

CHINA GOLD INTERNATIONAL RESOURCES
CORP. LTD.

(incorporated in British Columbia, Canada with
limited liability)

Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2019

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

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CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 (unaudited)

| | NOTES | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------|-------------------------------------|------------------|------------------------------------|------------------|
| | | 2019 US\$'000 | 2018 US\$'000 | 2019 US\$'000 | 2018 US\$'000 |
| Revenues | 3 | 186,375 | 158,841 | 495,133 | 407,613 |
| Cost of sales | | (160,094) | (123,743) | (446,294) | (330,168) |
| Mine operating earnings | | 26,281 | 35,098 | 48,839 | 77,445 |
| Expenses | | | | | |
| General and administrative expenses | 4 | (11,762) | (12,666) | (34,789) | (34,723) |
| Exploration and evaluation expenditure | | (368) | (134) | (658) | (463) |
| Research and development costs | | (4,308) | (3,068) | (13,705) | (8,421) |
| | | (16,438) | (15,868) | (49,152) | (43,607) |
| Income (loss) from operations | | 9,843 | 19,230 | (313) | 33,838 |
| Other (expenses) income | | | | | |
| Foreign exchange loss, net | | (9,616) | (11,024) | (11,742) | (14,141) |
| Gain on recognition of other assets | | 11,245 | - | 11,245 | - |
| Interest and other income | | 1,468 | 1,705 | 3,366 | 15,930 |
| Finance costs | 5 | (10,560) | (10,909) | (32,130) | (33,251) |
| | | (7,463) | (20,228) | (29,261) | (31,462) |
| Profit (loss) before income tax | | 2,380 | (998) | (29,574) | 2,376 |
| Income tax (expense) credit | 6 | (2,701) | (3,591) | 1,728 | (4,571) |
| Loss for the period | | (321) | (4,589) | (27,846) | (2,195) |
| Other comprehensive (expenses) income for the period | | | | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | | | | |
| Fair value gain (loss) on investment in an equity security | | 488 | (2,735) | (3,617) | (1,829) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | |
| Exchange difference arising on translation of foreign operation | | (8,454) | (9,734) | (8,871) | (14,602) |
| Total comprehensive expenses for the period | | (8,287) | (17,058) | (40,334) | (18,626) |
| (Loss) profit for the period attributable to | | | | | |
| Non-controlling interests | | 342 | 290 | 236 | 716 |
| Owners of the Company | | (663) | (4,879) | (28,082) | (2,911) |
| | | (321) | (4,589) | (27,846) | (2,195) |

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

| | | Three months ended September 30, | | Nine months ended September 30, | |
|---|--------------|-------------------------------------|-------------------------|------------------------------------|-------------------------|
| | <u>NOTES</u> | <u>2019</u> US\$'000 | <u>2018</u> US\$'000 | <u>2019</u> US\$'000 | <u>2018</u> US\$'000 |
| Total comprehensive (expenses) income for the period attributable to Non-controlling interests Owners of the Company | | 340 <u>(8,627)</u> | 295 <u>(17,353)</u> | 238 <u>(40,572)</u> | 725 <u>(19,351)</u> |
| | | <u>(8,287)</u> | <u>(17,058)</u> | <u>(40,334)</u> | <u>(18,626)</u> |
| Loss per share - Basic (US cents) | 7 | <u>(0.17)</u> | <u>(1.23)</u> | <u>(7.08)</u> | <u>(0.73)</u> |
| Weighted average number of common shares - Basic | 7 | <u>396,413,753</u> | <u>396,413,753</u> | <u>396,413,753</u> | <u>396,413,753</u> |

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT SEPTEMBER 30, 2019 (unaudited)

| | <u>NOTES</u> | September 30, <u>2019</u> US\$'000 | December 31, <u>2018</u> US\$'000 (audited) |
|--|--------------|--|--|
| Current assets | | | |
| Cash and cash equivalents | | 192,513 | 137,996 |
| Restricted bank balance | | 15,358 | 16,100 |
| Trade and other receivables | 8 | 12,192 | 23,303 |
| Prepaid expenses and deposits | | 6,309 | 4,107 |
| Prepaid lease payments | | - | 446 |
| Inventories | 9 | 271,718 | 282,958 |
| | | <u>498,090</u> | <u>464,910</u> |
| Non-current assets | | | |
| Prepaid expense and deposits | | 25,799 | 30,813 |
| Right-of-use assets | | 13,329 | - |
| Prepaid lease payments | | - | 14,515 |
| Equity instruments at fair value through other comprehensive income | 15 | 14,603 | 20,230 |
| Property, plant and equipment | 10 | 1,696,667 | 1,765,360 |
| Mining rights | 10 | 905,161 | 920,067 |
| Other non-current asset | 11 | 11,830 | - |
| | | <u>2,667,389</u> | <u>2,750,985</u> |
| Total assets | | <u>3,165,479</u> | <u>3,215,895</u> |
| Current liabilities | | | |
| Accounts and other payables and accrued expenses | 12 | 292,771 | 292,013 |
| Contract liabilities | | 2,556 | 4,593 |
| Borrowings | 13 | 559,109 | 123,921 |
| Entrusted loan payable | | 28,277 | - |
| Lease liabilities | | 40 | - |
| Tax liabilities | | 5,127 | 5,074 |
| | | <u>887,880</u> | <u>425,601</u> |
| Net current (liabilities) assets | | <u>(389,790)</u> | <u>39,309</u> |
| Total assets less current liabilities | | <u>2,277,599</u> | <u>2,790,294</u> |

