



潼關黃金集團有限公司 Tongguan Gold Group Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 340

INTERIM REPORT

2019



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Corporate Information

DIRECTORS

Executive Directors:

Fang Yi Quan

Yeung Kwok Kuen (*Chief Financial Officer*)

Shi Xing Zhi

Shi Sheng Li

Independent Non-executive Directors:

Chu Kang Nam

Ngai Sai Chuen

Liang Xu Shu

Leung Ka Wo

AUDIT COMMITTEE

Leung Ka Wo (*Chairman*)

Chu Kang Nam

Ngai Sai Chuen

Liang Xu Shu

REMUNERATION COMMITTEE

Chu Kang Nam (*Chairman*)

Ngai Sai Chuen

Liang Xu Shu

Leung Ka Wo

Fang Yi Quan

NOMINATION COMMITTEE

Chu Kang Nam (*Chairman*)

Ngai Sai Chuen

Liang Xu Shu

Leung Ka Wo

COMPANY SECRETARY

Leung Lai Ming

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1306 13th Floor

Bank of America Tower

12 Harcourt Road

Admiralty

Hong Kong

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda)
Limited

4th floor North

Cedar House

41 Cedar Avenue

Hamilton HM12

Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited

Suite 3301-04, 33/F

Two Chinachem Exchange Square

338 King's Road

North Point

Hong Kong

AUDITORS

BDO Limited

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of
China (Asia) Limited

Shanghai Pudong Development Bank

Industrial and Commercial Bank of China
Limited

Industrial Bank Company Limited

STOCK CODE

00340

COMPANY WEBSITE

www.tongguangold.com

Management Discussion and Analysis

RESULTS REVIEW

For the six months ended 30 June 2019 (the “Interim Period”), Tongguan Gold Group Limited (the “Company”) together with its subsidiaries (the “Group”) recorded an unaudited loss attributable to owners of the Company amounted to HK\$6,477,000 (six months ended 30 June 2018: profit of HK\$107,461,000) as a result of the effect of an one-off gain of approximately HK\$117,661,000 in respect of the disposal of tea business for the six months ended 30 June 2018. Loss from continuing operations increased by HK\$4,811,000 to approximately HK\$6,477,000 in 2019 from approximately HK\$1,666,000 for the corresponding period in 2018, which is primarily due to increase in overall production cost of gold concentrates and related products.

Administrative and other expenses amounted to approximately HK\$31,187,000, representing an increase of approximately 21% from approximately HK\$25,714,000 for the corresponding period in 2018 and is primarily due to increase in administrative expenses from newly acquired companies.

REVIEW OF OPERATIONS

Gold Mining Operation

The principal activity of the Group’s gold mining operation is the production and sale of gold concentrates and related products. For the Interim Period, the Group’s revenue from gold mining operation amounted to approximately HK\$100,083,000, representing a decrease of approximately 1% from approximately HK\$100,941,000 for the corresponding period in 2018 and is primarily contributed by a decrease in sale volume. The cost of sales amounted to HK\$78,687,000, representing an increase of approximately 13% from approximately HK\$69,390,000 for the corresponding period in 2018 and is primarily contributed by increase in production cost. Gross profit from continuing operations amounted to approximately HK\$21,396,000, representing a decrease in 32% as compared with approximately HK\$31,551,000 for the corresponding period in 2018. The average gross profit margin for the current period was 21%, representing a decrease of 10 percentage points as compared with 31% of average gross profit margin in the corresponding period in 2018. Decrease in gross profit margin was mainly attributable to the rising cost of production including extraction and labour cost.

Management Discussion and Analysis

Details of the exploration, development and mining production activities and a summary of expenditure incurred on these activities during the Interim Period are as below:

I Exploration

Tongguan County Xiangshun Mining Development Co., Ltd. (“Xiangshun Mining”)

During the Interim Period, combination of pit drilling and tunnel exploration methods and surface drilling method are used to carry out exploration activities to increase the mineral resources and reserves.

Luonan Jinhui Mining Co., Ltd. (“Jinhui Mining”) and Shaanxi Tongxin Mining Co., Ltd. (“Tongxin Mining”)

During the Interim Period, Jinhui Mining is in the process of application of the mining licence and did not carry out any exploration activities. Tongxin Mining is performing exploration activities for the peripheral vein of the mine by surface drilling method and using pit exploration construction method to carry out the mine deep stratigraphic planning project.

Tongguan County De Xing Mining L.L.C. (“De Xing Mining”)

During the Interim Period, combination of pit drilling and tunnel exploration methods is used to carry out deep exploration activities.

Tongguan Tongjin Mining Company Limited (“Tongjin Mining”)

During the Interim Period, Tongjin Mining is performing deep pit exploration planning and the use of drilling engineering to control the peripheral veins.

II Development

Xiangshun Mining, Tongxin Mining, De Xing Mining and Tongjin Mining

During the Interim Period, Xiangshun Mining, Tongxin Mining, De Xing Mining and Tongjin Mining have appointed several engineering and technical companies and have completed (i) the surface drilling project of approximately 3,089 meters, (ii) the pit exploration project of approximately 5,482 meters and (iii) the pit drilling project of approximately 3,107 meters.

Management Discussion and Analysis

Jinhui Mining

During the Interim Period, Jinhui Mining is in the process of application of the mining licence and did not carry out any development activities.

III Mining Production Activities

Xiangshun Mining and De Xing Mining

(1) Mining operation

	Six months ended 30 June 2019
Underground mining	
Mine production (thousand tonnes)	<u>41.33</u>
Total mine production (thousand tonnes)	<u>41.33</u>
Average gold grade (gram/tonne)	5.99

(2) Ore processing operation — Concentrating

	Six months ended 30 June 2019
Concentrate production — Gold (tonnes)	5,158
Average gold grade (gram/tonne)	55.29
Metal in the concentrate (Kilogram)	285.19

Jinhui Mining, Tongxin Mining and Tongjin Mining

During the Interim Period, there was no mining production.

Management Discussion and Analysis

IV Exploration, development and mining production cost of the Group

Expenses of exploration, development and mining production activities of the Group for the Interim Period are set out as below:

	Mine produced Gold (HK\$'000)
Exploration and Mining activities	
Exploration and development construction	39,677
Mining ore	<u>28,605</u>
Total	<u>68,282</u>

(Concentrating not included)

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2019, the Group had total assets and net assets of HK\$3,441,652,000 (31 December 2018: HK\$3,415,219,000) and HK\$1,913,613,000 (31 December 2018: HK\$1,921,884,000), respectively. The current ratio was 0.3, as compared to 0.32 as of year ended 31 December 2018.

