



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
2018



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lu Chunxiang[#]
 Mr. Li Feng[^]
 Mr. Ren Yancheng⁻
 Mr. Sean Zhang (resigned with effect from 18 April 2019)
 Mr. Wang Chunqi (resigned with effect from 18 April 2019)
 Mr. Shao Jiulin (resigned with effect from 18 April 2019)
 Mr. Kirk Vincent Wiedemer
 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
 Ms. Wang Xu
 Mr. Guo Honggang (re-designated to executive director with effect from 18 April 2019)

NOMINATION AND REMUNERATION COMMITTEE

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

AUDIT AND RISK MANAGEMENT COMMITTEE

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

[#] *Chairman*
[^] *Chief Financial Officer*
⁻ *Deputy Chief Executive Officer*

COMPANY SECRETARY

Ms. Lui Lai Chun

AUTHORIZED REPRESENTATIVES

Mr. Guo Honggang (appointed with effect from 18 April 2019)
 Mr. Wang Chunqi (resigned with effect from 18 April 2019)
 Ms. Lui Lai Chun

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.

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.

THE STATUS OF CHINA GUANGFA BANK ACCOUNTS OF THE GROUP

Reference is made to the announcements of the Company dated 23 May 2017, 21 August 2017, 15 September 2017, 6 December 2017, 2 March 2018, 29 March 2018, 4 May 2018 and 12 June 2018. Unless otherwise specified, capitalized terms used in this section shall have the same meaning as those defined in the announcement of the Company dated 23 May 2017.

The Company had communicated with the Huizhou Police and was informed that the Huizhou Police was not responsible for freezing or sealing any fixed deposits from the bank accounts of the Company and Rich Vision.

As advised by its People’s Republic of China (“PRC”) legal advisers, the Group submitted two civil writs of action against Guangfa Bank in respect of the Fixed Deposit and the Rich Vision Fixed Deposit 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 was 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 Deposit and the Rich Vision Fixed Deposit with Guangfa Bank, the Group commenced civil proceedings against Guangfa Bank for infringement of rights as one of its causes of action.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In response 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 intended to appeal the Dismissal Ruling when the Dismissal Ruling was served on Guangfa Bank. As the Guangzhou Intermediate People’s Court received the appeal application from Guangfa Bank but the Company had not yet been served with the appeal application, the hearings originally scheduled on 7 June 2018 were therefore cancelled.

After the appeal application for the Dismissal Ruling on the Group was served, the Group submitted a response to the appeal application to the Guangzhou Intermediate People’s Court. The appeal application was subsequently dismissed.

For details of the status of China Guangfa Bank Accounts of the Group since the end of the Reporting Period, please refer to the annual results announcement of the Company for the year ended 31 December 2018 published on 2 August 2019.

THE STATUS OF CHANGES OF LEGAL REPRESENTATIVES OF SUBSIDIARIES IN THE PRC

Reference is made to the announcements of the Company dated 21 August 2017, 6 December 2017, 15 January 2018, 2 March 2018, 4 May 2018 and 12 June 2018. Capitalized terms used in this section shall have the same meaning as those defined in the announcement of the Company dated 21 August 2017.

The Company continues to take steps to effect changes of the legal representatives of two remaining subsidiaries, namely, Fubon and Fuqiao. Please refer to the Company’s announcements dated 21 August 2017 and 6 December 2017 for details relating to the investigation by the Huizhou Police and the freezing of the entire shares in Fubon, and the consequent impediment on the progress of effecting changes of legal representatives of Fubon and Fuqiao. The Group would apply to the Huizhou branch of the SAIC to register the change in legal representative of Fubon in due course.

IMPORTANT EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this interim report, the directors are not aware of any important events affecting the Group which have occurred since 30 June 2018.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue and cost of sales

As the production at Shirengou Gold Mine, Nantaizi Gold Mine and Luotuochang Gold Mine was suspended, no operation, revenue nor cost of sales was recorded during the six-month periods ended 30 June 2018 and 2017.

Other income

Other income increased from nil for the six months ended 30 June 2017 to approximately RMB3.9 million for the same period in 2018, which consisted of exchange gains.

Administrative expenses

Administrative expenses decreased from approximately RMB26.3 million for the six months ended 30 June 2017 to approximately RMB25.5 million for the same period in 2018.

The administrative expenses for the six months ended 30 June 2018 primarily consisted of salaries paid and payable to, and benefits for, our administrative and management staff of approximately RMB10.0 million (six months ended 30 June 2017: RMB17.2 million) and professional fees of approximately RMB3.1 million (six months ended 30 June 2017: RMB3.5 million).