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

| | <u>NOTE</u> | September 30, <u>2019</u> US\$'000 | December 31, <u>2018</u> US\$'000 (audited) |
|---|-------------|--|--|
| Non-current liabilities | | | |
| Borrowings | 13 | 646,128 | 1,086,237 |
| Deferred tax liabilities | | 120,320 | 122,732 |
| Deferred income | | 3,085 | 3,478 |
| Entrusted loan payable | | - | 29,140 |
| Environmental rehabilitation | | 59,327 | 59,469 |
| | | <u>828,860</u> | <u>1,301,056</u> |
| Total liabilities | | <u>1,716,740</u> | <u>1,726,657</u> |
| Owners' equity | | | |
| Share capital | 14 | 1,229,061 | 1,229,061 |
| Reserves | | 5,417 | 15,570 |
| Retained profits | | 199,383 | 229,802 |
| | | <u>1,433,861</u> | <u>1,474,433</u> |
| Non-controlling interests | | 14,878 | 14,805 |
| Total owners' equity | | <u>1,448,739</u> | <u>1,489,238</u> |
| Total liabilities and owners' equity | | <u><u>3,165,479</u></u> | <u><u>3,215,895</u></u> |

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on November 14, 2019 and are signed on its behalf by:

(Signed by) Xin Song

Xin Song
Director

(Signed by) Liangyou Jiang

Liangyou Jiang
Director

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 (unaudited)**

| | Attributable to owners of the Company | | | | | | | Subtotal US\$'000 | Non- controlling interests US\$'000 | Total owners' equity US\$'000 |
|---|---------------------------------------|------------------------------|-------------------------------|--|---------------------------------|----------------------------------|---------------------------------|----------------------|--|--|
| | Number of shares | Share capital US\$'000 | Equity reserve US\$'000 | Investment revaluation reserve US\$'000 | Exchange reserve US\$'000 | Statutory reserve US\$'000 | Retained profits US\$'000 | | | |
| At January 1, 2018 | 396,413,753 | 1,229,061 | 11,179 | (330) | (639) | 18,415 | 237,650 | 1,495,336 | 14,648 | 1,509,984 |
| (Loss) profit for the period | - | - | - | - | - | - | (2,911) | (2,911) | 716 | (2,195) |
| Fair value loss on investment in an equity security | - | - | - | (1,829) | - | - | - | (1,829) | - | (1,829) |
| Exchange difference arising on translation | - | - | - | - | (14,611) | - | - | (14,611) | 9 | (14,602) |
| Total comprehensive (loss) income for the period | - | - | - | (1,829) | (14,611) | - | (2,911) | (19,351) | 725 | (18,626) |
| Transfer to statutory reserve - safety production fund | - | - | - | - | - | 1,224 | (1,224) | - | - | - |
| Dividends paid to a non-controlling shareholder | - | - | - | - | - | - | - | - | (494) | (494) |
| At September 30, 2018 | <u>396,413,753</u> | <u>1,229,061</u> | <u>11,179</u> | <u>(2,159)</u> | <u>(15,250)</u> | <u>19,639</u> | <u>233,515</u> | <u>1,475,985</u> | <u>14,879</u> | <u>1,490,864</u> |
| At January 1, 2019 | 396,413,753 | 1,229,061 | 11,179 | (1,791) | (15,244) | 21,426 | 229,802 | 1,474,433 | 14,805 | 1,489,238 |
| (Loss) profit for the period | - | - | - | - | - | - | (28,082) | (28,082) | 236 | (27,846) |
| Fair value loss on investment in an equity security | - | - | - | (3,617) | - | - | - | (3,617) | - | (3,617) |
| Exchange difference arising on translation | - | - | - | - | (8,873) | - | - | (8,873) | 2 | (8,871) |
| Total comprehensive (loss) income for the period | - | - | - | (3,617) | (8,873) | - | (28,082) | (40,572) | 238 | (40,334) |
| Transfer to statutory reserve - safety production fund | - | - | - | - | - | 2,901 | (2,901) | - | - | - |
| Dividends paid to a non-controlling shareholder | - | - | - | - | - | - | - | - | (165) | (165) |
| Transfer upon disposal of investment in an equity security | - | - | - | (564) | - | - | 564 | - | - | - |
| At September 30, 2019 | <u>396,413,753</u> | <u>1,229,061</u> | <u>11,179</u> | <u>(5,972)</u> | <u>(24,117)</u> | <u>24,327</u> | <u>199,383</u> | <u>1,433,861</u> | <u>14,878</u> | <u>1,448,739</u> |