As at 30 June 2019, the Group had bank balances and cash, of HK\$93,382,000 (31 December 2018: HK\$109,550,000), of which most were denominated in Renminbi and Hong Kong dollar.

As at 30 June 2019, the Group had other loan of approximately HK\$128,318,000 (31 December 2018: HK\$92,046,000) which were denominated in Renminbi was interest-bearing at 1% per month. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 7.2% (31 December 2018: 5.1%).

As at 30 June 2019, the Group had promissory note of approximately HK\$66,695,000 (31 December 2018: HK\$68,161,000).

Management Discussion and Analysis

FOREIGN EXCHANGE RISK MANAGEMENT

As part of the Group's assets and liabilities are denominated in Hong Kong dollar and Canadian dollar, in order to minimise the foreign currency risk, the Group aims to utilise the fund for transactions that are denominated in the same currency.

SHARE CAPITAL

As at 30 June 2019, the Company had 3,392,272,221 ordinary shares in issue with a total shareholders' fund of the Group amounting to approximately HK\$339,227,000.

CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 30 June 2019 (31 December 2018: HK\$Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no material acquisitions or disposals of subsidiaries and associated companies during the Interim Period.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had approximately 10 and 147 employees in Hong Kong and Mainland China respectively.

The staff cost of the Group (including directors' remuneration in form of salary and other benefits, share-based payments, performance related incentive payments and retirement benefit contributions) was approximately HK\$7,914,000 for the Interim Period (six months ended 30 June 2018: HK\$10,488,000).

Directors' remuneration were fixed with reference to their duties and responsibilities with the Company as well as the Company's remuneration policy.

Employees of the Group are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include medical scheme, group insurance, mandatory provident fund for Hong Kong employees, social insurance packages for Mainland China employees, performance bonus and share option scheme.

Management Discussion and Analysis

According to the share option scheme adopted by the Company on 25 May 2012, share options may be granted to directors, employees and other eligible participants of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

PROSPECTS

The Group has maintained a good growth momentum in a challenging environment. After a series of acquisitions of gold mining businesses in 2017 and 2018, the Group has built up a comprehensive portfolio for gold resources and reserves as well as the expansion of production capacity in which the new processing plant will be operated at the second half of 2019.

The new processing plant, located at Tongguan County, Shannxi Province of the PRC, is designed to utilize the state-of-the-art ore processing technologies which are highly automatized, safe and environmental friendly. The construction of plant is substantially completed and the Group are in the progress of obtaining various compliance approvals from the relevant authorities. Although longer time is expected to obtain those approvals due to much more stringent environmental control, the Group shall use its best efforts to complete those works by the end of 2019.

The profitability of the Group is highly correlated to the gold price in domestic and international markets. The market prices of gold (and other precious metals) are sensitive to the global economic environment and stability. In view of the Sino-US economic and trade frictions, the gold continues to serve as a safe haven and the price has been increased from RMB 285/g to RMB307/g in China during the period under review. It is expected that the Group will be benefited by the favorable trend of gold price.

As mentioned in the reports of 2018, the central inspection teams revisit Qinling mountains in the second half of 2019 to follow up the environmental issues identified during the last visit. It is expected that certain production will be affected by the inspection and the overall production in 2019 is therefore expected to be lower than the normal level.



Management Discussion and Analysis

When it comes to severe environmental protection and safety situations, the Group has put more emphasis to cope with the related topics. In a bid to sustain sound development of the Group, high-calibre staff and corporate culture are of great essence. In this regard, the Group will provide sufficient staff trainings and workshops in terms of industrial knowledge, work safety, environmental protection and new technologies. It not only ensure the staff to acknowledge the timely updates but also work in accordance with the standards as well as managing the challenging business environment.

Looking ahead, the Group will continue to pursue various business and investment opportunities to broaden the resources and reserves, with a view to providing growth potential and bringing higher returns to the shareholders of the Company.

Independent Review Report



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

To the Board of Directors of Tongguan Gold Group Limited

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 12 to 59 which comprise the condensed consolidated statement of financial position of Tongguan Gold Group Limited and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on the interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Review Report

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Chan Wing Fai

Practising Certificate Number P05443

Hong Kong, 27 August 2019

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

For the six months ended 30 June 2019

	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
CONTINUING OPERATIONS			
Revenue	3	100,083	100,941
Cost of sales		<u>(78,687)</u>	<u>(69,390)</u>
Gross profit		21,396	31,551
Other income		2,431	2,040
Other net gains and losses		467	(1,157)
Administrative and other expenses		(31,187)	(25,714)
Finance costs	4	(102)	(4,720)
Share of loss of an associate		<u>(5)</u>	<u>—</u>
(Loss)/profit before tax from continuing operations	5	(7,000)	2,000
Income tax credit/(expense)	6	<u>982</u>	<u>(2,740)</u>
Loss for the period from continuing operations		(6,018)	(740)
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation	8	<u>—</u>	<u>106,994</u>
(Loss)/profit for the period		(6,018)	106,254
Other comprehensive income, net of income tax			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes in equity investments at fair value through other comprehensive income		2,326	(15,377)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		<u>(4,579)</u>	<u>(9,030)</u>
Other comprehensive income for the period, net of income tax		<u>(2,253)</u>	<u>(24,407)</u>
Total comprehensive income for the period		<u>(8,271)</u>	<u>81,847</u>

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

For the six months ended 30 June 2019

	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
(Loss)/profit for the period attributable to owners of the Company:			
– Continuing operations		(6,477)	(1,666)
– Discontinued operation		—	109,127
		<u>(6,477)</u>	<u>107,461</u>
Profit/(loss) for the period attributable to non-controlling interests:			
– Continuing operations		459	926
– Discontinued operation		—	(2,133)
		<u>459</u>	<u>(1,207)</u>
Total comprehensive income for the period attributable to:			
– Owners of the Company		(7,499)	83,947
– Non-controlling interests		(772)	(2,100)
		<u>(8,271)</u>	<u>81,847</u>
(Loss)/earnings per share — Basic and diluted	9		
– Continuing operations		<u>HK\$(0.19) cents</u>	<u>HK\$(0.06) cents</u>
– Discontinued operation		<u>HK\$ —</u>	<u>HK\$3.84 cents</u>

