Mr. Wang Chunqi (resigned with effect from 18 April 2019)
Mr. Kirk Vincent Wiedemer (appointed with effect from 30 September 2016)
Mr. Guo Honggang (re-designated from independent non-executive director to executive director with effect from 18 April 2019)

Independent Non-Executive Directors

Mr. Liu Aiguo
Ms. Zhang Hui (appointed with effect from 30 September 2016)
Ms. Wang Xu (appointed with effect from 24 November 2017)
Mr. Guo Honggang (re-designated to executive director with effect from 18 April 2019)

NOMINATION AND REMUNERATION COMMITTEE

Mr. Liu Aiguo[#] (appointed with effect from 30 September 2016)
Ms. Wang Xu (appointed with effect from 24 November 2017)
Mr. Guo Honggang (re-designated to executive director with effect from 18 April 2019)
Ms. Zhang Hui (appointed with effect from 18 April 2019)

AUDIT AND RISK MANAGEMENT COMMITTEE

Ms. Zhang Hui[#] (appointed with effect from 30 September 2016)
Ms. Wang Xu (appointed with effect from 24 November 2017)
Mr. Guo Honggang (re-designated to executive director with effect from 18 April 2019)
Mr. Liu Aiguo (appointed with effect from 18 April 2019)

[#] *Chairman*

[^] *Chief Financial Officer*

^{*} *Chief Executive Officer*

[~] *Deputy Chief Executive Officer*

COMPANY SECRETARY

Mr. Leung Wai Chiu, Albert (terminated with effect from 12 December 2016)
Ms. Lui Lai Chun (appointed with effect from 12 December 2016)

AUTHORIZED REPRESENTATIVES

Mr. Leung Wai Chiu, Albert (terminated with effect from 12 December 2016)
Ms. Lui Lai Chun (appointed with effect from 12 December 2016)
Mr. Guo Honggang (appointed with effect from 18 April 2019)

AUDITORS

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Unit 701, 7/F., Citicorp Centre,
18 Whitfield Road,
Causeway Bay, Hong Kong

LEGAL ADVISOR

As to Hong Kong law
ReedSmith Richards Butler
20th Floor, Alexandra House,
18 Chater Road,
Central, Hong Kong

REGISTERED OFFICE

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

CORPORATE INFORMATION (CONTINUED)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 502, 5/F.,
Bank of America Tower,
12 Harcourt Road,
Central, Hong Kong

HEADQUARTERS OF THE COMPANY

4th Floor, Southern Block,
243 Dizhi Zonghe Building,
No.75 Yulong Street,
Xincheng District, Chifeng City,
Inner Mongolia,
The People's Republic of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716,
17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower Branch
China Guangfa Bank
Huizhou Branch
HengFeng Bank Co., Ltd.
Beijing Branch
Ping An Bank
Offshore Business Department

STOCK NAME

Real Gold Mining Limited
(RealGold Mining)

STOCK CODE

246

WEBSITE OF THE COMPANY

www.realgoldmining.com

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We specialize in the mining of gold and the processing of ore into concentrates containing gold and other minerals for subsequent sale. Real Gold Mining Limited (the “Company”) and its subsidiaries (together the “Group”) have two gold mines in the Chifeng Municipality, Inner Mongolia, namely, Shirengou Gold Mine and Nantaizi Gold Mine which are adjacent to each other and form one operating segment of the Group. The mining permit and the safety production permit for Shirengou Gold Mine are valid until August 2020 and February 2021, respectively. The mining permit, the exploration permit and the safety production permit for Nantaizi Gold Mine are valid until November 2019, June 2020 and February 2021, respectively. Production at Shirengou Gold Mine and Nantaizi Gold Mine has been suspended since mid 2016.

Luotuochang Gold Mine, another gold mine of the Group which is also located in the Chifeng Municipality, Inner Mongolia, was in operation until the former board of directors decided in July 2014 to suspend the mining activities there. The mining permit and the safety production permit for Luotuochang Gold Mine are valid until January 2020 and December 2020, respectively.

For six months ended 30 June 2016, the revenue, cost of sales and gross loss was information in the possession of former management of the Group and as the operations, mining and exploration activities have been suspended, no further relevant activities carried out by the former management previously continued following the current management took control of the Group. The current board of directors (the “Board”) took control of the management of the Group in late 2016. There is limited information and documents available to the current Board for the preparation of the 2016 financial information of the Group.

UPDATE ON THE ACTIVITIES AT THE OTHER GOLD MINES OF THE GROUP

As at the date of this interim report, the Group also owns Gaotaizi Gold Mine in Inner Mongolia and Yandan Gold Mine and two other smaller gold mines in Guangxi. None of these mines are currently in production.

The mining permit and safety production permit for Gaotaizi Gold Mine expired in February 2019 and March 2019, respectively and the Group has filed an application for the renewal of each of such permits in January 2019.

For the gold mines in Guangxi, the exploration permit for Yandan Gold Mine is valid until November 2020. The Group is in the process of renewing the exploration permit for each of Bayan Gold Mine and Yunpanshan Gold Mine which expired in January 2019. The Group has suspended its exploration activities at these gold mines.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

For details of the important events affecting the Group which have occurred since the end of the Reporting Period, please refer to the paragraphs headed “The status of China Guangfa Bank Accounts of the Group” and “The status of changes of legal representatives of subsidiaries in the PRC” in the annual results announcement of the Company for the year ended 31 December 2017 published on 2 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROSPECTS

In view of the current situation of the Group, in particular the status of the mines owned by the Group, the Company is committed to identify suitable acquisition targets with sufficient level of operations or have assets of sufficient value to meet the requirements for continued listing of the shares under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

By leveraging on the experience of our management in mining operations and strong connections in the industry, we are confident that we can identify suitable acquisition targets in due course which can meet our requirements as well as the requirements of the regulators for the purpose of seeking resumption of trading in our shares so as to maximize the interests of both the Company and its shareholders as a whole.