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 (unaudited)

| | Three months ended | | Nine months ended | |
|--|--------------------|-----------------|-------------------|-----------------|
| | September 30, | | September 30, | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Net cash from operating activities | <u>64,368</u> | <u>53,557</u> | <u>127,906</u> | <u>109,646</u> |
| Investing Activities | | | | |
| Interest income received | 305 | 740 | 1,284 | 2,035 |
| Payment for acquisition of property, plant and equipment | (36,713) | (50,416) | (92,791) | (75,566) |
| Proceeds from disposal of equity investment at fair value through other comprehensive income | - | - | 2,023 | - |
| Dividends received from equity investment at fair value through other comprehensive income | 592 | - | 592 | - |
| Payment for acquisition of mining rights | (557) | - | (2,787) | - |
| Deposit paid for acquisition of property, plant and equipment | - | - | - | (8) |
| Proceeds from disposal of property, plant and equipment | 12 | - | 12 | - |
| Placement of restricted bank balance | (10,572) | (30,771) | (18,025) | (93,553) |
| Release of restricted bank balance | 2,148 | 32,217 | 18,299 | 98,813 |
| Net cash used in investing activities | <u>(44,785)</u> | <u>(48,230)</u> | <u>(91,393)</u> | <u>(68,279)</u> |
| Financing Activities | | | | |
| Proceeds from borrowings | - | 68,525 | 81,197 | 123,459 |
| Repayment of borrowings | - | (37,098) | (61,267) | (124,992) |
| Dividends paid to a non-controlling shareholder | - | (170) | (165) | (494) |
| Payment for lease | (20) | - | (63) | - |
| Net cash (used in) from financing activities | <u>(20)</u> | <u>31,257</u> | <u>19,702</u> | <u>(2,027)</u> |
| Net increase in cash and cash equivalents | 19,563 | 36,584 | 56,215 | 39,340 |
| Cash and cash equivalents, beginning of period | 175,245 | 148,626 | 137,996 | 147,318 |
| Effect of foreign exchange rate changes on cash and cash equivalents | <u>(2,295)</u> | <u>(1,685)</u> | <u>(1,698)</u> | <u>(3,133)</u> |
| Cash and cash equivalents, end of period | <u>192,513</u> | <u>183,525</u> | <u>192,513</u> | <u>183,525</u> |
| Cash and cash equivalents are comprised of | | | | |
| Cash and bank deposits | <u>192,513</u> | <u>183,525</u> | <u>192,513</u> | <u>183,525</u> |

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

1. GENERAL

China Gold International Resources Corp. Ltd., (the "Company") is a publicly listed company incorporated in British Columbia, Canada on May 31, 2000 with limited liability under the legislation of the Province of British Columbia and its shares are listed on the Toronto Stock Exchange ("TSX") and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company together with its subsidiaries (collectively referred to as the "Group") is principally engaged in the acquisition, exploration, development and mining of mineral properties in the People's Republic of China (the "PRC"). The Group considers that China National Gold Group Corporation ("CNG"), a state owned company registered in Beijing, PRC which is controlled by State-owned Assets Supervision and Administration Commission of the State Council of the PRC, is able to exercise significant influence over the Company.

The head office, principal address and registered and records office of the Company are located at Suite 660, One Bentall Centre, 505 Burrard Street, Vancouver, British Columbia, Canada, V7X 1M4.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") issued by the International Accounting Standards Board.

The condensed consolidated financial statements are presented in United States Dollars ("US\$"), which is the functional currency of the Company.

For the nine months ended September 30, 2019, the Group has incurred loss after tax of US\$28 million. At September 30, 2019, the Group's current liabilities exceeded its current assets by approximately US\$390 million. In view of financial position and current period loss incurred, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the Group's cash flow projection, including the Group's proposed plan to issue bonds to independent third parties in an aggregate principal amount of US\$500 million, ability and historical experience to renew or refinance the bank borrowings upon maturity and the Group's future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that it has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

In the current interim period, the Group has applied the following new and revised International Financial Reporting Standards ("IFRSs") which are mandatorily effective for the current interim period:

| | |
|----------------------|--|
| IFRS 16 | Leases |
| IFRIC 23 | Uncertainty over Income Tax Treatments |
| Amendments to IFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to IAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to IAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to IFRSs | Annual Improvements to IFRS Standards 2015 - 2017 Cycle |

Except as described below:

- The application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements;
- The accounting policies and methods of computation used in the condensed consolidated financial statements for the nine months ended September 30, 2019 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018.

IFRS 16 Leases

Transition and summary of effects arising from initial application of IFRS 16

The Group has adopted IFRS 16 for the annual period beginning January 1, 2019 using the modified retrospective approach and therefore the comparative information has not been restated and the cumulative effect of initially applying IFRS 16 has been recorded on January 1, 2019.

On transition to IFRS 16, the Group recognised lease liabilities for leases which were previously classified as operating leases under IAS 17 *Leases* and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application. These liabilities were measured at the present value of the remaining lease payments, discounted using the rate that reflects the weighted average lessee's incremental borrowing rate of 3.6% as of January 1, 2019.

As at January 1, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities, adjusted by any prepaid lease payments, by applying IFRS 16.C8(b)(ii) transition.