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	1,145,864	1,118,995
Right-of-use assets	10	38,157	—
Prepaid lease payments — non-current portion		—	31,531
Exploration and evaluation assets	10	1,283,298	1,281,633
Goodwill	10	636,409	636,409
Other intangible assets	10	137,244	142,677
Other financial assets	11	9,138	6,600
Interest in an associate	12	3,365	3,383
		3,253,475	3,221,228
Current assets			
Inventories		4,342	19,469
Other receivables	13	88,748	62,450
Prepaid lease payments — current portion		—	810
Amount due from an associate	12	1,705	1,712
Bank balances and cash		93,382	109,550
		188,177	193,991
Current liabilities			
Other payables	14	356,507	363,889
Contract liabilities		8,694	3,383
Income tax payable		153,693	154,172
Other borrowings	15	105,023	92,046
Lease liabilities		3,236	—
		627,153	613,490
Net current liabilities		(438,976)	(419,499)
Total assets less current liabilities		2,814,499	2,801,729

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

		30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current liabilities			
Other borrowings	15	23,295	—
Lease liabilities		2,985	—
Financial liabilities measures at fair value through profit or loss	16	66,695	68,161
Other payables	14	471,175	473,966
Provision for restoration and environmental costs		9,650	8,368
Deferred tax liabilities		327,086	329,350
		<u>900,886</u>	<u>879,845</u>
Net assets		<u>1,913,613</u>	<u>1,921,884</u>
Capital and reserves			
Share capital	17	339,227	339,227
Share premium and reserves		1,453,892	1,461,391
Equity attributable to owners of the Company		1,793,119	1,800,618
Non-controlling interests		120,494	121,266
Total equity		<u>1,913,613</u>	<u>1,921,884</u>

On behalf of the board of directors

Fang Yi Quan
Director

Yeung Kwok Kuen
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000	Contributed surplus HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000			
At 1 January 2018 (audited)	284,227	898,397	10,067	287,496	25,620	86,012	14,109	1,605,928	90,182	1,696,110
Impact of adopting HKFRS9	—	—	—	—	(54,344)	—	54,344	—	—	—
At 1 January 2018 (restated)	284,227	898,397	10,067	287,496	(28,724)	86,012	68,453	1,605,928	90,182	1,696,110
Profit for the period	—	—	—	—	—	—	107,461	107,461	(1,207)	106,254
Exchange difference arising on translation of financial statements of foreign operations	—	—	—	—	—	(8,137)	—	(8,137)	(893)	(9,030)
Fair value changes in equity investments	—	—	—	—	(15,377)	—	—	(15,377)	—	(15,377)
Other comprehensive income for the period	—	—	—	—	(15,377)	(8,137)	—	(23,514)	(893)	(24,407)
Total comprehensive income for the period	—	—	—	—	(15,377)	(8,137)	107,461	83,947	(2,100)	81,847
Release of reserves upon disposal of subsidiaries	—	—	(10,067)	—	—	(47,298)	—	(57,365)	14,843	(42,522)
At 30 June 2018 (unaudited)	284,227	898,397	—	287,496	(44,101)	30,577	175,914	1,632,510	102,925	1,735,435

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company								Non-controlling interests HK\$'000	Total HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000			Total HK\$'000
At 1 January 2019 (audited)	339,227	1,090,897	(937)	287,496	10,235	(49,067)	(3,212)	125,979	1,800,618	121,266	1,921,884
(Loss)/profit for the period	-	-	-	-	-	-	-	(6,477)	(6,477)	459	(6,018)
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	-	(3,348)	-	(3,348)	(1,231)	(4,579)
Fair value changes in other financial assets	-	-	-	-	-	2,326	-	-	2,326	-	2,326
Other comprehensive income for the period	-	-	-	-	-	2,326	(3,348)	-	(1,022)	(1,231)	(2,253)
Total comprehensive income for the period	-	-	-	-	-	2,326	(3,348)	(6,477)	(7,499)	(772)	(8,271)
Appropriation to statutory reserve	-	-	2,202	-	-	-	-	(2,202)	-	-	-
At 30 June 2019 (unaudited)	339,227	1,090,897	1,265	287,496	10,235	(46,741)	(6,560)	117,300	1,793,119	120,494	1,913,613

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net cash generated from/(used) in operating activities	3,222	(119,031)
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(45,599)	(83,193)
Expenditure paid on exploration and evaluation assets	(6,832)	(3,851)
Proceeds on disposal of property, plant and equipment	50	—
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	—	39,462
Interest received	578	415
Government grants received	—	1,946
Net cash used in investing activities	(51,803)	(45,221)
Cash flows from financing activities		
Repayments of bank borrowings	—	(615)
Payments of lease liabilities	(1,788)	—
New bank borrowings raised	—	11,078
Other borrowings raised	30,694	99,387
Interest paid	—	(2,284)
Net cash generated from financing activities	28,906	107,566
Net decrease in cash and cash equivalents	(19,675)	(56,686)
Cash and cash equivalents at 1 January	109,550	179,707
Effect of exchange rate changes on cash and cash equivalents	3,507	1,707
Cash and cash equivalents at 30 June, represented by bank balances and cash	93,382	124,728

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Tongguan Gold Group Limited, (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). It was authorised for issue on 27 August 2019.

These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2018, except for those relating to new standards or interpretations effective for the first time in the consolidated financial statements for the year ending 31 December 2019. Details of any changes in accounting policies are set out in Note 2.

The preparation of these condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair values, as appropriate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

1. BASIS OF PREPARATION *(Continued)*

These condensed consolidated financial statements contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2018. These condensed consolidated interim financial statements and notes thereon do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the Group's audited annual financial statements for the year ended 31 December 2018.

2. ADOPTION OF HKFRSs

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 16	<i>Leases</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>

The Group has not applied any amendment, new standard or interpretation that is not yet effective for the current accounting period, except for the Amendments to HKFRS16, Leases.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. ADOPTION OF HKFRSs (Continued)

Other than the below on the adoption of HKFRS 16, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Details of the changes in accounting policy is discussed in Note 2(a) for HKFRS 16.

(a) Impacts and changes in accounting policies of application on HKFRS 16

Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. ADOPTION OF HKFRSs (Continued)

(a) Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

(i) Key changes in accounting policies resulting from application of HKFRS 16

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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 based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. ADOPTION OF HKFRSs *(Continued)*

(a) Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

(i) **Key changes in accounting policies resulting from application of HKFRS 16** *(Continued)*

As a lessee (Continued)

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. ADOPTION OF HKFRSs *(Continued)*

(a) Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

(i) **Key changes in accounting policies resulting from application of HKFRS 16** *(Continued)*

As a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“HKFRS 9”) 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.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. ADOPTION OF HKFRSs *(Continued)*

(a) Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

(i) **Key changes in accounting policies resulting from application of HKFRS 16** *(Continued)*

As a lessee (Continued)

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. ADOPTION OF HKFRSs *(Continued)*

(a) Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

(i) Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. ADOPTION OF HKFRSs *(Continued)*

(a) Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

(i) **Key changes in accounting policies resulting from application of HKFRS 16** *(Continued)*

Lease modifications (Continued)

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.

