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

(incorporated in Bermuda with limited liability)
(Stock code: 00340)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "Board") of Tongguan Gold Group Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2018:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000* (restated)
CONTINUING OPERATIONS			
Revenue	*4*	**105,975**	295,787
Cost of sales		**(102,073)**	(227,830)
Gross profit		**3,902**	67,957
Other income	*5*	**3,972**	1,403
Other net gains and losses	*6*	**(1,954)**	4,329
Administrative and other expenses		**(64,967)**	(48,638)
Finance cost	*7*	**—**	—
Impairment loss recognised in respect of goodwill		**—**	(52,202)
Share of losses of an associate		**(1)**	—
Loss before tax from continuing operations	*8*	**(59,048)**	(27,151)
Income tax credit/(expense)	*9*	**4,363**	(5,084)
Loss for the year from continuing operations		**(54,685)**	(32,235)

	Notes	2018 HK$'000	2017 HK$'000 (restated)
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	10	**106,994**	(46,939)
Profit/(loss) for the year		**52,309**	(79,174)
Other comprehensive income, net of tax			
Item that will not be reclassified to profit or loss:			
Fair value changes of equity investments at fair value through other comprehensive income		**(20,343)**	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(46,184)**	46,060
Release of investment revaluation reserve upon disposal of available-for-sale investment		**—**	(2,999)
Fair value changes income for the year, net of tax		**—**	17,610
Other comprehensive income for the year, net of tax		**(66,527)**	60,671
Total comprehensive income for the year		**(14,218)**	(18,503)

	Notes	2018 HK$'000	2017 HK$'000 (restated)
(Loss)/profit for the year attributable to owners of the Company:			
— Continuing operations		**(51,601)**	(36,276)
— Discontinued operation		**109,127**	(37,792)
		57,526	(74,068)
(Loss)/profit for the year attributable to non-controlling interests:			
— Continuing operations		**(3,084)**	4,041
— Discontinued operation		**(2,133)**	(9,147)
		(5,217)	(5,106)
Total comprehensive income for the year attributable to:			
— Owners of the Company		**(4,743)**	(18,783)
— Non-controlling interests		**(9,475)**	280
		(14,218)	(18,503)
(Loss)/earnings per share – Basic and diluted	*12*		
— Continuing operations		**HK(1.71) cents**	HK (1.56) cents
— Discontinued operation		**HK 3.61 cents**	HK (1.63) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**1,118,995**	606,205
Prepaid lease payments – non-current portion		**31,531**	48,362
Exploration and evaluation assets		**1,281,633**	952,872
Goodwill	*13*	**636,409**	552,180
Other intangible assets		**142,677**	124,739
Other financial assets		**6,600**	28,131
Interest in an associate		**3,383**	—
		3,221,228	2,312,489
Current assets			
Inventories		**19,469**	86,125
Trade and other receivables	*14*	**62,450**	132,480
Prepaid lease payments — current portion		**810**	1,300
Amount due from an associate		**1,712**	—
Bank balances and cash		**109,550**	179,707
		193,991	399,612
Current liabilities			
Trade and other payables	*15*	**363,889**	216,760
Contract liabilities	*16*	**3,383**	—
Income tax payable		**154,172**	42,000
Bank and other borrowings		**92,046**	132,889
		613,490	391,649
Net current (liabilities)/assets		**(419,499)**	7,963
Total assets less current liabilities		**2,801,729**	2,320,452

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Bank and other borrowings		—	5,383
Financial liabilities measured at fair value through profit or loss		**68,161**	—
Deferred income		—	3,328
Other payables	*15*	**473,966**	352,693
Provision for restoration and environmental costs		**8,368**	8,560
Deferred tax liabilities		**329,350**	254,378
		879,845	624,342
Net assets		**1,921,884**	1,696,110
Capital and reserves			
Share capital	*17*	**339,227**	284,227
Share premium and reserves		**1,461,391**	1,321,701
Equity attributable to owners of the Company		**1,800,618**	1,605,928
Non-controlling interests		**121,266**	90,182
Total equity		**1,921,884**	1,696,110

Notes:

1. GENERAL INFORMATION

Tongguan Gold Group Limited (formerly known as China Mining Resources Group Limited, the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at Room 1306, 13th Floor, Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the gold mining operation, which includes exploration, mining, processing and sale of gold and related products. The Group's gold mining operation are mainly carried out in the People's Republic of China (the "PRC"). The Group was also engaged in production and sale of tea products which was discontinued during the year ended 31 December 2018 *(Note 10)*.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 January 2018

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 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)

Other than the below on the adoption of HKFRS 9, the application of the amendments to HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

A. HKFRS 9 — Financial instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following table summarises the impact, net of tax, of transition to HKFRS 9 on the opening balance of reserves, retained earnings and NCI as of 1 January 2018 as follows (increase/(decrease)):

	HK$'000
Retained earnings	
Retained earnings as at 31 December 2017	14,109
Increase in ECLs in debt instrument at FVOCI	54,344
Restated retained earnings as at 1 January 2018	**68,453**
Investment revaluation reserve	
Reserves balances at 31 December 2017	25,620
Reclassification	
— from recycling reserve for available-for-sale investments	(25,620)
— to non-recycling reserve from financial assets measured at FVOCI	25,620
Reclassify investments from retained earnings relating to historical impairment of equity investments now measured at FVOCI	(54,344)
Restated reserves balance as at 1 January 2018	(28,724)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVOCI (debt instruments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity instruments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

As of 1 January 2018, certain investment in listed equity investments were reclassified from available-for-sale financial assets to FVOCI. The Group intends to hold these equity investments for long term strategic purposes. Under HKFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVOCI. As a result, financial assets with a fair value of HK$28,131,000 were reclassified from available-for-sale financial assets at fair value to FVOCI and fair value gains of HK$54,344,000 were reclassified from the available-for-sale assets reserve to the FVOCI reserve on 1 January 2018.

The following table summarizes the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39**	**Carrying amount as at 1 January 2018 under HKFRS 9**
			HK$'000	*HK$'000*
Listed equity investments	Available-for-sale (at fair value)	FVOCI	28,131	28,131
Trade and other receivables	Loans and receivables	Amortised cost	61,141	61,141
Cash and cash equivalents	Loans and receivables	Amortised cost	179,707	179,707

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the incurred loss accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including bank balance and cash and trade and other receivables). Financial assets measured at fair value, including equity investments, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expect to receive). The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— trade and other receivables and fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Impact of ECL model

(1) Impact on trade receivables and contract assets

The Group has elected to measure loss allowances for trade receivables and contract assets using simplified approach HKFRS 9 and calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on reasonable and supportable information that is available without undue cost or effort at the reporting date, including historical credit loss experience, shared credit risk characteristics and the number of days past due, adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of the ECL model under HKFRS 9 does not have material impact on the carrying amounts of the Group's trade receivables and contract assets as at 1 January 2018 and all the trade receivables belongs to discontinued operations.

(2) Impact on the remaining financial assets at amortised cost

The remaining financial assets at amortised cost of the Group include trade and other receivables, amount due from an associate and bank balance and cash. No changes have been made to loss allowance upon the transition to HKFRS 9 as of 1 January 2018. The loss allowance increased for $159,000 for other receivables during the year ended 31 December 2018.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

B. HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 replaces the existing revenue standards, HKAS 18 Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11 Construction contract, which specifies the accounting treatment for revenue from construction contracts.

The Group has elected to use the cumulative effect transition method and concluded that no adjustment to the opening balance of equity is necessary at 1 January 2018 as the cumulative effect of initial application of HKFRS 15 is immaterial.

The adoption of HKFRS 15 does not have any material impact to the Group as to the timing and amounts of revenue to be recognised. The Group has assessed that its sales' activities do not meet the criteria for recognising revenue over time, as the products are sold unconditionally at a point in time, being when the customer accepts the products.

No significant financing component is deemed present as payments are generally received in advance before the relevant goods are delivered by the Group or within the credit period granted to the customer, as appropriate.

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The accounting treatments are the same before and after adopting the HKFRS 15.

However, reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15 as follow:

— Receipt in advance of HK$3,383,000 that were previously included in trade and other payables have been reclassified as contract liabilities.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 23, Borrowing Costs[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2021

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

The directors are in the process of assessing the impact of these new/revised HKFRSs and do not intend to adopt them before their respective effective dates. The nature of the impending changes in accounting policies on adoption of these new/revised HKFRSs is set out below.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis.