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

2. PRINCIPAL ACCOUNTING POLICIES - continued

IFRS 16 Leases - continued

Transition and summary of effects arising from initial application of IFRS 16 – continued

The Group has made use of the following practical expedients available on transition to IFRS 16:

- Relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- Apply the recognition exemptions for leases that end within 12 months of the date of initial application, and account for them as short-term leases; and
- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The impact to the Group's condensed consolidated financial statements at January 1, 2019 was as follows:

| | At January 1, <u>2019</u> US\$'000 |
|---|--|
| Operating lease commitments as at December 31, 2018 | 364 |
| Effect from discounting at the incremental borrowing rate as at January 1, 2019 | (2) |
| Recognition exemption for: | |
| Short-term leases and low-value items | <u>(261)</u> |
| Lease liability as at January 1, 2019 | 101 |
| Less: Current-portion | <u>(83)</u> |
| Non-current portion | <u><u>18</u></u> |

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

| | Right-of-use <u>assets</u> US\$'000 |
|---|---|
| Right-of-use assets relating to operating leases recognised upon application of IFRS 16 | 101 |
| Reclassified from prepaid lease payments (Note) | <u>14,961</u> |
| | <u><u>15,062</u></u> |
| By class: | |
| Office premise | 101 |
| Leasehold land | <u>14,961</u> |
| | <u><u>15,062</u></u> |

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

2. PRINCIPAL ACCOUNTING POLICIES - continued

IFRS 16 Leases - continued

Transition and summary of effects arising from initial application of IFRS 16 – continued

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at December 31, 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to US\$446,000 and US\$14,515,000 respectively were reclassified to right-of-use assets.

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

| | Carrying amounts previously recorded at <u>December 31, 2018</u> US\$'000 | <u>Adjustments</u> US\$'000 | Carrying amounts under IFRS 16 <u>January 1, 2019</u> US\$'000 |
|------------------------------|--|--------------------------------|---|
| Current asset | | | |
| Prepaid lease payments | 446 | (446) | - |
| Non-current assets | | | |
| Prepaid lease payments | 14,515 | (14,515) | - |
| Right-of-use assets | - | 15,062 | 15,062 |
| Current liability | | | |
| Lease liabilities | - | (83) | (83) |
| Non-current liability | | | |
| Lease liabilities | - | (18) | (18) |

Key changes in accounting policies resulting from application of IFRS 16

The Group has applied the following accounting policy for leases upon adoption of IFRS 16 on January 1, 2019.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease, at inception or modification of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

2. PRINCIPAL ACCOUNTING POLICIES - continued

IFRS 16 Leases - continued

Key changes in accounting policies resulting from application of IFRS 16 - continued

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is presented as a separate line in the condensed consolidated statement of financial position. Furthermore, lease payments in relation to lease liability are presented as financing cash flows by the Group.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, any initial direct costs and dismantling costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The right-of-use assets are presented as a separate line in the condensed consolidated statement of financial position.

Lease modifications

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

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

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

CHINA GOLD INTERNATIONAL RESOURCES CORP. LTD.

2. PRINCIPAL ACCOUNTING POLICIES - continued

IFRS 16 Leases - continued

Key changes in accounting policies resulting from application of IFRS 16 - continued

Taxation

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Refundable rental deposits

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

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

The following is an analysis of the Group's revenue from its major products and services:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---------------------------|-------------------------------------|----------------|------------------------------------|----------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| <u>At a point in time</u> | | | | |
| Gold bullion | 62,374 | 39,962 | 152,219 | 134,655 |
| Copper concentrate | 88,286 | 87,170 | 234,272 | 197,813 |
| Other by-products | 35,715 | 31,709 | 108,642 | 75,145 |
| Total revenue | <u>186,375</u> | <u>158,841</u> | <u>495,133</u> | <u>407,613</u> |

3. REVENUE AND SEGMENT INFORMATION- continued

Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision-maker ("CODM") to allocate resources to the segments and to assess their performance.

The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been defined as the executive directors of the Company. The CODM has identified two operating and reportable segments as follows:

- (i) The mine-produced gold segment - the production of gold bullion through the Group's integrated processes, i.e., mining, metallurgical processing, production and selling of gold doré bars to external clients.
 - (ii) The mine-produced copper segment - the production of copper concentrate and other by-products through the Group's integrated processes, i.e., mining, metallurgical processing, production and selling copper concentrate and other by-products to external clients.
- (a) Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

For the nine months ended September 30, 2019

| | Mine - produced gold US\$'000 | Mine - produced copper US\$'000 | Segment total US\$'000 | Unallocated US\$'000 | Consolidated US\$'000 |
|--|--|--|------------------------------|-------------------------|--------------------------|
| Revenues - external and segment revenue | 152,219 | 342,914 | 495,133 | - | 495,133 |
| Cost of sales | <u>(150,231)</u> | <u>(296,063)</u> | <u>(446,294)</u> | - | <u>(446,294)</u> |
| Mining operating earnings | <u>1,988</u> | <u>46,851</u> | <u>48,839</u> | - | <u>48,839</u> |
| Income (loss) from operations | 1,332 | 5,439 | 6,771 | (7,084) | (313) |
| Foreign exchange gain (loss), net | 2,307 | (14,227) | (11,920) | 178 | (11,742) |
| Gain on recognition of other assets | - | 11,245 | 11,245 | - | 11,245 |
| Interest and other income | 351 | 2,386 | 2,737 | 629 | 3,366 |
| Finance costs | <u>(3,474)</u> | <u>(15,525)</u> | <u>(18,999)</u> | <u>(13,131)</u> | <u>(32,130)</u> |
| Profit (loss) before income tax | <u>516</u> | <u>(10,682)</u> | <u>(10,166)</u> | <u>(19,408)</u> | <u>(29,574)</u> |