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 HKAS 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. ADOPTION OF HKFRSs *(Continued)*

(b) Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. ADOPTION OF HKFRSs *(Continued)*

(b) Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee (Continued)

- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of factories in the People's Republic of China was determined on a portfolio basis; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

At the date of transition to HKFRS 16, the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rate used for determination of the present value of the remaining lease payments was 4.54%.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. ADOPTION OF HKFRSs (Continued)

(b) Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	At 1 January 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018 (<i>Note 18</i>)	8,254
<i>Less:</i> future interest expenses	<u>(513)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	<u>7,741</u>
Analysed as	
Current	4,304
Non-current	<u>3,437</u>
	<u>7,741</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. ADOPTION OF HKFRSs (Continued)

(b) Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

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

	Right-of-use assets <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 (Note a)	7,741
Reclassifications from prepaid lease payments (Note b)	<u>32,341</u>
Total right-of-use assets (Note 10)	<u>40,082</u>
By class:	
Office premise and factories	6,231
Motor vehicle	1,510
Prepaid lease payments	<u>32,341</u>
	<u>40,082</u>

Note:

- (a) The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.
- (b) Upon the initial application of HKFRS 16, as at 1 January 2019, prepaid lease payments under operating lease arrangement with net book value of approximately HK\$32,341,000 was reclassified from prepaid lease payments to right-of-use assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. SEGMENT REPORTING

Information is reported internally to the board of directors of the Company (the “Board”), being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods delivered or services provided. This is also the basis upon which the Group is organised and specifically focuses on the Group’s operating divisions. No operating segments identified by the Board have been aggregated in arriving at the reporting segments of the Group.

For each of the business units, the Group’s senior executive management reviews internal management reports on a monthly basis. Segment information below is presented in a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment.

For the purposes of assessing segment performance and allocating resources between segments, the group’s senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment assets include all tangible, intangible assets and current assets with the exception of other financial assets and other corporate assets. No segment liabilities analysis is presented as the Group monitors and manages its liabilities on a group basis.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. SEGMENT REPORTING (Continued)

The reportable segments of the Group as described below represents the Group's strategic business units. The following describes the operations in each of the Group's reportable segments:

(a) Segment revenue and results

Reportable segment	Nature	Place of operations
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Continuing operations:

Gold mining operation	Exploration, mining, processing and sale of gold and related products	The People's Republic of China ("PRC")
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Discontinued operation:

Tea business	Production and sales of tea products	The PRC
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The principal activity of the Group is the production and sale of gold concentrates and related products for the six month ended 30 June 2019.

The tea business operating segment has been disposed of and re-classified as discontinued operation and the related information has been set out in Note 8. The segment information set out below has not restated and does not include any amounts nor balances for the discontinued operation.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. SEGMENT REPORTING (Continued)

(a) Segment revenue and results (Continued)

The Group reportable segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tea production — manufacturing and distribution of tea	—	25,933
Gold mining operation — Exploration, mining, processing and sale of gold concentrates and related products	<u>100,083</u>	<u>100,941</u>
Total	<u>100,083</u>	<u>126,874</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. SEGMENT REPORTING (Continued)

(a) Segment revenue and results (Continued)

	Six months ended 30 June		
	Tea production 2019 HK\$'000 (unaudited)	Gold mining 2019 HK\$'000 (unaudited)	Total 2019 HK\$'000 (unaudited)
Timing of revenue recognition under HKFRS 15			
At a point in time	—	100,083	100,083
Total	—	100,083	100,083
	2018 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Timing of revenue recognition under HKFRS 15			
At a point in time	25,933	100,941	126,874
Total	25,933	100,941	126,874

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. SEGMENT REPORTING (Continued)

(a) Segment revenue and results (Continued)

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue from external customers and reportable segment revenue	100,083	100,941
Reportable segment results	(3,637)	14,131
Other income	2,431	2,040
Other net gains and losses	467	(1,157)
Finance costs	(102)	(4,720)
Share of loss of an associate	(5)	—
Corporate expense	(6,154)	(8,294)
(Loss)/profit before tax from continuing operations	(7,000)	2,000
Income tax credit/(expense)	982	(2,740)
Loss for the period from continuing operations	(6,018)	(740)

(b) Geographical information

No geographical analysis is presented as the Group's revenue and (loss)/profit from operations were primarily derived from operating activities in the PRC.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. SEGMENT REPORTING (Continued)

(c) Other segment information

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Depreciation	14,471	9,376
Amortisation	4,954	9,816

Depreciation of HK\$1,118,000 is included in corporate expense for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$12,000). No amortisation is included in corporate expense for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$Nil).

	30 June	31 December
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Reportable segments assets —		
Gold mining operation	3,367,953	3,340,391
Other financial assets	9,138	6,600
Corporate total assets	64,561	68,228
Consolidated total assets	3,441,652	3,415,219

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. FINANCE COSTS

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on bank and other borrowings	6,042	4,720
<i>Less: Amount capitalised (Note a)</i>	(6,042)	—
Interest expenses on lease liabilities (Note b)	102	—
	<hr/>	<hr/>
	102	4,720

Note:

- a) Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.28% (2018: Nil) to expenditure on qualifying assets.
- b) The operating lease rentals for certain office premise, factories and motor vehicle are determined as the higher of a fixed rental or a predetermined percentage on revenue of respective office premise, factories and motor vehicle pursuant to the terms and conditions that are set out in the respective rental agreement.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

5. (LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

(Loss)/profit before tax from continuing operations is arrived at after charging:

	Six months ended 30 June	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Directors' emoluments	360	360
Other staff's salaries, bonus and allowances	7,306	6,283
Other staff's contribution to retirement benefits schemes	248	167
	<hr/>	<hr/>
Total staff costs	7,914	6,810
Amortisations		
— other intangible assets	4,954	9,369
— prepaid lease payments	—	447
Costs of inventories recognised as an expense	72,955	52,877
Depreciation charges		
— property, plant and equipment	13,786	9,388
— right-of-use assets	1,803	—
	<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

6. INCOME TAX (CREDIT)/EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2019 and 2018.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the Enterprise Income Tax rate of the PRC subsidiaries is 25% unless otherwise specified.