The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 December 2018, the Company had non-cancellable operating lease commitments of approximately HK$8,254,000 (2017: HK$26,748,000). The directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated statement of cash flows.

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.

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

Reporting segment	Nature	Place of operation
Continuing operations:		
Gold mining operation	Exploration, mining, processing and sale of gold concentrates and related products	The PRC
Discontinued operation:		
Tea business	Production and sales of tea products	The PRC

The principal activity of the Group is the production and sale of gold concentrates and related products for the year ended 31 December 2018.

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 10. The segment information set out below has been restated and does not include any amounts nor balances for the discontinued operation.

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:

	2018 ***HK$'000***	2017 *HK$'000*
Tea production — manufacturing and distribution of tea	**25,933**	91,688
Gold mining operation — Exploration, mining, processing and sale of gold concentrates and related products	**105,975**	295,787
Total	**131,908**	387,475

	For the year ended		
	Tea production **2018** *HK$'000*	**Gold mining** **2018** *HK$'000*	**Total** **2018** *HK$'000*
Timing of revenue recognition under HKFRS 15			
At a point in time	25,933	105,975	131,908
Transferred over time	—	—	—
	25,933	105,975	131,908

For the year ended 31 December 2018

	Continuing operations			Discontinued operations	
	Gold mining operation	Unallocated	Subtotal	Tea business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers and reportable segment revenue	**105,975**	**—**	**105,975**	**25,933**	**131,908**
Reportable segment results	**(32,572)**	**—**	**(32,572)**	**(8,725)**	**(41,297)**
Interest income	**2,229**	**698**	**2,927**	**1,121**	**4,048**
Finance costs	**—**	**—**	**—**	**(1,341)**	**(1,341)**
Corporate expense	**—**	**(28,015)**	**(28,015)**	**—**	**(28,015)**
Impairment loss on trade and other receivables	**(1,387)**	**—**	**(1,387)**	**(1,897)**	**(3,284)**
Reversal of impairment loss on trade receivables	**—**	**—**	**—**	**175**	**175**
Gain on disposal of subsidiaries	**—**	**—**	**—**	**117,661**	**117,661**
Share of losses of an associate	**(1)**	**—**	**(1)**	**—**	**(1)**
(Loss)/profit before income tax expense	**(31,731)**	**(27,317)**	**(59,048)**	**106,994**	**47,946**
Income tax credit	**4,363**	**—**	**4,363**	**—**	**4,363**
(Loss)/profit for the year/period	**(27,368)**	**(27,317)**	**(54,685)**	**106,994**	**52,309**
Assets and liabilities					
Reportable segment assets	**3,340,391**	**—**	**3,340,391**	**—**	**3,340,391**
Other financial assets	**—**	**6,600**	**6,600**	**—**	**6,600**
Corporate total assets	**—**	**68,228**	**68,228**	**—**	**68,228**
Consolidated total assets	**3,340,391**	**74,828**	**3,415,219**	**—**	**3,415,219**
Reportable segment liabilities	**1,329,016**	**—**	**1,329,016**	**—**	**1,329,016**
Bank and other borrowings	**92,046**	**—**	**92,046**	**—**	**92,046**
Corporate liabilities	**—**	**72,273**	**72,273**	**—**	**72,273**
Consolidated total liabilities	**1,421,062**	**72,273**	**1,493,335**	**—**	**1,493,335**
Other Segment information					
Depreciation and amortisation	**29,357**	**23**	**29,380**	**602**	**29,982**
Capital expenditure incurred during the year/period	**188,695**	**21**	**188,716**	**3,791**	**192,507**