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3. REVENUE AND SEGMENT INFORMATION- continued

(a) Segment revenues and results- continued

For the nine months ended September 30, 2018

| | Mine - produced <u>gold</u> US\$'000 | Mine - produced <u>copper</u> US\$'000 | Segment <u>total</u> US\$'000 | <u>Unallocated</u> US\$'000 | <u>Consolidated</u> US\$'000 |
|--|---|---|-------------------------------------|--------------------------------|---------------------------------|
| Revenues - external and segment revenue | 134,655 | 272,958 | 407,613 | - | 407,613 |
| Cost of sales | <u>(117,672)</u> | <u>(212,496)</u> | <u>(330,168)</u> | - | <u>(330,168)</u> |
| Mining operating earnings | <u>16,983</u> | <u>60,462</u> | <u>77,445</u> | - | <u>77,445</u> |
| Income (loss) from operations | 16,520 | 24,168 | 40,688 | (6,850) | 33,838 |
| Foreign exchange gain (loss), net | 10,168 | (24,309) | (14,141) | - | (14,141) |
| Interest and other income | 570 | 14,649 | 15,219 | 711 | 15,930 |
| Finance costs | <u>(3,820)</u> | <u>(16,302)</u> | <u>(20,122)</u> | <u>(13,129)</u> | <u>(33,251)</u> |
| Profit (loss) before income tax | <u>23,438</u> | <u>(1,794)</u> | <u>21,644</u> | <u>(19,268)</u> | <u>2,376</u> |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit (loss) before income tax, without allocation of general and administrative expenses, foreign exchange gain, interest and other income and finance costs, attributable to respective segment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

There were no inter-segment sales for the nine months ended September 30, 2019 and 2018.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by segment representing assets/liabilities directly attributable to respective segment:

| | Mine - produced <u>gold</u> US\$'000 | Mine - produced <u>copper</u> US\$'000 | Segment <u>total</u> US\$'000 | <u>Unallocated</u> US\$'000 | <u>Consolidated</u> US\$'000 |
|---------------------------------|---|---|-------------------------------------|--------------------------------|---------------------------------|
| As of September 30, 2019 | | | | | |
| Total assets | 745,766 | 2,394,266 | 3,140,032 | 25,447 | 3,165,479 |
| Total liabilities | 213,889 | 996,183 | 1,210,072 | 506,668 | 1,716,740 |
| As of December 31, 2018 | | | | | |
| Total assets | 745,729 | 2,435,072 | 3,180,801 | 35,094 | 3,215,895 |
| Total liabilities | 203,453 | 1,013,025 | 1,216,478 | 510,179 | 1,726,657 |

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than cash and cash equivalents, other receivables, prepaid expenses and deposits, and equity instrument at FVTOCI; and
- all liabilities are allocated to operating segments other than other payables and accrued expenses and certain borrowings.

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4. GENERAL AND ADMINISTRATIVE EXPENSES

| | Three months ended | | Nine months ended | |
|---|--------------------|---------------|-------------------|---------------|
| | September 30, | | September 30, | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Administration and office | 3,590 | 3,255 | 10,913 | 13,616 |
| Depreciation of property, plant and equipment and right-of-use assets | 1,169 | 1,132 | 4,503 | 2,919 |
| Professional fees | 837 | 1,492 | 2,235 | 2,630 |
| Salaries and benefits | 3,331 | 5,528 | 11,655 | 12,312 |
| Others | 2,835 | 1,259 | 5,483 | 3,246 |
| | <u>11,762</u> | <u>12,666</u> | <u>34,789</u> | <u>34,723</u> |

5. FINANCE COSTS

| | Three months ended | | Nine months ended | |
|---|--------------------|---------------|-------------------|---------------|
| | September 30, | | September 30, | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Effective interests on borrowings and lease liabilities | 10,100 | 10,199 | 30,977 | 31,016 |
| Accretion on environmental rehabilitation | 546 | 710 | 1,674 | 2,235 |
| | <u>10,646</u> | <u>10,909</u> | <u>32,651</u> | <u>33,251</u> |
| Less: Amount capitalised to property, plant and equipment | <u>(86)</u> | <u>-</u> | <u>(521)</u> | <u>-</u> |
| Total finance costs | <u>10,560</u> | <u>10,909</u> | <u>32,130</u> | <u>33,251</u> |

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6. INCOME TAX EXPENSE

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|-------------------------|------------------------------------|-------------------------|
| | <u>2019</u> US\$'000 | <u>2018</u> US\$'000 | <u>2019</u> US\$'000 | <u>2018</u> US\$'000 |
| PRC Enterprise Income Tax | 926 | 743 | 1,816 | 3,226 |
| Overprovision of PRC Enterprise Income Tax in prior year | - | - | (989) | (2,266) |
| Deferred tax expense (credit) | <u>1,775</u> | <u>2,848</u> | <u>(2,555)</u> | <u>3,611</u> |
| Total income tax expense | <u><u>2,701</u></u> | <u><u>3,591</u></u> | <u><u>(1,728)</u></u> | <u><u>4,571</u></u> |