Pursuant to the Notice of the Ministry of Finance, 財政部國家稅務總局海關總署關於深入實施西部大開發戰略有關稅收政策問題的通知(財稅[2011]58號) (transliterated as General Administration of Customs and the State Administration of Taxation on the Issues of Preferential Taxation Policies for Further Implementing the Western Development Strategy (Cai Shui [2011] No. 58)*), from 1 January 2011 to 31 December 2020, the enterprises in the western region, which engaged in encouraged industries as indicated in the 西部地區鼓勵類產業目錄 (transliterated as Catalogue of Encouraged Industries of Western Region*) and 產業結構調整指導目錄(2011年本)(修正) (transliterated as Catalogue of Industrial Structure Adjustment Guidance ([2011] Revised)*)(國家發改委令2013年第21號) (transliterated as National Development and Reform Commission Order [2013] No. 21*) and which derive 70% of their operating income from the encouraged industries could apply for a tax incentive. After getting in-charge tax bureau’s approval, those enterprises could enjoy a reduced EIT rate of 15% from statutory EIT rate of 25%.

During the six months ended 30 June 2019, 潼關縣祥順礦業發展有限公司 (transliterated as Tongguan County Xiangshun Mining Development Co., Ltd.*) (“Xiangshun Mining”), the operating subsidiary of One Champion, obtained the in-charge tax bureau’s approval for 2019 and was granted a reduced EIT rate of 15%.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

6. INCOME TAX (CREDIT)/EXPENSE (Continued)

The amount of taxation in the condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Continuing operations		
Current tax — PRC Enterprise Income Tax	—	3,654
Deferred tax	(982)	(914)
	<u>(982)</u>	<u>2,740</u>

7. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2019, nor has any dividend been proposed for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

8. DISCONTINUED OPERATION/DISPOSAL OF SUBSIDIARIES

(a) Discontinued operation

On 6 April 2018, the Company entered into a sale and purchase agreement with Mr. Zhou Xue Long (“Mr. Zhou”), an independent third party, pursuant to which the Company agreed to sell and Mr. Zhou agreed to purchase 100% equity interest in King Gold Investments Limited with the related assignment of shareholders’ account at an aggregate consideration of HK\$121,071,664 (the “King Gold Disposal”). The King Gold Disposal is completed on 16 April 2018.

The results from the discontinued operation for the current and preceding interim periods and the gain on disposal of subsidiaries were as follows:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	—	(10,667)
Gain on disposal of subsidiaries	—	117,661
	<hr/>	<hr/>
	—	106,994
	<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

8. DISCONTINUED OPERATION/DISPOSAL OF SUBSIDIARIES (Continued)

(a) Discontinued operation (Continued)

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit for the period from discontinued operation		
Revenue	—	25,933
Cost of sales	—	(21,868)
Other income	—	4,285
Selling and distribution expenses	—	(8,614)
Administrative and other expenses	—	(9,062)
Finance costs – Interest on bank borrowings	—	(1,341)
Gain on disposal of subsidiaries	—	117,661
	<hr/>	<hr/>
Profit before tax	—	106,994
Income tax expense	—	—
	<hr/>	<hr/>
Profit for the period	—	106,994
	<hr/>	<hr/>
Profit/(loss) for the period attributable to		
– Owners of the Company	—	109,127
– Non-controlling interests	—	(2,133)
	<hr/>	<hr/>
	—	106,994
	<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

8. DISCONTINUED OPERATION/DISPOSAL OF SUBSIDIARIES (Continued)

(a) Discontinued operation (Continued)

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Other income from discontinued operation included the following:		
Interest on bank deposits	—	16
Interest from advances to suppliers	—	1,105
Government grants	—	2,970
Others	—	194
	<hr/>	<hr/>
	—	4,285
	<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

8. DISCONTINUED OPERATION/DISPOSAL OF SUBSIDIARIES (Continued)

(a) Discontinued operation (Continued)

Profit before tax from the discontinued operation is arrived at after charging/
(crediting):

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Staff costs		
— Other staff's salaries, bonus and allowances	—	3,076
— Other staff's contribution to retirement benefits schemes	—	602
Impairment loss recognised in respect of trade and other receivables	—	1,897
Reversal of impairment loss recognised in respect of trade and other receivables	—	(175)
Amortisation of other intangible assets	—	78
Amortisation of prepaid lease payments	—	130
Costs of inventories recognised as an expense	—	21,577
Depreciation of property, plant and equipment	—	394
Minimum leases payments under operating lease in respect of office premises and tea plantation	—	3,535

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

8. DISCONTINUED OPERATION/DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Discontinued operation *(Continued)*

The analysis of the cash flows of discontinued operation is as follows:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows used in operating activities	—	(5,478)
Cash flows used in investing activities	—	(756)
Cash flows from financing activities	—	9,121
	<hr/>	<hr/>
Net cash inflows	—	2,887
	<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

8. DISCONTINUED OPERATION/DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal of subsidiaries

The net assets being disposal of by the Group is as follows: –

	<i>HK\$'000</i>
Property, plant and equipment	33,021
Prepaid lease payments	15,409
Other intangible assets	5,718
Inventories	63,734
Trade and other receivables	63,292
Amount due from the Group	51,072
Bank balances and cash	30,538
Trade and other payables	(93,445)
Tax payables	(14,135)
Bank loans	(106,837)
Deferred income	(2,434)
	<hr/>
Net assets disposed of	45,933
Non-controlling interests	14,843
Release of reserves upon disposal	
– Statutory surplus reserve	(10,067)
– Translation reserve	(47,298)
	<hr/>
	3,411
Gain on disposal	117,661
	<hr/>
	121,072
	<hr/>
Satisfied by:	
Cash consideration received	70,000
Assumption of amount due from the Group	51,072
	<hr/>
	121,072
	<hr/>
Analysis of the net inflow of cash and cash equivalents in respect of disposal of subsidiaries	
Cash considerations received	70,000
Cash and bank balances disposed of	(30,538)
	<hr/>
Net inflow	39,462
	<hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss for the period attributable to owners of the Company of approximately HK\$6,477,000 (six months ended 30 June 2018: profit of HK\$107,461,000), which represented by the loss from continuing operations of HK\$6,477,000 (six months ended 30 June 2018: loss of HK\$1,666,000) and the profit from discontinued operation of HK\$Nil (six months ended 30 June 2018: profit of HK\$109,127,000), and the weighted average number of ordinary shares of approximately 3,392,272,000 (six months ended 30 June 2018: 2,842,272,000) in issue during the six months ended 30 June 2019, as adjusted to reflect the effect of the Share Consolidation (as defined in Note 17(a)).