Other expenses

Other expenses decreased from approximately RMB21.0 million for the six months ended 30 June 2017 to approximately RMB7.7 million for the same period in 2018.

Other expenses for the six months ended 30 June 2018 consisted of impairment losses on property, plant and equipment of approximately RMB7.7 million.

Other expenses for the six months ended 30 June 2017 consisted of exchange loss of approximately RMB19.3 million and impairment losses on property, plant and equipment of approximately RMB1.7 million.

Finance costs

Finance costs, represented interest expenses for the short-term borrowings, was approximately RMB3.1 million for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB1.7 million).

Income tax expense

No income tax expenses for the six-month periods ended 30 June 2018 and 2017.

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.

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 2018 was approximately RMB31.6 million (six months ended 30 June 2017: RMB48.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2018 and 2017:

	For the six months ended	
	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
Net cash used in operating activities	(9,269)	(22,984)
Net cash used in investing activities	(7,735)	(1,666)
Net cash used in financing activities	(442)	(1,619)
Net decrease in cash and cash equivalents	(17,446)	(26,269)
Cash and cash equivalents at beginning of period	571,163	674,083
Cash and cash equivalents at end of period	553,717	647,814

Cash and cash equivalents decreased by approximately RMB17.4 million from approximately RMB571.2 million as at 31 December 2017 to approximately RMB553.7 million as at 30 June 2018.

Approximately RMB9.3 million was used in operating activities for the six months ended 30 June 2018. Net cash generated from operating activities was the cash inflow in respect of loss before tax adjusted for items not involving movement of cash and the decrease in working capital under operating activities.

Net cash used in investing activities amounted to approximately RMB7.7 million for the six months ended 30 June 2018, all of which related to the cash outflow in respect of the additions of property, plant and equipment.

Net cash used in financing activities amounted to approximately RMB0.4 million for the six months ended 30 June 2018, of which approximately RMB3.1 million related to the cash outflow in respect of the loan interest payment, and approximately RMB1.0 million related to the cash outflow in respect of the repayment of short-term borrowings, partially being offset by the cash inflow of approximately RMB3.6 million related to the short-term borrowings.

Borrowings

As at 30 June 2018, the amount of short-term borrowings was approximately RMB25.8 million (31 December 2017: approximately RMB23.2 million). Details of short-term borrowings and interest rate are set out in Note 12 to the condensed consolidated financial statements. Gearing, being total interest-bearing debt divided by total assets, was approximately 0.05 as at 30 June 2018 (31 December 2017: 0.04).

Pledge of assets

There were no significant charges on the assets of the Group as at 30 June 2018 and 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2018, 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 2018	—	—	—	—	—	—
Balance as at 30 June 2018	—	337.5	—	—	—	—

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital expenditure

For the six months ended 30 June 2018, the Group invested approximately RMB7.7 million mainly in the construction of mining structures, property, plant and equipment at the mines for maintenance (six months ended 30 June 2017: RMB1.7 million).

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2018 and 31 December 2017.

Capital commitment

As at 30 June 2018 and 2017, the Group did not have capital commitment of capital expenditure contracted for but not provided in the condensed consolidated financial statements.

Financial instruments

The Company did not have any hedging contracts or financial derivatives subsisting as at 30 June 2018 and 31 December 2017.

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 2018, the number of employees of the Group was 106 (31 December 2017: 182). For the six months ended 30 June 2018, the staff cost (including directors' remuneration in the form of salaries and other allowances but excluding subcontracting labour cost) was approximately RMB10.0 million (six months ended 30 June 2017: RMB17.2 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.

Share options

The Company has adopted a share option scheme on 30 January 2009 (the "Share Option Scheme"). There was no share options outstanding as at 30 June 2018 and 31 December 2017 and no option was issued by the Company. 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 of directors (the "Board") for the six-month periods ended 30 June 2018 and 2017.

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 2018, 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 2018.