For the year ended 31 December 2017

	Continuing operations			Discontinued operations	
	Gold mining operation	Unallocated	Subtotal	Tea business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers and reportable segment revenue	295,787	—	295,787	91,688	387,475
Reportable segment results	36,853	—	36,853	(42,631)	(5,778)
Interest income	175	968	1,143	2,782	3,925
Finance costs	—	—	—	(4,580)	(4,580)
Corporate expense	—	(12,945)	(12,945)	—	(12,945)
Impairment loss on trade and other receivables	—	—	—	(5,853)	(5,853)
Reversal of impairment loss on trade receivables	—	—	—	3,343	3,343
Impairment of goodwill	(52,202)	—	(52,202)	—	(52,202)
Loss before income tax expense	(15,174)	(11,977)	(27,151)	(46,939)	(74,090)
Income tax expense	(5,084)	—	(5,084)	—	(5,084)
Loss for the year	(20,258)	(11,977)	(32,235)	(46,939)	(79,174)
Assets and liabilities					
Reportable segment assets	2,443,679	—	2,443,679	—	2,443,679
Other financial assets	—	28,131	28,131	—	28,131
Assets relating to a discontinued operation	—	—	—	217,554	217,554
Corporate total assets	—	22,737	22,737	—	22,737
Consolidated total assets	2,443,679	50,868	2,494,547	217,554	2,712,101
Reportable segment liabilities	752,904	—	752,904	—	752,904
Bank and other borrowings	46,037	—	46,037	92,235	138,272
Liabilities relating to a discontinued operation	—	—	—	120,534	120,534
Corporate liabilities	—	4,281	4,281	—	4,281
Consolidated total liabilities	798,941	4,281	803,222	212,769	1,015,991
Other Segment information					
Depreciation and amortisation	23,286	25	23,311	5,652	28,963
Capital expenditure incurred during the year	86,241	—	86,241	6,624	92,865

(b) Geographical information

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

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Customer A#	**N/A**	43,695
Customer B##	**105,975**	288,455

\# Relating to tea business
\## Relating to gold business
N/A Transactions during the year did not exceed 10% of the Group's revenue

4. REVENUE

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Sales of gold and related products	**105,975**	295,787

5. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank deposits	**1,090**	636
Interest from loans receivable	**1,837**	507
Others	**1,045**	260
	3,972	1,403

6. OTHER NET GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Net foreign exchange (losses)/gains	**(563)**	1,330
Gain on disposal of available-for-sale investments	**—**	2,999
Impairment loss on in respect of trade and other receivables	**(1,387)**	—
Loss on disposal of property, plant and equipment	**(4)**	—
	(1,954)	4,329

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank and other borrowings	**10,353**	—
Less: Amount capitalised *(Note a)*	**(10,353)**	—
	—	—

Note:

a) Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 11.57% (2017: Nil) to expenditure on qualifying assets.

8. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

Loss before tax is arrived at after charging:

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Director's emoluments	**13,147**	4,401
Other staff's salaries, bonus and allowances	**12,786**	6,298
Other staff's contribution to retirement benefits schemes	**1,724**	242
Total staff costs	**27,657**	10,941
Impairment loss recognised in respect of goodwill	**—**	52,202
Impairment loss recognised in respect of trade and other receivables	**1,387**	—
Amortisation of other intangible assets	**10,945**	10,898
Amortisation of prepaid lease payments	**891**	866
Auditor's remuneration	**1,935**	2,004
Costs of inventories recognised as an expense	**100,339**	223,002
Depreciation of property, plant and equipment	**17,544**	11,547
Minimum lease payments under operating lease in respect of office premises	**7,044**	2,297

For the purpose of presenting discontinued operations (Note 10), the comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

9. 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 years ended 31 December 2018 and 2017.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

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 the statutory EIT rate of 25%.

For the year ended 31 December 2018 and 2017, 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 and was granted a reduced EIT rate of 15%.

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

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Current tax – PRC Enterprise Income Tax		
— Current year	**—**	8,749
— Prior year	**(2,520)**	—
Deferred tax	**(1,843)**	(3,665)
	(4,363)	5,084

The income tax (credit)/expense for the year can be reconciled to the loss before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Loss before tax	**(59,048)**	(27,151)
Notional tax on loss before tax, calculated at 25% (2017: 25%)	**(14,762)**	(6,788)
Differential tax rates	**1,287**	1,230
Expenses not deductible for tax purposes	**(2,247)**	14,650
Revenue not taxable for tax purposes	**(1,644)**	(15,139)
Tax losses not recognised	**15,523**	11,131
Over provision in respect of prior year	**(2,520)**	—
Income tax (credit)/expense	**(4,363)**	5,084

10. 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 periods and the gain on disposal of subsidiaries were as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Loss for the period/year	**(10,667)**	(46,939)
Gain on disposal of subsidiaries	**117,661**	—
	106,994	(46,939)