We are committed to strengthening the corporate governance of the Group, and leading the Company out of the current difficulties and creating value for shareholders of the Company as a whole.

FINANCIAL REVIEW

For the six months ended 30 June 2016, the revenue, cost of sales and gross loss was information in the possession of former management of the Group and as the operations, mining and exploration have been suspended, no further relevant activities carried out by the former management previously continued following the current management took control of the Group. The current Board took control of the management of the Group in late 2016. There is limited information and documents available to the current Board for the preparation of the 2016 financial statements of the Group and the following review was made on this basis.

Revenue

The unaudited revenue of the Group increased from approximately RMB190.0 million for the six months ended 30 June 2015 to approximately RMB228.2 million for the same period in 2016. When the current Board took control of the management of the Group in late 2016, the operations, mining and exploration activities had been suspended.

Cost of sales

Cost of sales was approximately RMB257.8 million for the six months ended 30 June 2016, increased from approximately RMB196.6 million for the same period in 2015. Cost of sales primarily included cost of raw materials consumed, subcontracting fees, auxiliary material costs, electricity costs, environmental protection fees and production safety fees. For the six months ended 30 June 2016, our cost of sales accounted for approximately 113.0% of our total revenue, increased from approximately 103.5% for the same period in 2015.

Gross loss and gross margin

As a result of the foregoing, gross loss was approximately RMB29.6 million (six months ended 30 June 2015: RMB6.6 million) and gross margin was approximately -13.0% (six months ended 30 June 2015: -3.5%) for the six months ended 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other income

Other income increased from approximately RMB33.7 million for the six months ended 30 June 2015 to approximately RMB61.8 million for the same period in 2016.

Other income for the six months ended 30 June 2016 consisted mainly of government subsidies of approximately RMB35.9 million, exchange gain of approximately RMB19.0 million, gain on share options lapsed of approximately RMB4.9 million and bank interest income of approximately RMB2.0 million.

Other income for the six months ended 30 June 2015 consisted mainly of government subsidies of approximately RMB25.8 million and bank interest income of approximately RMB7.9 million.

Administrative expenses

Administrative expenses increased from approximately RMB22.8 million for the six months ended 30 June 2015 to approximately RMB31.8 million for the same period in 2016.

The administrative expenses for the six months ended 30 June 2016 primarily consisted of salaries paid and payable to, and benefits for, our administrative and management staff of approximately RMB12.8 million (six months ended 30 June 2015: RMB8.9 million) and professional fees of approximately RMB9.2 million (six months ended 30 June 2015: RMB5.6 million).

Other expenses

Other expenses increased from approximately RMB36.3 million for the six months ended 30 June 2015 to approximately RMB769.3 million for the same period in 2016.

Other expenses for the six months ended 30 June 2016 primarily consisted of impairment losses on property, plant and equipment of approximately RMB150.1 million and impairment losses on exploration and evaluation assets of approximately RMB603.3 million.

Other expenses for the six months ended 30 June 2015 consisted of impairment losses on property, plant and equipment of approximately RMB14.7 million and on exploration and evaluation assets of approximately RMB21.4 million.

Finance costs

Finance costs, represented interest expenses for the short-term borrowings, was approximately RMB0.4 million for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

Income tax expense

Tax expenses was approximately RMB25.8 million for six months ended 30 June 2016, representing primarily income tax on taxable profits produced by the companies of the Group in the People's Republic of China (the "PRC"), less any tax losses brought forward from prior years, the net amount being taxed at the PRC's Enterprise Income Tax rate of 25%.

No provision for Hong Kong Profits Tax is required since the Company's income is derived from non-Hong Kong sources which is not subject to Hong Kong Profits Tax.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Loss and total comprehensive loss for the period attributable to owners

Loss and total comprehensive loss attributable to owners of the Company for the six months ended 30 June 2016 was approximately RMB698.0 million (six months ended 30 June 2015: RMB28.7 million).

Cash flows

The following table sets out certain information regarding our condensed consolidated statement of cash flows for the six-month periods ended 30 June 2016 and 2015:

	For the six months ended	
	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
Net cash (used in)/generated from operating activities	(114,932)	92,274
Net cash used in investing activities	(29,720)	(104,157)
Net cash generated from financing activities	7,267	—
Net decrease in cash and cash equivalents	(137,385)	(11,883)
Cash and cash equivalents at beginning of period	819,146	794,270
Cash and cash equivalents at end of period	681,761	782,387

Cash and cash equivalents decreased by approximately RMB137.3 million from approximately RMB819.1 million as at 31 December 2015 to approximately RMB681.8 million as at 30 June 2016.

Approximately RMB114.9 million was used in operating activities for the six months ended 30 June 2016. Net cash used in operating activities was the net cash flow relating to cash outflow in respect of loss before tax adjusted for items not involving movement of cash, cash inflow in respect of the decrease in working capital under operating activities and cash outflow in respect of income tax paid.

Net cash used in investing activities amounted to approximately RMB29.7 million for the six months ended 30 June 2016, of which approximately RMB26.4 million related to the cash outflow in respect of the additions of property, plant and equipment and approximately RMB3.4 million related to the cash outflow in respect of the additions of exploration and evaluation assets.

Net cash generated from financing activities amounted to approximately RMB7.3 million for the six months ended 30 June 2016, of which approximately RMB0.4 million related to the cash outflow in respect of the loan interest payment, partially being offset by the cash inflow of approximately RMB7.7 million related to the short-term borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Borrowings

As at 30 June 2016, the amount of short-term borrowings was approximately RMB7.7 million (31 December 2015: nil). Details of short-term borrowings and interest rate are set out in Note 13 to the condensed consolidated financial statements. Gearing, being total interest-bearing debt divided by total assets, was approximately 0.01 as at 30 June 2016 (31 December 2015: nil).

Pledge of assets

There were no significant charges on the assets of the Group as at 30 June 2016 and 31 December 2015.

Use of net proceeds from the Company's Initial Public Offering ("IPO")

The Company was listed on the Main Board of the Stock Exchange on 23 February 2009. The net proceeds from the Company's issue of new shares (after deducting relevant expenses) were approximately HKD569.3 million.