7. LOSS PER SHARE

Loss used in determining loss per share are presented below:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|----------------------|------------------------------------|----------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Loss for the period attributable to owners of the Company for the purposes of basic loss per share (US\$'000) | <u>(663)</u> | <u>(4,879)</u> | <u>(28,082)</u> | <u>(2,911)</u> |
| Weighted average number of shares, basic | <u>396,413,753</u> | <u>396,413,753</u> | <u>396,413,753</u> | <u>396,413,753</u> |
| Basic loss per share (US cents) | <u><u>(0.17)</u></u> | <u><u>(1.23)</u></u> | <u><u>(7.08)</u></u> | <u><u>(0.73)</u></u> |

The Group has no outstanding potential dilutive instruments issued as at September 30, 2019 and 2018 and during the three and nine months ended September 30, 2019 and 2018. Therefore, no diluted loss per share is presented.

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8. TRADE AND OTHER RECEIVABLES

| | September 30, <u>2019</u> US\$'000 | December 31, <u>2018</u> US\$'000 |
|--|--|---|
| Trade receivables | 1,936 | 570 |
| Less: Allowance for credit loss | <u>(45)</u> | <u>(46)</u> |
| | 1,891 | 524 |
| Amounts due from related companies (note 15(a)) ⁽¹⁾ | 730 | 725 |
| Other receivables ⁽²⁾ | <u>9,571</u> | <u>22,054</u> |
| Total trade and other receivables | <u>12,192</u> | <u>23,303</u> |

Notes:

- (1) The non-trade amounts are unsecured, interest free and repayable on demand.
- (2) Included in the balance as at September 30, 2019, an amount of approximately US\$5,416,000 (December 31, 2018: US\$19,201,000) value-added tax recoverable is expected to be recovered within twelve months after the end of the reporting period.

The Group allows an average credit period of 90 days and 180 days to its external trade customers including CNG for gold doré bars sales and copper sales, respectively.

Below is an aged analysis of trade receivables (net of allowance) presented based on invoice dates, which approximated the respective revenue recognition dates, at the end of the reporting period:

| | September 30, <u>2019</u> US\$'000 | December 31, <u>2018</u> US\$'000 |
|-------------------|--|---|
| Less than 30 days | 1,250 | 227 |
| 31 to 90 days | 295 | 119 |
| 91 to 180 days | 81 | 60 |
| Over 180 days | <u>265</u> | <u>118</u> |
| | <u>1,891</u> | <u>524</u> |

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9. INVENTORIES

| | September 30, <u>2019</u> US\$'000 | December 31, <u>2018</u> US\$'000 |
|-------------------|--|---|
| Gold in process | 199,726 | 203,067 |
| Gold doré bars | 21,247 | 19,021 |
| Consumables | 19,494 | 29,794 |
| Copper | 9,500 | 17,251 |
| Spare parts | <u>21,751</u> | <u>13,825</u> |
| Total inventories | <u>271,718</u> | <u>282,958</u> |

Inventory write down was provided in cost of sales for three and nine months ended September 30, 2019 totalling to nil and US\$4.3 million (three and nine months ended September 30, 2018: nil and nil) respectively.

Inventory totalling US\$153 million and US\$426 million for the three and nine months ended September 30, 2019 (three and nine months ended September 30, 2018: US\$117 million and US\$315 million) was recognised in cost of sales.

10. PROPERTY, PLANT AND EQUIPMENT / MINING RIGHTS

During the nine months ended September 30, 2019, the Group mainly incurred US\$14.1 million on construction in progress (nine months ended September 30, 2018: approximately US\$48.0 million) and approximately US\$58.1 million on mineral assets (nine months ended September 30, 2018: US\$70.4 million).

Depreciation of property, plant and equipment was US\$39.2 million and US\$109.1 million for the three and nine months ended September 30, 2019, respectively (for the three and nine months ended September 30, 2018: US\$27.5 million and US\$92.1 million, respectively). The depreciation amounts were partly recognised in cost of sales, general and administrative expenses and partly capitalised in inventory.

During the nine months ended September 30, 2019, the Group incurred US\$11.1 million on mining rights (for the nine months ended September 30, 2018: nil). Amortisation of mining rights was US\$8.6 million and US\$23.6 million for the three and nine months ended September 30, 2019, respectively (for the three and nine months ended September 30, 2018: US\$7.6 million and US\$17.1 million, respectively). The amortisation amounts were recognised in cost of sales.

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11. OTHER NON-CURRENT ASSET

During the nine months ended September 30, 2019, the Group entered into a cooperation agreement (the "Cooperation Agreement") with an independent third party property developer (the "Developer") in relation to the development of a composite project in Lhasa, Tibet, China. Pursuant to the Cooperation Agreement, the Group agreed to transfer the land use right for the development and the Developer agreed to compensate the Group by transferring a block of one of the buildings and twenty car parks (the "New Premises") within two years from the date of the Cooperation Agreement. During the period, the land use right was transferred to the Developer. Accordingly, the Group derecognised the right-of-use assets with a carrying amount of approximately US\$941,000 (equivalent to RMB6,656,000) at the date of transfer, and recognised the right to receive the New Premises of approximately US\$11,830,000 (equivalent to RMB83,670,000), which approximates the fair value of the land, and the related gain of approximately US\$11,245,000 (equivalent to RMB77,014,000) in the profit or loss. The right to receive the New Premises was initially recognised at its fair value and subsequently carried at cost less impairment. The composite project is still under development and expected to be completed not later than May 31, 2020.