Diluted (loss)/earnings per share equals to basic (loss)/earnings per share, as there were no potential dilutive ordinary shares issued during the six months ended 30 June 2019 and 2018.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

10. CAPITAL EXPENDITURE

	Right-of use assets HK\$'000	Property, plant and equipment HK\$'000	Exploration and evaluation assets HK\$'000	Goodwill HK\$'000	Other intangible assets HK\$'000
Cost					
At 1 January 2019 (audited)	—	1,160,594	1,281,633	688,611	163,465
Recognition upon adoption of HKFRS 16 (Note 2 (b))	40,082	—	—	—	—
Exchange adjustments	(134)	(5,320)	(5,167)	—	(645)
Additions	—	45,599	6,832	—	—
Disposal	—	(379)	—	—	—
At 30 June 2019 (unaudited)	<u>39,948</u>	<u>1,200,494</u>	<u>1,283,298</u>	<u>688,611</u>	<u>162,820</u>
Accumulated depreciation, amortisation and impairment					
At 1 January 2019 (audited)	—	41,599	—	52,202	20,788
Exchange adjustments	(12)	(376)	—	—	(166)
Charge for the period	1,803	13,786	—	—	4,954
Elimination on disposal	—	(379)	—	—	—
At 30 June 2019 (unaudited)	<u>1,791</u>	<u>54,630</u>	<u>—</u>	<u>52,202</u>	<u>25,576</u>
Carrying values					
At 30 June 2019 (unaudited)	<u>38,157</u>	<u>1,145,864</u>	<u>1,283,298</u>	<u>636,409</u>	<u>137,244</u>
At 31 December 2018 (audited)	—	1,118,995	1,281,633	636,409	142,677

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

11. OTHER FINANCIAL ASSETS

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Equity securities listed in overseas stock exchange		
— as financial assets measured at fair value through other comprehensive income (“FVOCI”)	9,138	6,600

The equity investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

12. INTEREST IN AN ASSOCIATE

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Share of net assets	3,365	3,383
Amount due from an associate*	1,705	1,712

* The amount is unsecured, interest free and is with no fixed repayment terms.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

12. INTEREST IN AN ASSOCIATE (Continued)

Details of the Group's an associate is as follows:

Name	Place of incorporation, operation and principal activity	Percentage of ownership interests
Shaanxi Tongguan Siu Qin Ling Gold Mining Country Park Limited (陝西潼關小 秦嶺金礦國家礦山公園有限 公司) (Note (b))	Manufacturing of arts and crafts and park management in the PRC	30

Note:

- (a) The primary business of Shaanxi Tongguan Siu Qin Ling Gold Mining Country Park Limited is manufacturing of arts and crafts and park management of Siu Qin Ling Gold Mining Country Park.
- (b) The company is a limited liability company established in the PRC. The English translation of the company name is for reference only.

In the opinion of the directors of the Company, the above associate is not material to the Group and the summarised financial information is set out below.

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss for the period	(17)	(45)
Other comprehensive income	—	—
Total comprehensive income	(17)	(45)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

13. OTHER RECEIVABLES

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Other receivables		34,112	18,607
Less: allowances	(a)	<u>(398)</u>	<u>(159)</u>
		<u>33,714</u>	<u>18,448</u>
Deposits and prepayments		52,398	41,337
Value added tax recoverable		<u>2,636</u>	<u>2,665</u>
		<u>88,748</u>	<u>62,450</u>

(a) Other receivables

Movement in impairment loss on other receivables:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
At 1 January	159	6,320
Impairment loss recognised	239	2,492
Written off	—	(1,228)
Disposal of subsidiaries	—	<u>(7,425)</u>
At 31 December	<u>398</u>	<u>159</u>

Included in the Group's allowance for doubtful debts are individually impaired other receivables in which the Directors consider that it is unlikely to recover these debts as they are long outstanding balances. The Group does not hold any collateral over these balances.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

14. OTHER PAYABLES

		30 June 2019	31 December 2018
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Other payables and accruals		356,507	363,889
Amounts due to related parties	(a)	471,175	473,966
		827,682	837,855
Analysed for reporting purposes as:			
— current portion		356,507	363,889
— non-current portion		471,175	473,966
		827,682	837,855

- (a) The amounts are due to certain beneficial owners of the shareholders of the Company and are non-trade in nature, unsecured, interest-free, repayable on demand but not to be repayable within the next twelve months from the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

15. OTHER BORROWINGS

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Other borrowing repayable*:		
Within one year	105,023	92,046
More than one year but not more than two years	<u>23,295</u>	<u>—</u>
	<u>128,318</u>	<u>92,046</u>

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's other borrowings are fixed rates ranged from 12% (2018: fixed rate ranged from 12%).

16. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL") (NON-CURRENT)

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Contingent consideration payable	<u>66,695</u>	<u>68,161</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

17. SHARE CAPITAL

	Notes	Number of ordinary shares at HK\$0.1 each '000	at HK\$0.01 each '000	HK\$'000
Authorised:				
At 1 January 2018 (unaudited)		—	462,238,100	4,622,381
Share Consolidation	(a)	<u>46,223,810</u>	<u>(462,238,100)</u>	<u>—</u>
At 30 June 2018 (unaudited), 31 December 2018 (audited) and 30 June 2019 (unaudited)		<u>46,223,810</u>	<u>—</u>	<u>4,622,381</u>
Issued and fully paid:				
At 1 January 2018 (audited)		N/A	28,422,722	284,227
Share Consolidation	(a)	<u>2,842,272</u>	<u>(28,422,722)</u>	<u>—</u>
At 30 June 2018 (unaudited)		2,842,272	—	284,227
Issuance of share for Best Income and Max Paramount Acquisition	(b)	<u>550,000</u>	<u>—</u>	<u>55,000</u>
31 December 2018 (audited) and 30 June 2019 (unaudited)		<u>3,392,272</u>	<u>—</u>	<u>339,227</u>

All the shares issued during the year rank passu with the then existing shares in all respects.

Note:

- (a) On 30 April 2018, the Company completed the consolidation of shares in the issued shares of the Company whereby every ten issued and unissued ordinary shares of HK\$0.01 each are consolidated into one consolidated ordinary share of HK\$0.10 each (the "Share Consolidation").
- (b) On 20 December 2018, Combined Success completed the acquisition of the entire equity interests of Best Income and Max Paramount at a combined consideration of HK\$80,000,000 by promissory note and 550,000,000 ordinary shares of the Company at the issue price of HK\$0.4 per ordinary share (the "Best Income and Max Paramount Acquisition").