As at 30 June 2016, the net proceeds from IPO had been utilized in the following manner:

	Future acquisition of gold resources in		Expanding exploration activities			
	Inner Mongolia HKD million	Other regions HKD million	Exploration activities HKD million	Facilitating actual production HKD million	Capital expenditures at existing gold mines HKD million	General corporate purpose HKD million
Planned amount per Prospectus	20.9	158.8	72.3	35.6	170.3	11.3
Planned amount for actual net IPO proceeds 2009	25.4	192.7	87.7	43.2	206.6	13.7
Amount utilized up to 31 December 2010	(25.4)	(192.7)	—	—	—	(13.7)
Balance as at 31 December 2010	—	—	87.7	43.2	206.6	—
Amount utilized from 1 January to 25 February 2011	—	—	—	—	—	—
Balance as at 25 February 2011	—	—	87.7	43.2	206.6	—
Change of proposed use of the unutilized net proceeds	—	337.5	(87.7)	(43.2)	(206.6)	—
Balance after change of proposed use	—	337.5	—	—	—	—
Amount utilized from 25 February 2011 to 30 June 2016	—	—	—	—	—	—
Balance as at 30 June 2016	—	337.5	—	—	—	—

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The unutilized balance is deposited in bank accounts at commercial banks in the PRC. The Group intends to utilize the net proceeds balance in the manner as set out above.

Capital expenditure

For the six months ended 30 June 2016, the Group invested approximately RMB26.4 million mainly in the construction of mining structures, property, plant and equipment at the mines in operation and for maintenance, and the capital expenditure (including exploration expenditure) incurred for Gaotaizi Gold Mine amounted to approximately RMB3.4 million.

For the six months ended 30 June 2015, the Group invested approximately RMB15.8 million mainly in the construction of mining structures, property, plant and equipment at the mines in operation, and the capital expenditure (including exploration expenditure) incurred for Yantang-Yandan Mining Complex amounted to approximately RMB21.4 million.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2016 and 31 December 2015.

Capital commitment

As at 30 June 2016, the Group had capital commitment of capital expenditure contracted for but not provided in the condensed consolidated financial statements of approximately RMB278.1 million (31 December 2015: RMB278.1 million) in respect of exploration projects.

Financial instruments

The Company did not have any hedging contracts or financial derivatives subsisting as at 30 June 2016 and 31 December 2015.

Segment analysis

Segment information is disclosed in Note 4 to the condensed consolidated financial statements set out in this interim report.

Employees and emoluments policy

As at 30 June 2016, the number of employees of the Group was 371 (31 December 2015: 298). For the six months ended 30 June 2016, the staff cost (including directors' remuneration in the form of salaries, equity-settled share-based payment expenses and other allowances but excluding sub-contracting labour cost) was approximately RMB12.8 million (six months ended 30 June 2015: RMB15.6 million).

The Group's emolument policies (including the emolument policies for its directors) are formulated based on the performance of individual employee and on the basis of the salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted a share option scheme for its employees.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Share options

The Company has adopted a share option scheme on 30 January 2009 (the "Share Option Scheme").

The following table discloses details of movements of the Company's share options held by our directors, our chief executive officer and our employees during the six months ended 30 June 2016:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HKD	Number of share options			
					Outstanding at 01.01.2016	Granted during the period	Cancelled/ Exercised/ Lapsed during the period	Outstanding at 30.06.2016
Lu Tianjun (Note)	12.05.2011	12.05.2011–31.12.2013	01.01.2014–31.12.2018	10.17	330,000	—	(330,000)	—
		12.05.2011–31.12.2014	01.01.2015–31.12.2018	10.17	330,000	—	(330,000)	—
		12.05.2011–31.12.2015	01.01.2016–31.12.2018	10.17	330,000	—	(330,000)	—
		12.05.2011–31.12.2016	01.01.2017–31.12.2018	10.17	330,000	—	(330,000)	—
		12.05.2011–31.12.2017	01.01.2018–31.12.2018	10.17	330,000	—	(330,000)	—
Ma Wenxue (Note)	12.05.2011	12.05.2011–31.12.2013	01.01.2014–31.12.2018	10.17	330,000	—	(330,000)	—
		12.05.2011–31.12.2014	01.01.2015–31.12.2018	10.17	330,000	—	(330,000)	—
		12.05.2011–31.12.2015	01.01.2016–31.12.2018	10.17	330,000	—	(330,000)	—
		12.05.2011–31.12.2016	01.01.2017–31.12.2018	10.17	330,000	—	(330,000)	—
		12.05.2011–31.12.2017	01.01.2018–31.12.2018	10.17	330,000	—	(330,000)	—
Cui Jie (Note)	12.05.2011	12.05.2011–31.12.2013	01.01.2014–31.12.2018	10.17	330,000	—	(330,000)	—
		12.05.2011–31.12.2014	01.01.2015–31.12.2018	10.17	330,000	—	(330,000)	—
		12.05.2011–31.12.2015	01.01.2016–31.12.2018	10.17	330,000	—	(330,000)	—
		12.05.2011–31.12.2016	01.01.2017–31.12.2018	10.17	330,000	—	(330,000)	—
		12.05.2011–31.12.2017	01.01.2018–31.12.2018	10.17	330,000	—	(330,000)	—
Li Qing (Note)	12.05.2011	12.05.2011–31.12.2011	01.01.2012–31.12.2016	10.17	330,000	—	(330,000)	—
		12.05.2011–31.12.2012	01.01.2013–31.12.2016	10.17	330,000	—	(330,000)	—
		12.05.2011–31.12.2013	01.01.2014–31.12.2016	10.17	330,000	—	(330,000)	—
		12.05.2011–31.12.2014	01.01.2015–31.12.2016	10.17	330,000	—	(330,000)	—
		12.05.2011–31.12.2015	01.01.2016–31.12.2016	10.17	330,000	—	(330,000)	—
Employees	12.05.2011	12.05.2011–31.12.2011	01.01.2012–31.12.2016	10.17	1,800,000	—	(1,800,000)	—
		12.05.2011–31.12.2012	01.01.2013–31.12.2016	10.17	1,800,000	—	(1,800,000)	—
		12.05.2011–31.12.2013	01.01.2014–31.12.2016	10.17	1,800,000	—	(1,800,000)	—
		12.05.2011–31.12.2014	01.01.2015–31.12.2016	10.17	1,800,000	—	(1,800,000)	—
		12.05.2011–31.12.2015	01.01.2016–31.12.2016	10.17	1,800,000	—	(1,800,000)	—
Total					15,600,000	—	(15,600,000)	—

Note: Mr. Lu Tianjun, Mr. Ma Wenxue, Mr. Cui Jie and Mr. Li Qing ceased to be directors of the Company at the conclusion of the annual general meeting of the Company held on 30 June 2016.