12. ACCOUNTS AND OTHER PAYABLES AND ACCRUED EXPENSES

Accounts and other payables and accrued expenses comprise the following:

| | September 30, <u>2019</u> US\$'000 | December 31, <u>2018</u> US\$'000 |
|--|--|---|
| Accounts payable | 34,109 | 44,670 |
| Bills payable | 82,368 | 83,263 |
| Construction cost payables | 125,062 | 138,838 |
| Mining cost accrual | 22,691 | 3,578 |
| Payroll and benefit payables | 3,315 | 4,863 |
| Other accruals | 4,617 | 5,018 |
| Other tax payable | 5,677 | 5,185 |
| Other payables | 6,578 | 6,598 |
| Payable for acquisition of a mining right | 8,354 | - |
| Total accounts and other payables and accrued expenses | <u>292,771</u> | <u>292,013</u> |

The following is an aged analysis of the accounts payable presented based on invoice date at the end of the reporting period:

| | September 30, <u>2019</u> US\$'000 | December 31, <u>2018</u> US\$'000 |
|------------------------|--|---|
| Less than 30 days | 16,160 | 16,832 |
| 31 to 90 days | 2,983 | 12,232 |
| 91 to 180 days | 1,742 | 1,619 |
| Over 180 days | 13,224 | 13,987 |
| Total accounts payable | <u>34,109</u> | <u>44,670</u> |

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12. ACCOUNTS AND OTHER PAYABLES AND ACCRUED EXPENSES - continued

The credit period for bills payable is 180 days from the issue date. The following is an aging analysis of bills payable, presented based on issue date at the end of the reporting period:

| | September 30, <u>2019</u> US\$'000 | December 31, <u>2018</u> US\$'000 |
|---------------------|--|---|
| Less than 30 days | 23,994 | 19,512 |
| 31 to 60 days | 6,900 | 15,265 |
| 61 to 90 days | 20,266 | 14,196 |
| 91 to 180 days | <u>31,208</u> | <u>34,290</u> |
| Total bills payable | <u>82,368</u> | <u>83,263</u> |

13. BORROWINGS

The borrowings are repayable as follows:

| | September 30, <u>2019</u> US\$'000 | December 31, <u>2018</u> US\$'000 |
|---|--|---|
| Carrying amount repayable within one year | 559,109 | 123,921 |
| Carrying amount repayable within one to two years | 30,398 | 537,659 |
| Carrying amount repayable within two to five years | 325,184 | 263,725 |
| Carrying amount repayable over five years | <u>290,546</u> | <u>284,853</u> |
| | 1,205,237 | 1,210,158 |
| Less: Amounts due within one year (shown under current liabilities) | <u>(559,109)</u> | <u>(123,921)</u> |
| Amounts shown under non-current liabilities | <u>646,128</u> | <u>1,086,237</u> |
| Analysed as: | | |
| Secured | 515,347 | 509,238 |
| Unsecured | <u>689,890</u> | <u>700,920</u> |
| | <u>1,205,237</u> | <u>1,210,158</u> |

The carrying values of the pledged assets to secure borrowings by the Group are as follows:

| | September 30, <u>2019</u> US\$'000 | December 31, <u>2018</u> US\$'000 |
|---------------|--|---|
| Mining rights | <u>896,090</u> | <u>920,067</u> |

Borrowings carry interest at effective interest rates ranging from 2.75% to 4.51% (December 31, 2018: 2.75% to 4.35%) per annum.

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14. SHARE CAPITAL AND OPTIONS

Common shares

(i) Authorized - Unlimited common shares without par value

(ii) Issued and outstanding

| | <u>Number of shares</u> | <u>Amount US\$'000</u> |
|---|-----------------------------|----------------------------|
| Issued and fully paid: At January 1, 2018, December 31, 2018 and September 30, 2019 | <u>396,413,753</u> | <u>1,229,061</u> |

15. RELATED PARTY TRANSACTIONS

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled or significantly influenced by the PRC government (hereinafter collectively referred to as "Government-related entities"). In addition, the Group itself is a Government-related entity. CNG, a substantial shareholder with significant influence over the Group, is a state owned company registered in Beijing, PRC, which is controlled by State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

During the period, except as disclosed below, the Group did not have any individually significant transactions with other Government-related entities in its ordinary and usual course of business.