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 2018 the directors and chief executive of the Company had the following interests and 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 2018 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	54,421,500	5.98%	N/A	N/A
Value Partners Group Limited (Note iv)	Interest of controlled corporation	54,421,500	5.98%	N/A	N/A
Cheah Capital Management Limited (Note iv)	Interest of controlled corporation	54,421,500	5.98%	N/A	N/A
Cheah Company Limited (Note iv)	Interest of controlled corporation	54,421,500	5.98%	N/A	N/A
BNP Paribas Jersey Nominee Company Limited (Note iv)	Nominee	54,421,500	5.98%	N/A	N/A
BNP Paribas Jersey Trust Corporation Limited (Note iv)	Trustee	54,421,500	5.98%	N/A	N/A
Cheah Cheng Hye (Note iv)	Founder of a discretional trust	54,421,500	5.98%	N/A	N/A

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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
To Hau Yin (Note iv)	Interest of spouse of a substantial shareholder	54,421,500	5.98%	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 Yumin (Note vi)	Interest of controlled corporation	226,250,667	24.90%	N/A	N/A
Niu Jinsheng (Note vi)	Interest of controlled corporation	226,250,667	24.90%	N/A	N/A
Manulife Financial Corporation (Note vii)	Investment manager	46,485,000	5.12%	N/A	N/A

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%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Notes:

- (i) As at 30 June 2018, 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 2018, 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 21.80% 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 2018, 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 2018, Quanmin Investments Limited was 100% controlled by Rosy China Enterprises Limited, which was controlled by Mr. Tao Yumin and Mr. Niu Jinsheng as to 50% and 50%, respectively.
- (vii) These shares were held by Manulife Financial Corporation through its wholly-owned subsidiaries. The event that triggered a filing obligation was the replacement of investment manager of Manulife Global Fund — China Value Fund from a third-party investment manager to Manulife Investment Management (Hong Kong) Limited.

Other than as disclosed above, as at 30 June 2018, 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 2018, 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 2018.

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 2018 (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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Code Provision A.1.3

Code Provision A.1.3 of the CG Code requires that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the Reporting Period, certain regular Board meetings were convened with less than 14 days' notice in order to discuss certain urgent businesses in a timely manner and the shorter notice period was consented to by the directors each time. Notwithstanding the aforesaid, the Board will use its best endeavor to comply with Code Provision A.1.3 of the CG Code in the future.

As per the latest improved corporate governance practice of the Company, since August 2019, notice of regular board meetings has been dispatched to all directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days (or any other agreed date) before each board meeting or committee meeting to keep directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

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. During the Reporting Period, the Company made update announcements on 15 January 2018, 2 March 2018, 29 March 2018, 4 May 2018 and 12 June 2018, respectively.

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 2018 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 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
Revenue		—	—
Other income		3,896	—
Interest revenue	5	8	271
Administrative expenses		(25,547)	(26,297)
Other expenses		(7,735)	(20,998)
Loss from operations		(29,378)	(47,024)
Finance costs		(3,072)	(1,699)
Loss before tax	5	(32,450)	(48,723)
Income tax expense	6	—	—
Loss and total comprehensive loss for the period		(32,450)	(48,723)
Loss and total comprehensive loss for the period attributable to:			
Owners of the Company		(31,610)	(48,183)
Non-controlling interests		(840)	(540)
		(32,450)	(48,723)
Loss per share			
Basic	7	(RMB3.48 cents)	(RMB5.30 cents)
Diluted	7	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June 2018	31 December 2017
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	118	159
Exploration and evaluation assets	10	—	—
		118	159
Current assets			
Prepayment, deposits and other receivables		10,839	5,568
Bank and cash balances	11	553,717	571,163
		564,556	576,731
Current liabilities			
Other payables		125,056	107,452
Short-term borrowings	12	25,870	23,240
Current tax liabilities		915	915
		151,841	131,607
Net current assets		412,715	445,124
Total assets less current liabilities		412,833	445,283
Non-current liabilities			
Provision for restoration cost		9,094	9,094
Deferred tax liabilities		16,724	16,724
		25,818	25,818
NET ASSETS		387,015	419,465
Capital and reserves			
Share capital		797,619	797,619
Reserves		(292,684)	(261,074)
Equity attributable to owners of the Company		504,935	536,545
Non-controlling interests		(117,920)	(117,080)
TOTAL EQUITY		387,015	419,465

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company						Total	Non-Controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Capital reserve	Other reserve	Accumulated losses			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017 (Audited)	797,619	2,428,631	73,165	34,521	(165,232)	(2,528,600)	640,104	(116,132)	523,972
Loss and total comprehensive loss for the period (Unaudited)	—	—	—	—	—	(48,183)	(48,183)	(540)	(48,723)
At 30 June 2017 (Unaudited)	797,619	2,428,631	73,165	34,521	(165,232)	(2,576,783)	591,921	(116,672)	475,249
At 1 January 2018 (Audited)	797,619	2,428,631	73,165	34,521	(165,232)	(2,632,159)	536,545	(117,080)	419,465
Loss and total comprehensive loss for the period (Unaudited)	—	—	—	—	—	(31,610)	(31,610)	(840)	(32,450)
At 30 June 2018 (Unaudited)	797,619	2,428,631	73,165	34,521	(165,232)	(2,663,769)	504,935	(117,920)	387,015