The Share Option Scheme lapsed on 23 February 2019. Therefore, no share is available for issue under the Share Option Scheme as at the date of this interim report.

Dividends

No interim dividend was recommended by the Board for the six-month periods ended 30 June 2016 and 2015.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FOREIGN EXCHANGE RISK

The Group is exposed to market risk arising from changes in foreign exchange rates. We conduct our operations in the PRC and Renminbi ("RMB") is the functional and presentation currency of the Company. During the six months ended 30 June 2016, the Group had bank balances that were denominated in foreign currencies which exposed the Group to foreign currency risks. The Group was mainly exposed to the fluctuation of Hong Kong dollars ("HKD"). The Group manages and monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. No foreign currency hedging activity is currently undertaken by the Group.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2016 so far as known to any directors or chief executive of the Company, neither the directors nor the chief executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into in the register that was required to be kept under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2016 so far as known to any director or chief executive of the Company, shareholders (other than a director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Long and short positions in ordinary shares of the Company

(including equity derivative interests)

Name of shareholder	Capacity	Long position number of ordinary shares	Long position percentage of the issued share capital of the Company	Short position number of ordinary shares	Short position percentage of the issued share capital of the Company
Lead Honest Management Limited (Note i)	Beneficial owner	140,000,000	15.41%	107,408,809	11.82%
Tercel Holdings Limited (Note i)	Interest of controlled corporation	140,000,000	15.41%	107,408,809	11.82%
Credit Suisse Trust Limited (Note i)	Trustee	140,000,000	15.41%	107,408,809	11.82%
Wu Ruilin (Note i)	Founder of a discretionary trust	140,000,000	15.41%	107,408,809	11.82%
Citigroup Inc. (Notes ii & iii)	Interest of controlled corporation	107,866,856	11.87%	N/A	N/A
	Custodian corporation/ approved lending agent	4,434,802	0.49%	N/A	N/A
	Person having a security interest	362,000	0.04%	N/A	N/A
Value Partners Limited (Note iv)	Investment manager	77,678,000	8.54%	N/A	N/A
Value Partners Group Limited (Note iv)	Interest of controlled corporation	77,678,000	8.54%	N/A	N/A
Cheah Capital Management Limited (Note iv)	Interest of controlled corporation	77,678,000	8.54%	N/A	N/A
Cheah Company Limited (Note iv)	Interest of controlled corporation	77,678,000	8.54%	N/A	N/A
BNP Paribas Jersey Nominee Company Limited (Note iv)	Nominee	77,678,000	8.54%	N/A	N/A
BNP Paribas Jersey Trust Corporation Limited (Note iv)	Trustee	77,678,000	8.54%	N/A	N/A
Cheah Cheng Hye (Note iv)	Founder of a discretional trust	77,678,000	8.54%	N/A	N/A
To Hau Yin (Note iv)	Interest of spouse of a substantial shareholder	77,678,000	8.54%	N/A	N/A
Victory Gold Management Inc. (Note v)	Beneficial owner	113,125,333	12.44%	N/A	N/A
Mao Hua Limited (Note v)	Interest of controlled corporation	113,125,333	12.44%	N/A	N/A
Wu Jiamao (Note v)	Interest of controlled corporation	113,125,333	12.44%	N/A	N/A
Quanmin Investments Limited (Note vi)	Beneficial owner	226,250,667	24.90%	N/A	N/A
Rosy China Enterprises Limited (Note vi)	Interest of controlled corporation	226,250,667	24.90%	N/A	N/A
Tao Yuze (Note vi)	Interest of controlled corporation	226,250,667	24.90%	N/A	N/A
Zhang Yanchun (Note vi)	Interest of controlled corporation	226,250,667	24.90%	N/A	N/A

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Equity derivative interests in ordinary shares of the Company

(included in long and short positions)

Name of shareholder	Long position number of ordinary shares	Long position percentage of the issued share capital of the Company	Short position number of ordinary shares	Short position percentage of the issued share capital of the Company
Lead Honest Management Limited (Note i)	N/A	N/A	107,408,809	11.82%
Tercel Holdings Limited (Note i)	N/A	N/A	107,408,809	11.82%
Credit Suisse Trust Limited (Note i)	N/A	N/A	107,408,809	11.82%
Wu Ruilin (Note i)	N/A	N/A	107,408,809	11.82%

Notes:

- (i) As at 30 June 2016, Lead Honest Management Limited was 100% controlled by Tercel Holdings Limited, which in turn was ultimately controlled by Credit Suisse Trust Limited. Credit Suisse Trust Limited was a trustee of Tercel Trust, of which Mr. Wu Ruilin was the founder.
- (ii) The 4,434,802 shares, representing 0.49% of the issued share capital of the Company, was also held by Citigroup Inc. as a "Lending Pool".
- (iii) Citigroup Inc.'s interests were held by its wholly-owned (direct and indirect) subsidiaries.
- (iv) As at 30 June 2016, Value Partners Limited was 100% controlled by Value Partners Hong Kong Limited, which in turn was 100% controlled by Value Partners Group Limited, which in turn was 28.47% controlled by Cheah Capital Management Limited, which in turn was 100% controlled by Cheah Company Limited, which in turn was 100% controlled by BNP Paribas Jersey Nominee Company Limited, which in turn was 100% controlled by BNP Paribas Jersey Trust Corporation Limited. BNP Paribas Jersey Trust Corporation Limited was the trustee of the C H Cheah Family Trust, of which Mr. Cheah Cheng Hye was the founder. Ms. To Hau Yin was the spouse of Mr. Cheah Cheng Hye.
- (v) As at 30 June 2016, Mr. Wu Jiamao held these shares through Victory Gold Management Inc., a company 100% controlled by Mao Hua Limited, which was 100% controlled by Mr. Wu Jiamao.
- (vi) As at 30 June 2016, Quanmin Investments Limited was 100% controlled by Rosy China Enterprises Limited, which was controlled by Mr. Tao Yuze and Mr. Zhang Yanchun as to 50% and 50%, respectively.

Other than as disclosed above, as at 30 June 2016, the Company has not been notified by any person (other than the directors or chief executive of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the directors. Having made specific enquiry to the directors of the Company who are in office as at the date of this interim report and was in office as at 30 June 2016, the Board confirmed that they have complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the need for and importance of corporate governance as one of the key elements in enhancing value for shareholders of the Company. The Company is committed to improving its corporate governance practices in compliance with regulatory requirements. The Company has adopted the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (“CG Code”) to regulate the corporate governance issues of the Group. The Board has reviewed the Company’s corporate governance practices for the six months ended 30 June 2016 (the “Reporting Period”), and has formed the opinion that the Company, throughout the Reporting Period, has complied with the code provisions (“Code Provisions”) as set out in the CG Code except for the deviations set out below.

Code Provision A.5.1

Code Provision A.5.1 of the CG Code provides that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

Prior to the annual general meeting held on 30 June 2016 (the “2016 AGM”), the Nomination and Remuneration Committee of the Company comprised Mr. Zhao Enguang, Mr. Li Xiaoping and Mr. Yang Yicheng, the then independent non-executive directors of the Company. As Mr. Zhao Enguang, Mr. Li Xiaoping and Mr. Yang Yicheng were not re-elected at the 2016 AGM, each of them ceased to be a director of the Company and a member of the Nomination and Remuneration Committee of the Company at the conclusion of the 2016 AGM. Therefore, there were no member in the Nomination and Remuneration Committee of the Company from the conclusion of the 2016 AGM till the appointment of new independent non-executive directors of the Company and members to the Nomination and Remuneration Committee of the Company with effect from 30 September 2016, constituting a deviation from Code Provision A.5.1 of the CG Code.

Code Provision C.1.2

Code provision C.1.2 of the CG Code provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer’s performance, position and prospects in sufficient details to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. During the Reporting Period, management did not provide the board with monthly updates required under Code Provision C.1.2 of the CG Code. The Board notes that activities of the Group, both mining and exploration activities, have been suspended and the Group has not been conducting any operational or business activities. The Board has been updated regularly in relation to the status of the mines and corporate activities and announcements are made by the Company regularly to inform the market. As such, the management did not provide updates to the full board on a monthly basis.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

NON-COMPLIANCE WITH CERTAIN REQUIREMENTS UNDER CHAPTER 3 OF THE LISTING RULES

At the conclusion of the 2016 AGM, the Company only had one independent non-executive director (namely, Mr. Liu Aiguo). As such, the number of independent non-executive directors fell below the minimum required under Rule 3.10(1) of the Listing Rules, and the Company failed to meet the requirement under Rule 3.10(2) that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise (the "Requisite Qualifications"). Further, as there were no members in the Audit Committee, the number of Audit Committee members fell below the minimum required under Rule 3.21 of the Listing Rules and the Company failed to meet the requirement under Rule 3.21 that at least one of the members of the Audit Committee must possess the Requisite Qualifications. Furthermore, the Company failed to meet the requirement under Rule 3.25 of the Listing Rules that Remuneration Committee must be chaired by an independent non-executive director and comprise a majority of independent non-executive directors.

Following the appointment of Ms. Zhang Hui, Ms. Ge Huiyun and Mr. Guo Honggang as independent non-executive directors and to each of the Audit and Risk Management Committee and (except for Ms. Zhang Hui) the Nomination and Remuneration Committee of the Company on 30 September 2016, the Company has been in compliance with Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules from 30 September 2016 onwards.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Company has established an Audit and Risk Management Committee for the purposes of reviewing and providing supervision over the Company's financial reporting process and internal controls.

The unaudited interim results of the Group for the six months ended 30 June 2016 have been reviewed by the Audit and Risk Management Committee (comprising Ms. Zhang Hui (the Chairman), Mr. Liu Aiguo and Ms. Wang Xu as at the date of this interim report).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the six months ended	
		30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
Revenue	4	228,186	189,958
Cost of sales		(257,785)	(196,564)
Gross loss		(29,599)	(6,606)
Other income	5	61,839	33,727
Administrative expenses		(31,806)	(22,807)
Other expenses	5	(769,279)	(36,291)
Loss from operations		(768,845)	(31,977)
Finance costs		(423)	—
Loss before tax	5	(769,268)	(31,977)
Income tax expense	6	(25,807)	—
Loss and total comprehensive loss for the period		(795,075)	(31,977)
Loss and total comprehensive loss for the period attributable to:			
Owners of the Company		(697,979)	(28,720)
Non-controlling interests		(97,096)	(3,257)
		(795,075)	(31,977)
Loss per share			
Basic	7	(RMB76.80 cents)	(RMB3.16 cents)
Diluted	7	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at	
		30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	204	126,975
Mining rights		—	6,388
Exploration and evaluation assets	10	—	600,746
Prepaid land lease payments		—	2,584
Deferred tax assets		—	25,807
		204	762,500
Current assets			
Prepaid land lease payments		—	62
Inventories		6,841	3,704
Trade and other receivables	11	12,458	23,364
Bank and cash balances	12	681,761	819,146
		701,060	846,276
Current liabilities			
Other payables		122,969	238,144
Short-term borrowings	13	7,690	—
Current tax liabilities		915	915
		131,574	239,059
Net current assets		569,486	607,217
Total assets less current liabilities		569,690	1,369,717
Non-current liabilities			
Provision for restoration cost		9,094	9,094
Deferred tax liabilities		16,724	16,724
		25,818	25,818
NET ASSETS		543,872	1,343,899
Capital and reserves			
Share capital		797,619	797,619
Reserves		(139,933)	562,998
Equity attributable to owners of the Company		657,686	1,360,617
Non-controlling interests		(113,814)	(16,718)
TOTAL EQUITY		543,872	1,343,899