Name and relationship with related parties during the period is as follows:

CNG owned the following percentages of outstanding common shares of the Company:

| | September 30, <u>2019</u> % | December 31, <u>2018</u> % |
|-----|-----------------------------------|----------------------------------|
| CNG | <u>39.3</u> | <u>39.3</u> |

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15. RELATED PARTY TRANSACTIONS - continued

(a) Transactions/balances with Government-related entities in the PRC

(i) Transactions/balances with CNG and its subsidiaries

The Group had the following significant transactions with CNG and CNG's subsidiaries:

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|-------------------------|------------------------------------|-------------------------|
| | <u>2019</u> US\$'000 | <u>2018</u> US\$'000 | <u>2019</u> US\$'000 | <u>2018</u> US\$'000 |
| Gold doré sales by the Group | <u>62,374</u> | <u>39,962</u> | <u>152,219</u> | <u>134,655</u> |
| Copper and other product sales by the Group | <u>14,083</u> | <u>38,029</u> | <u>68,247</u> | <u>116,468</u> |
| Provision of transportation by the Group | <u>285</u> | <u>636</u> | <u>758</u> | <u>1,187</u> |
| Construction, stripping and mining service provided to the Group | <u>1,428</u> | <u>3,804</u> | <u>6,902</u> | <u>10,625</u> |
| Payment for office facilities by the Group | <u>941</u> | <u>964</u> | <u>2,888</u> | <u>3,034</u> |
| Interest income | <u>6</u> | <u>69</u> | <u>13</u> | <u>108</u> |
| Interest expenses | <u>777</u> | <u>746</u> | <u>2,324</u> | <u>2,328</u> |

The Group has the following significant balances with CNG and its subsidiaries at the end of each reporting period:

| | September 30, <u>2019</u> US\$'000 | December 31, <u>2018</u> US\$'000 |
|--|--|---|
| <u>Assets</u> | | |
| Amounts due from related companies (note 8) | 730 | 725 |
| Cash and cash equivalents held by a CNG subsidiary | 6,162 | 14,570 |
| Prepaid expenses and deposits | <u>94</u> | <u>53</u> |
| Total amounts due from CNG and its subsidiaries | <u>6,986</u> | <u>15,348</u> |

15. RELATED PARTY TRANSACTIONS - continued

(a) Transactions/balances with Government-related entities in the PRC - continued

(i) Transactions/balances with CNG and its subsidiaries - continued

| | September 30, <u>2019</u> US\$'000 | December 31, <u>2018</u> US\$'000 |
|--|--|---|
| <u>Liabilities</u> | | |
| Loans payable to a CNG subsidiary | 49,485 | 50,997 |
| Entrusted loan payable to CNG | 28,277 | 29,140 |
| Construction cost payables to CNG subsidiaries | 25,297 | 25,500 |
| Trade payable to CNG subsidiaries | 691 | 3,556 |
| Amount due to CNG | 33 | 86 |
| Contract liabilities with CNG's subsidiaries | <u>1,707</u> | <u>3,263</u> |
| Total amounts due to CNG's subsidiaries | <u>105,490</u> | <u>112,542</u> |

The loans payable to a CNG subsidiary, which are included in borrowings, carry fixed interest rates of 4.51% (December 31, 2018: 4.13%) per annum and are unsecured and repayable within one year. With the exception of the entrusted loan payable to CNG and loans payable to a CNG's subsidiary, the amounts due to CNG and its subsidiaries which are included in other payables and construction costs payable, are non-interest bearing, unsecured and have no fixed terms of repayments.

(ii) Transactions/balances with other government-related entities in the PRC

Apart from the transactions with CNG and its subsidiaries disclosed above, the Group has also entered into transactions of bank deposits, borrowings and other general banking facilities with other government-related entities in its ordinary course of business.

(b) Compensation of key management personnel

The Group has the following compensation to key management personnel during the period:

| | Three months ended September 30, | | Nine months ended September 30, | |
|-----------------------------|-------------------------------------|-------------------------|------------------------------------|-------------------------|
| | <u>2019</u> US\$'000 | <u>2018</u> US\$'000 | <u>2019</u> US\$'000 | <u>2018</u> US\$'000 |
| Salaries and other benefits | 163 | 160 | 504 | 575 |
| Post-employment benefits | <u>3</u> | <u>8</u> | <u>15</u> | <u>23</u> |
| | <u>166</u> | <u>168</u> | <u>519</u> | <u>598</u> |

16. FINANCIAL INSTRUMENTS

As at September 30, 2019 and December 31, 2018, the Group's investments in equity securities include equity securities listed in Hong Kong and unlisted companies incorporated in the PRC.

Subsequent to initial recognition at fair value, investment in equity securities listed on the Stock Exchange is measured at fair value based on the quoted price (unadjusted) available on the Stock Exchange (Level 1 fair value measurement). As at September 30, 2019, investment in such equity securities is measured at fair value of US\$14,038,000 (December 31, 2018: US\$17,655,000) on a recurring basis. The Group's investment in listed equity securities represent investment in a company engaged in mining, processing and trading of nonferrous metals in the PRC.

As at September 30, 2019, the carrying amounts of US\$565,000 (December 31, 2018: US\$2,575,000) investment in unlisted companies incorporated in the PRC are approximately their fair values (Level 3 fair value measurement). The sales proceeds of US\$2,023,000 (for the nine months ended September 30, 2018: nil) were received from the disposal of one of investment in unlisted company during the nine months ended September 30, 2019. The cumulative fair value change of US\$564,000 from investment in unlisted company included in investment revaluation reserve has been transferred to retained profit at the date of disposal.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation of the condensed consolidated financial statements.

18. EVENT AFTER THE REPORTING PERIOD

The Group had no material event after the end of the reporting period.