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

18. OPERATING LEASE COMMITMENTS

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 December 2018 <i>HK\$'000</i> (Audited)
Not later than one year	3,476
Later than one year but not later than five years	4,614
Later than five years	<u>164</u>
	<u>8,254</u>

The Group is the lessee in respect of a number of office premise, factories and motor vehicle held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

19. CAPITAL COMMITMENTS

	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u>14,373</u>	<u>17,501</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Fair value hierarchy			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
At 30 June 2019 (unaudited)				
Financial assets measured at FVOCI				
– Listed equity securities	9,138	–	–	9,138
Financial assets measured at FVTPL				
– Contingent consideration payable	–	–	66,695	66,695
At 31 December 2018 (audited)				
Financial assets measured at FVOCI				
– Listed equity securities	6,600	–	–	6,600
Financial assets measured at FVTPL				
– Contingent consideration payable	–	–	68,161	68,161

The listed equity securities of the Group were reclassified from recycling reserve for available-for-sale investments to non-recycling reserve for financial assets measured at FVOCI in the condensed statement of financial position and were measured at fair value determined based on their quoted bid prices in active markets at the end of each reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

The fair value of contingent consideration payable is estimated using a discounted cash flow method.

There were no transfers between Level 1, 2 and 3 in current and prior year.

The directors of the Company consider that the carrying amounts of all financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair value.

(i) **Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) is as follows:**

Contingent consideration payable

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At 1 January	68,161	—
Business acquisition	—	68,161
Total gains or losses: — in profit or loss (included in other gains and losses)	<u>(1,466)</u>	<u>—</u>
At 30 June/ 31 December	<u>66,695</u>	<u>68,161</u>
Losses recognised in profit or loss (included in other gains and losses) relating to financial instruments held by the Group at the reporting date	<u>(1,466)</u>	<u>—</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

(ii) Summary of the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value at		Valuation technique	Unobservable inputs	Range of inputs
	30	31			
	June 2019	December 2018			
	HK\$'000	HK\$'000			
Contingent consideration	66,695	68,161	Discount cashflows	Discount rate	4.68%-5.38%

Corporate Governance

The Company is committed to comply with its established best practice in corporate governance and is acting in line with those practices as set out in the annual report of the Company for the financial year ended 31 December 2018. The Board believes that good corporate governance is crucial to enhance the performance of the Group and to safeguard the interests of the shareholders of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company has complied with the code provisions (“Code Provision(s)”) of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) during the six months ended 30 June 2019, except for certain deviations as specified and explained below with considered reasons for such deviations.

1. Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Since the resignation of Dr. You Xian Sheng as the chairman and the executive director of the Company (“Director”) on 31 January 2014, the Company has not appointed a new chairman of the Board (the “Chairman”). Until the appointment of the new Chairman, the Board collectively focuses on the overall strategic planning and development of the Group and effective functioning of the Board.

Since the resignation of Mr. Wang Hui as the chief executive officer of the Company (the “CEO”) on 1 June 2016, the Company has not appointed a new CEO. Until the appointment of the new CEO, the executive Directors, possessing extensive relevant industry knowledge, collectively oversee the day-to-day management of the business and operations of the Group.

The Board believes that this arrangement still enables the Company to make and implement decisions promptly, and thus achieve the Company’s objectives efficiently and effectively in response to the changing environment.

Corporate Governance

The Board will review the current situation from time to time and shall make necessary arrangements when the Board considers appropriate.

2. Under Code Provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting. Since the new Chairman has not been appointed following the resignation of Dr. You Xian Sheng as the Chairman on 31 January 2014, Mr. Yeung Kwok Kuen, the executive Director, has been elected by other Directors present to act as the chairman of the annual general meeting of the Company held on 17 May 2019 in accordance with the Bye-laws of the Company.
3. Under Code Provision F.1.3 of the CG Code, the company secretary should report to the board chairman and/or the chief executive officer. Since the new Chairman has not been appointed following the resignation of Dr. You Xian Sheng as the Chairman on 31 January 2014 and the new CEO has not been appointed following the resignation of Mr. Wang Hui as the CEO on 1 June 2016, the company secretary of the Company reported to the executive Directors since 1 June 2016.

COMPLIANCE WITH THE 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. Upon specific enquiries, all Directors confirmed they had complied with the required standards set out in the Model Code during the six months ended 30 June 2019.

BOARD OF DIRECTORS

The Board is responsible for the formulation of the Group’s business strategies and management objective, supervision of the management and evaluation of the effectiveness of management strategies. Implementation of strategies and day-to-day operations are delegated to the management. In order to better understand the respective accountabilities and contributions of the Board and management, the Company has adopted a written terms of reference specifying a schedule of matters which should be reserved to the Board and which should be delegated to management.

Corporate Governance

AUDIT COMMITTEE

The Audit Committee of the Company comprises four independent non-executive Directors. They are responsible for ensuring the quality and integrity of internal control, conducting review of the Group's accounting principles and practices, risk management and the Group's interim and annual accounts.

REMUNERATION COMMITTEE

The Remuneration Committee comprises one executive Director and four independent non-executive Directors. The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy, remuneration packages for the Directors and members of the senior management and on the establishment of a formal and transparent process for approving such remuneration policy.

NOMINATION COMMITTEE

The Nomination Committee comprises four independent non-executive Directors. The principal responsibilities of the Nomination Committee are to lead the process for the appointments of the member of the Board, and to identify and nominate suitable candidates for appointment to the Board and make recommendations to the Board.

Disclosure of Interests and Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2019, the interests or short positions of the directors and chief executives of the Company or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company were as follow:

Interests in underlying shares of the Company – share options

Name of Directors	Number of share options	% of total issued ordinary shares of the Company
Fang Yi Quan	3,000,000	0.09%
Yeung Kwok Kuen	10,000,000	0.29%
Shi Xing Zhi	12,000,000	0.35%
Shi Sheng Li	12,000,000	0.35%
Chu Kang Nam	1,000,000	0.03%
Ngai Sai Chuen	1,000,000	0.03%
Liang Xu Shu	1,000,000	0.03%
Leung Ka Wo	1,000,000	0.03%

Saved as disclosed above, as at 30 June 2019, none of the directors and chief executives of the Company or their respective associates had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Disclosure of Interests and Other Information

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in “Share Option Scheme” below, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 30 June 2019, persons (other than directors or chief executives of the Company as disclosed herein) who had interests or short positions in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in shares of the Company