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company									
	Share capital	Share premium	Statutory reserve	Capital reserve	Other reserve	Share options reserve	Accumulated losses	Total	Non-Controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015 (Audited)	797,619	2,428,631	73,165	29,210	(165,232)	75,442	(1,930,380)	1,308,455	(37,554)	1,270,901
Loss and total comprehensive loss for the period (Unaudited)	—	—	—	—	—	—	(28,720)	(28,720)	(3,257)	(31,977)
Recognition of equity-settled share-based payment expenses (Unaudited)	—	—	—	—	—	2,499	—	2,499	—	2,499
Addition arising on acquisition of a subsidiary (Unaudited)	—	—	—	—	—	—	—	—	25,500	25,500
Appropriation to reserve (Unaudited)	—	—	—	1,703	—	—	(1,703)	—	—	—
Changes in equity for the period (Unaudited)	—	—	—	1,703	—	2,499	(30,423)	(26,221)	22,243	(3,978)
At 30 June 2015 (Unaudited)	797,619	2,428,631	73,165	30,913	(165,232)	77,941	(1,960,803)	1,282,234	(15,311)	1,266,923
At 1 January 2016 (Audited)	797,619	2,428,631	73,165	32,825	(165,232)	79,141	(1,885,532)	1,360,617	(16,718)	1,343,899
Loss and total comprehensive loss for the period (Unaudited)	—	—	—	—	—	—	(697,979)	(697,979)	(97,096)	(795,075)
Lapse of share options expense (Unaudited)	—	—	—	—	—	(79,141)	74,189	(4,952)	—	(4,952)
Appropriation to reserve (Unaudited)	—	—	—	1,696	—	—	(1,696)	—	—	—
Changes in equity for the period (Unaudited)	—	—	—	1,696	—	(79,141)	(625,486)	(702,931)	(97,096)	(800,027)
At 30 June 2016 (Unaudited)	797,619	2,428,631	73,165	34,521	(165,232)	—	(2,511,018)	657,686	(113,814)	543,872

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
Net cash (used in)/generated from operating activities	(114,932)	92,274
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(26,350)	(15,800)
Additions of exploration and evaluation assets	(3,370)	(28,860)
Acquisition of a subsidiary	—	(59,497)
Net cash used in investing activities	(29,720)	(104,157)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan interest paid	(423)	—
Proceeds from borrowings	7,690	—
Net cash generated from financing activities	7,267	—
NET DECREASE IN CASH AND CASH EQUIVALENTS	(137,385)	(11,883)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	819,146	794,270
CASH AND CASH EQUIVALENTS AT END OF PERIOD	681,761	782,387
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	681,761	782,387

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the principal place of business in Hong Kong is Units 3601–3, 36/F, AIA Tower, 183 Electric Road, North Point. On 5 November 2018, the Company moved to Unit 502, 5/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended for trading since 27 May 2011.

The condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared on the historical cost basis and in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2015. The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

The condensed consolidated financial statements have been presented in Renminbi ("RMB"), which is also the functional currency of the Company and its principal subsidiaries.

2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately RMB697,979,000 for the six months ended 30 June 2016 and the issue on Guangfa bank accounts of the Group described in Note 12 amounting to approximately RMB449,524,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

These condensed consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the shareholder, at a level sufficient to finance the working capital requirements of the Group. The shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. The directors are therefore of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the condensed consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the interim period, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting period beginning on 1 January 2016. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s condensed consolidated financial statements and amounts reported for the current period and prior periods.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

4. SEGMENT INFORMATION

The Group has 3 mines in Nantaizi, Shirengou and Luotuochang in Inner Mongolia, the PRC. The Group is organized based on the locations of its ore processing plants. The ore processing plant located at Nantaizi processes ore from the mines in Nantaizi and Shirengou. The ore processing plant located at Luotuochang only processes ore from the mine in Luotuochang. For management reporting purpose, the Group’s executive directors, who are the chief operating decision maker (“CODM”) reviewed the financial information of each ore processing plant for the purpose of resources allocation and performance evaluation. Hence, the processing activities at each of the ore processing plants in Nantaizi and Luotuochang represented as an operating segment.

The Group acquired certain subsidiaries engaged in exploration activities in Inner Mongolia and Guangxi, the PRC. The CODM also reviewed financial information of each subsidiary separately. Because all these subsidiaries carry out exploration activities, they are aggregated as one reportable segment of exploration of gold mines.

The Group’s reportable segments are set out as follows:

- (i) Ore processing plant in Nantaizi — the mining and ore processing activities in respect of the mines in Nantaizi and Shirengou;
- (ii) Ore processing plant in Luotuochang — the mining and ore processing activities in respect of the mine in Luotuochang;
- (iii) Exploration of gold mines — the exploration activities in various places.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (Continued)

Information about reportable segment revenue, profit or loss, assets and liabilities:

	Ore processing plant in Nantaizi RMB'000	Ore processing plant in Luotuochang RMB'000	Exploration of gold mines RMB'000	Total RMB'000
For the six months ended 30 June 2016 (Unaudited)				
Revenue from external customers	228,186	—	—	228,186
Segment loss before tax	(101,961)	(59,537)	(607,673)	(769,171)
As at 30 June 2016 (Unaudited)				
Segment assets	9,222	123	11,794	21,139