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
Net cash used in operating activities	(9,269)	(22,984)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(7,735)	(1,666)
Net cash used in investing activities	(7,735)	(1,666)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan interest paid	(3,072)	(1,699)
Proceeds from borrowings	3,600	80
Repayment of borrowings	(970)	—
Net cash used in financing activities	(442)	(1,619)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,446)	(26,269)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	571,163	674,083
CASH AND CASH EQUIVALENTS AT END OF PERIOD	553,717	647,814
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	553,717	647,814

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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 2018 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 2017. The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017 except as stated below.

(a) Financial assets

Financial assets are recognized and derecognized on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognized at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets of the Group are classified as financial assets at amortized cost.

(b) Financial assets at amortized cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortized cost using the effective interest method less loss allowance for expected credit losses.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

1. GENERAL INFORMATION (Continued)

(c) Loss allowances for expected credit losses

The Group recognizes loss allowances for expected credit losses on financial assets at amortized cost, debt investments at fair value through other comprehensive income, contract assets, lease receivables, financial guarantee contracts and loan commitments. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each Reporting Period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, contract assets and lease receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the Reporting Period, the credit risk on a financial instrument (other than trade receivables, contract assets and lease receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the Reporting Period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the Reporting Period to the required amount is recognized in profit or loss as an impairment gain or loss.

(d) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

1. GENERAL INFORMATION (Continued)

(d) Revenue from contracts with customers (Continued)

If a performance obligation is satisfied over time, revenue is recognized by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the product or service.

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 RMB31,610,000 for the six months ended 30 June 2018 and there are certain issues on Guangfa bank accounts of the Group described in Note 11 amounting to approximately RMB452,419,000. 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.

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 2018. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

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.

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 2018				
(Unaudited)				
Segment loss before tax	(8,999)	(154)	(16,839)	(25,992)
As at 30 June 2018 (Unaudited)				
Segment assets	3,276	82	380	3,738

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

4. SEGMENT INFORMATION (Continued)

	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 2017 (Unaudited)				
Segment loss before tax	(5,290)	(643)	(2,123)	(8,056)
As at 31 December 2017 (Audited)				
Segment assets	2,913	47	3,907	6,867
Reconciliation of reportable segment profit or loss:				
			For the six months ended 30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
Profit or loss				
Total loss of reportable segments			(25,992)	(8,056)
Unallocated other income and interest revenue			3,904	271
Unallocated corporate expenses			(10,362)	(21,611)
Unallocated other expenses			—	(19,327)
Consolidated loss before tax			(32,450)	(48,723)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

5. LOSS BEFORE TAX

	For the six months ended	
	30 June 2018	30 June 2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>The Group's loss before tax is stated after charging the followings:</i>		
Depreciation of property, plant and equipment	41	52
Exchange loss (included in other expenses)	—	19,327
Impairment losses on property, plant and equipment	7,735	1,671
<i>and after crediting the followings:</i>		
Bank interest income	8	271
Exchange gain (included in other income)	3,896	—

6. INCOME TAX EXPENSE

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 2017: 25%).

7. LOSS PER SHARE

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

	For the six months ended	
	30 June 2018	30 June 2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation	(31,610)	(48,183)
Number of shares		
Weighted average number of ordinary shares, used in basic loss per share calculation	908,786,213	908,786,213

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

7. LOSS PER SHARE (Continued)

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the six-month periods ended 30 June 2018 and 2017.

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. The Group will apply to the Huizhou Administration Bureau for Industry and Commerce to register the change in legal representative of Fubon in due course.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of approximately RMB7,735,000 (six months ended 30 June 2017: RMB1,666,000).

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

11. 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 Ruilin (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 2018

11. 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 2018, the total bank balance in Guangfa Bank accounts was approximately RMB452,419,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

12. SHORT-TERM BORROWINGS

	As at	
	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Unaudited)
Short-term borrowings repayable on demand	25,870	23,240

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.

13. 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 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
The remuneration of directors and other members of key management during the Reporting Period is as follows:		
Short-term benefits	3,358	6,732

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.

14. 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.