Name of Shareholders	Capacity	Class of shares of the Company	Number of shares held	% of total issued share capital of the relevant class of shares <i>(Note 1)</i>
Huang Aidong	Interest in controlled corporation	Ordinary	508,334,000 <i>(Note 2)</i>	14.99%
Hu Jianzhong	Interest in controlled corporation	Ordinary	470,000,000 <i>(Note 3)</i>	13.86%
Lin Eddie Chang	Interest in controlled corporation	Ordinary	330,000,000 <i>(Note 4)</i>	9.73%
Lin Yuhua	Interest in controlled corporation	Ordinary	185,250,000 <i>(Note 5)</i>	5.46%
Ho Ping Tanya	Beneficial owner	Ordinary	330,000,000	9.73%

Disclosure of Interests and Other Information

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

(Continued)

Long position in shares of the Company *(Continued)*

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2019, which were 3,392,272,221.
2. These ordinary shares are held by Profit Linkage Enterprises Limited which is 100% beneficially owned by Ms. Huang Aidong.
3. These ordinary shares are held by Golden Blossom Investment Limited which is 100% beneficially owned by Mr. Hu Jianzhong.
4. These ordinary shares are held by Fung Wai Enterprises Ltd. which is 100% beneficially owned by Mr. Lin Eddie Chang.
5. These ordinary shares are held by Supreme Success Group Limited which is 100% beneficially owned by Ms. Lin Yuhua.

Saved as disclosed above, the Company had not been notified of any interests or short positions in the shares and underlying shares of equity derivatives of the Company as required to be recorded in the register under section 336 of the SFO as at 30 June 2019.

SHARE OPTION SCHEME

Pursuant to ordinary resolutions of the shareholders of the Company passed on 25 May 2012, the Company adopted a share option scheme (the “New Share Option Scheme”).

Summary of main terms of New Share Option Scheme are as follows:

1. The purpose of the New Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group.

Disclosure of Interests and Other Information

SHARE OPTION SCHEME *(Continued)*

2. The participants of the New Share Option Scheme are: (i) any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or advisers of or contractor to the Group or an entity in which any member of the Group holds any interest from time to time (“Invested Entity”); (ii) any discretionary trust whose discretionary objects include any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity; and (iii) the option may be granted to any corporation wholly-owned by any person mentioned in (i).

3. As at 27 August 2019, the total number of ordinary shares of HK\$0.1 each in the capital of the Company (“Shares”) available for issue under the New Share Option Scheme was 339,227,222 representing approximately 10% of the issued ordinary share capital of the Company.

4. Unless otherwise approved by shareholders of the Company in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme to each participant in any 12-month period must not exceed 1% (except for substantial shareholders, as defined in the Listing Rules, or independent non-executive director of the Company, or any of their respective associates, as defined in the Listing Rules, must not exceed 0.1%) of the issued ordinary share capital of the Company from time to time.

5. An option shall be exercised in whole or in part in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board to each grantee, provided that no option shall be exercisable later than 10 years after its date of grant.

Disclosure of Interests and Other Information

SHARE OPTION SCHEME *(Continued)*

6. An option shall be accepted by a participant together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof within 30 days from the date of the offer of grant of the option.
7. The subscription price for Shares under the New Share Option Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Board, but shall be at least the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations on the date of grant which must be a business day, (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant and (iii) the nominal value of a Share.
8. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on 25 May 2012.

Disclosure of Interests and Other Information

SHARE OPTION SCHEME (Continued)

Details of movements in the share options held by directors, chief executives, employees and other parties of the Company under the New Share Option Scheme for the six months ended 30 June 2019 are as follows:

Name	Date granted	Period during which options are exercisable	No. of options outstanding at 1 January 2019	No. of options granted during the period	No. of options cancelled during the period	No. of shares acquired on exercise of options during the period	No. of options outstanding at 30 June 2019	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Share options granted in 2018										
Directors										
Fang Yi Quan	7 December 2018	(Note 1)	3,000,000	—	—	—	3,000,000	HK\$0.52	HK\$0.51	—
Yeung Kwok Kuen	7 December 2018	(Note 1)	10,000,000	—	—	—	10,000,000	HK\$0.52	HK\$0.51	—
Shi Xing Zhi	7 December 2018	(Note 1)	12,000,000	—	—	—	12,000,000	HK\$0.52	HK\$0.51	—
Shi Sheng Li	7 December 2018	(Note 1)	12,000,000	—	—	—	12,000,000	HK\$0.52	HK\$0.51	—
Chu Kang Nam	7 December 2018	(Note 1)	1,000,000	—	—	—	1,000,000	HK\$0.52	HK\$0.51	—
Ngai Sai Chuen	7 December 2018	(Note 1)	1,000,000	—	—	—	1,000,000	HK\$0.52	HK\$0.51	—
Liang Xu Shu	7 December 2018	(Note 1)	1,000,000	—	—	—	1,000,000	HK\$0.52	HK\$0.51	—
Leung Ka Wo	7 December 2018	(Note 1)	1,000,000	—	—	—	1,000,000	HK\$0.52	HK\$0.51	—
			41,000,000	—	—	—	41,000,000			
Employees in aggregate										
	7 December 2018	(Note 1)	9,000,000	—	—	—	9,000,000	HK\$0.52	HK\$0.51	—
			50,000,000	—	—	—	50,000,000			

Disclosure of Interests and Other Information

SHARE OPTION SCHEME *(Continued)*

The options granted to the directors of the Company are registered under the names of the directors of the Company who are also the beneficial owners.

- * Being the weighted average closing price of the Company's ordinary shares immediately before the dates on which the options were granted or exercised, as applicable.

Notes:

1. Exercisable from 7 December 2018 to 6 December 2023.
2. The share options granted are vested upon granted.

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

The Company has not redeemed any of its listed securities during the six months ended 30 June 2019. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 June 2019.

AUDIT COMMITTEE

The Audit Committee of the Company and management have reviewed the accounting principles and policies adopted by the Group and the unaudited interim financial statements of the Group for the six months ended 30 June 2019.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019.

Disclosure of Interests and Other Information

CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of Directors' information since the date of the 2018 annual report and up to the date of this interim report is as follows:

Mr. Leung Ka Wo, the independent non-executive Director, was resigned as the independent non-executive director of Rui Feng Group Holdings Company Limited (Stock Code: 8312), a company listed on The GEM of the Stock Exchange, with effect from 19 June 2019.

By Order of the Board

Tongguan Gold Group Limited

Yeung Kwok Kuen

Executive Director and Chief Financial Officer

Hong Kong, 27 August 2019