	Ore processing plant in Nantaizi RMB'000	Ore processing plant in Luotuochang RMB'000	Exploration of gold mines RMB'000	Total RMB'000
For the six months ended 30 June 2015 (Unaudited)				
Revenue from external customers	189,431	527	—	189,958
Segment profit/(loss) before tax	3,447	(4,547)	(22,112)	(23,212)
As at 31 December 2015 (Audited)				
Segment assets	94,273	80,562	602,542	777,377

Reconciliation of reportable segment profit or loss:

	For the six months ended	
	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
Profit or loss		
Total loss of reportable segments	(769,171)	(23,212)
Unallocated other income	25,946	7,889
Unallocated corporate expenses	(23,572)	(16,417)
Unallocated other expenses	(2,471)	(237)
Consolidated loss before tax	(769,268)	(31,977)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

5. LOSS BEFORE TAX

	For the six months ended	
	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
The Group's loss before tax is stated after charging the followings:		
Amortization of prepaid land lease payments	31	31
Depreciation of property, plant and equipment	3,005	2,536
Equity-settled share-based payment expenses (included in administrative expenses)	—	2,499
Exchange loss (included in other expenses)	—	237
Impairment losses on mining rights	6,368	—
Impairment losses on property, plant and equipment	150,116	14,693
Impairment losses on exploration and evaluation assets	603,284	21,361
Impairment losses on prepaid land lease payments	2,615	—
Written off of other receivables	6,896	—
and after crediting the followings:		
Bank interest income (included in other income)	2,035	7,925
Exchange gain (included in other income)	18,959	—

Included in the other income is an aggregate amount of approximately RMB35,893,000 (six months ended 30 June 2015: RMB25,802,000) representing tax concession granted by the PRC government to encourage the production and sale of gold concentrates. Under the tax concession, the Group is not required to pay to the government authority value-added tax which have been charged on the sale of gold concentrates.

6. INCOME TAX EXPENSE

	For the six months ended	
	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
Deferred tax expense	25,807	—

No provision for Hong Kong Profits Tax is required since the Company's income is derived from overseas sources which is not liable to Hong Kong Profits Tax.

The applicable income tax rate for the subsidiaries of the Group in the PRC in the current period is 25% (six months ended 30 June 2015: 25%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

7. LOSS PER SHARE

The calculation of basic loss per share is based on the following:

	For the six months ended	
	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation	(697,979)	(28,720)
Number of shares		
Weighted average number of ordinary shares, used in basic loss per share calculation	908,786,213	908,786,213

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the six-month periods ended 30 June 2016 and 2015.

8. SUBSIDIARIES

The Board of the Company noted that Fubon Industrial (Huizhou) Co., Ltd ("Fubon"), a wholly-owned subsidiary of the Company, has been informed by the Huizhou Administration Bureau for Industry and Commerce on 4 August 2017 while attending to the change of legal representative of Fubon that all of the shares in Fubon were frozen by the Huizhou Public Security Bureau due to investigation by the Huizhou Public Security Bureau into financial fraud that might have been perpetrated by Mr. Wu Ruilin, the Company's former controlling shareholder who still retains 15.41% shareholding in the Company and Qiaoxing group of companies controlled by Mr. Wu Ruilin. On 17 August 2017, the Company's representatives attended Huizhou Administration Bureau for Industry and Commerce and Huizhou Public Security Bureau to make further enquiries. The Company made a request to the Huizhou Public Security Bureau for the formal document directing a freezing of Fubon's shares and Huizhou Public Security Bureau requested the Company to provide certain information to assist with its investigation. The freezing of all of the shares of Fubon is likely to impact the progress of effecting changes of legal representative and directors of Fubon and its subsidiary, namely Chifeng Fuqiao Mining Co., Ltd ("Fuqiao").

Refer to the announcement of the Company on 29 April 2019, the Company continues to take steps to effect changes of the legal representatives of two subsidiaries, namely, Fubon and Fuqiao. The Company has been informed by the Huizhou Police that the Huizhou Police has passed all relevant materials relating to the investigation of Mr. Wu Ruilin, the Company's former controlling shareholder, to the Intermediary People's Court of Huizhou ("Huizhou Court") as requested by the Huizhou Court. Subsequently, the Company has submitted the written application to the Huizhou Court for the discharge of the frozen Fubon shares. According to the Huizhou Court, a trial of first instance with respect to Mr. Wu Ruilin's case was held but no judgement has been issued yet, and the Huizhou Court will only attend to the discharge after the issue of a judgement. The Company was also given to understand from the Huizhou Court that although the Fubon shares remain to be frozen and therefore are not transferrable, this would not prohibit the Group from registering changes in relation to, including the change of legal representative.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired property, plant and equipment of approximately RMB26,350,000 (six months ended 30 June 2015: RMB15,800,000).

10. EXPLORATION AND EVALUATION ASSETS

Two exploration permits and one mining permit of the Group were expired and in the opinion of the directors, the Group will be able to renew three permits with Department of Land and Resources of the Guangxi Zhuang Autonomous Region in China continuously at insignificant cost.

11. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Prepayments, deposits and other receivables	12,458	22,724
Trade receivables	—	640
	12,458	23,364

The aging analysis of trade receivables presented based on the invoice date is as follows:

	As at	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 to 90 days	—	640

The average credit period granted to the Group's customers is 90 days (31 December 2015: 90 days). All the balances of trade receivables are denominated in RMB.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

12. BANK AND CASH BALANCES

On 23 May 2017, the board of directors (“Directors”) of the Company announces that on or around 16 March 2017, the Company received bank statements from China Guangfa Bank (Huizhou Branch) (“Guangfa Bank”) for the Company’s bank accounts maintained at such bank for the month ended 30 November 2016 (“November Bank Statement”) and for the month ended 31 December 2016 (“December Bank Statement”). Consistent with the Company’s internal records, the November Bank Statement showed that the Company had, inter alia, fixed deposits of HKD200,000,000 (“Fixed Deposits”) held with Guangfa Bank. However, such Fixed Deposit was not shown in the December Bank Statement. The Directors made internal enquiries and confirmed that the Company had not authorized or procured the drawing of the Fixed Deposit from its bank accounts during December 2016. Therefore, the Directors considered that it was possible that Guangfa Bank might have made an error in the December Bank Statement. The Company made enquiries with Guangfa Bank about the said error but to no avail. The Company therefore sought assistance from its legal advisors in the PRC who demanded Guangfa Bank to explain the status of the Fixed Deposit.

In addition, according to the Group’s accounting records, one of the subsidiaries of the Group, Rich Vision Holdings Limited (“Rich Vision”) has fixed deposits of HKD317,000,000 held with Guangfa Bank (“Rich Vision Fixed Deposits”). Through its PRC legal advisors, the Company also demanded Guangfa Bank to confirm the status of Rich Vision Fixed Deposits. Up to 23 May 2017, Guangfa Bank has not provided the Company or its PRC legal advisors with any information about the Company’s Fixed Deposit or the Rich Vision Fixed Deposits.

On 6 June 2017, the Company issued a letter of complaint to the China Banking Regulatory Commission (“CBRC”) against Guangfa Bank in respect of the suspension of operations of bank accounts of the Company and Rich Vision, the Fixed Deposit of the Company and the Rich Vision Fixed Deposits. On 23 August 2017, the Company received a notice from the Huizhou branch of CBRC, which confirms that investigation is underway and provides the following updates: (1) The CBRC is extending the investigations for 30 more days beyond the 60 days as originally intended as a result of the complexity of the matters of complaint; and (2) the CBRC will provide the Company with a written report of its findings upon completion of the investigations.

Refer to the announcement of the Company on 6 December 2017, in response to the letter of complaint issued by the Company to the CBRC against Guangfa Bank in respect of the suspension of operations of bank accounts of the Company and Rich Vision, the CBRC has provided an update only in respect of the Fixed Deposits of the Company. The CBRC stated that it found no wrongdoing on the part of Guangfa Bank but there is an allegation that the Fixed Deposits had been pledged to Guangfa Bank to secure loans taken out by a group of companies controlled by Mr. Wu Rulin (the Company’s former controlling shareholder). No further details have been provided by the CBRC. The Company has not seen a copy of the alleged pledge agreement(s) and is not aware of its/their terms or the obligations the pledge(s) is/are alleged to secure but is of the view that they could not have been properly authorized by the Company or any other Group company. Further, the Company has not received any independent confirmation from Guangfa Bank that it claims to have a pledge over the Fixed Deposits. The Company has no knowledge of the existence of any such pledge arrangements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

12. BANK AND CASH BALANCES (Continued)

Refer to the announcement of the Company on 2 March 2018, after consulting its PRC legal advisers, the Company has decided to commence civil proceedings against Guangfa Bank for infringement of rights and reinstatement of accounts, and the Company is working with its PRC legal advisers to commence such proceedings. The Company has been advised by its PRC legal advisers that if criminal proceedings are commenced against the responsible personnel of Guangfa Bank, the Company may as a victim commence consequential civil proceedings against Guangfa Bank and its responsible personnel. The Company has also communicated with the Huizhou Police and was informed that the Huizhou Police was not responsible for freezing or sealing any fixed deposits from the accounts of the Company and Rich Vision.

Refer to the announcement of the Company on 29 March 2018, upon advice by its PRC legal advisers, the Group has submitted two civil writs of action against Guangfa Bank in respect of the Fixed Deposits and Rich Vision Fixed Deposits respectively at the People's Court of Yuexiu District in Guangzhou (the "Yuexiu Court"). The Yuexiu Court suggested the Group should commence civil proceedings against Guangfa Bank for reinstatement of accounts only. However, as the Group is unable to confirm the authenticity of any alleged pledge agreement(s) submitted by Guangfa Bank to the CBRC asserting the existence or validity of any pledge over the Fixed Deposits and Rich Vision Fixed Deposits with Guangfa Bank, the Group commenced civil proceedings against Guangfa Bank for infringement of rights as one of its causes of action. As at 29 March 2018, the Yuexiu Court has formally put on its records the Group's civil action in respect of the Fixed Deposits and Rich Vision Fixed Deposits.

Refer to the announcement of the Company on 12 June 2018, in relation to the two civil actions commenced by the Group against Guangfa Bank at the Yuexiu Court, Guangfa Bank filed an application to challenge jurisdiction, which was dismissed by the Yuexiu Court (the "Dismissal Ruling"). Guangfa Bank then indicated that it intends to appeal the Dismissal Ruling when the Dismissal Ruling was served on Guangfa Bank.

Refer to the announcement of the Company on 29 April 2019, the hearing was held by the Yuexiu Court in respect of each of the two civil actions commenced by the Group against Guangfa Bank, but no ruling was made by the court which required further evidence to be submitted. It is expected that another hearing for these two actions will be held by Yuexiu Court in due course.

As at 30 June 2016, the total bank balance in Guangfa Bank accounts was approximately RMB449,524,000.

13. SHORT-TERM BORROWINGS

	As at	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Short-term borrowings repayable on demand	7,690	—

The short-term borrowings were granted at an interest rate of 24% per annum. The fair value of short-term borrowings approximate to their carrying amounts. The short-term borrowings granted to the Company were guaranteed by fellow subsidiaries and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

14. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the Reporting Period are as follows:

	As at	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Capital expenditure in respect of exploration projects Contracted for but not provided in the condensed consolidated financial statements	278,149	278,149

15. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with its related parties during the Reporting Period:

	For the six months ended	
	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
The remuneration of directors and other members of key management during the Reporting Period is as follows:		
Short-term benefits	2,665	2,052
Other long-term benefits	—	26
Equity-settled share-based payment expenses	—	1,342
	2,665	3,420

The related party transactions with directors of the Group companies constitute exempt continuing connected transactions under Chapter 14A of the Listing Rules and are fully exempted from the requirements there under.

16. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved and authorized for issue by the Board on 2 August 2019.