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Profit/(loss) for the period/year from discontinued operation		
Revenue	**25,933**	91,688
Cost of sales	**(21,868)**	(72,999)
Other income	**4,285**	6,906
Other net gains and losses	**—**	510
Selling and distribution expenses	**(8,614)**	(38,451)
Administrative and other expenses	**(9,062)**	(30,013)
Finance costs – Interest on bank borrowings	**(1,341)**	(4,580)
Gain on disposal of subsidiaries	**117,661**	—
Profit/(loss) before tax	**106,994**	(46,939)
Income tax expense	**—**	—
Profit/(loss) for the period/year	**106,994**	(46,939)
Profit/(loss) for the period/year attributable to		
— Owners of the Company	**109,127**	(37,792)
— Non-controlling interests	**(2,133)**	(9,147)
	106,994	(46,939)

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Other income from discontinued operation included the following:		
Interest on bank deposits	**16**	30
Interest from advances to suppliers	**1,105**	2,752
Government grants	**2,970**	3,035
Others	**194**	1,089
	4,285	6,906

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Other net gains and losses from discontinued operation included the following:		
Gain on changes in fair value less costs to sell for agricultural produces	—	510
	—	510

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

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Staff costs		
— Other staff's salaries, bonus and allowances	**3,076**	23,222
— Other staff's contribution to retirement benefits schemes	**602**	1,788
Impairment loss recognised in respect of trade and other receivables	**1,897**	5,853
Reversal of impairment loss recognised in respect of trade and other receivables	**(175)**	(3,343)
Amortisation of other intangible assets	**78**	147
Amortisation of prepaid lease payments	**130**	218
Costs of inventories recognised as an expense	**21,577**	73,542
Written-off of inventories	—	745
Depreciation of property, plant and equipment	**394**	5,287
Minimum leases payments under operating lease in respect of office premises and tea plantation	**3,535**	12,126

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

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Cash flows used in operating activities	**(5,478)**	(7,509)
Cash flows used in investing activities	**(756)**	(2,624)
Cash flows from financing activities	**9,121**	43,866
Net cash inflows	**2,887**	33,733

(b) Disposal of subsidiaries

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

	HK$'000
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 borrowings	(106,837)
Deferred income	(2,434)
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)
	3,411
Gain on disposal	117,661
	121,072
Satisfied by:	
Cash consideration received	70,000
Assumption of amount due from the Group	51,072
	121,072

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)
Net inflow	39,462

11. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: HK$Nil).

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit/(loss) for the year attributable to owners of the Company of approximately HK$57,526,000 (2017: a loss of HK$74,068,000) which represented by the loss from continuing operations of approximately HK$51,601,000 (2017: HK$36,276,000) and the profit from the discontinued operation of approximately HK$109,127,000 (2017: loss of HK$37,792,000), and the weighted average number of ordinary shares of approximately 3,024,094,000 (2017: Adjusted as 2,322,381,000) in issue during the year, as adjusted to reflect the effect of the Share Consolidation. Comparative figures have also been adjusted on the assumption that the Share Consolidation had been effective in the prior period.

Diluted loss per share equals to basic loss per share, as there were no potential dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

13. GOODWILL

	2018	2017
	HK$'000	*HK$'000*
Cost		
At 1 January	**1,115,763**	511,381
Acquired through business combinations	**84,229**	604,382
Disposal of subsidiaries	**(511,381)**	—
At 31 December	**688,611**	1,115,763
Accumulated impairment		
At 1 January	**563,583**	511,381
Impairment loss recognised	—	52,202
Disposal of subsidiaries	**(511,381)**	—
At 31 December	**52,202**	563,583
Carrying amount		
At 31 December	**636,409**	552,180

Impairment testing

For the purpose of impairment testing, goodwill is allocated to the CGUs under gold mining operation segment. The CGUs were identified as follows:

	Segment	**2018** ***HK$'000***	2017 *HK$'000*
One Champion Group	Gold mining operation	**388,345**	388,345
Perfect Major Group	Gold mining operation	**83,751**	83,751
Pride Success Group	Gold mining operation	**80,084**	80,084
Best Income and Max Paramount Group	Gold mining operation	**84,229**	—
Carrying amount		**636,409**	552,180

Impairment testing:

Valuations were carried out by an independent valuer, JP Assets Consultancy Limited ("JP Assets") (2017: Greater China Appraisal Limited ("GCA")) to assess the recoverable amount of the goodwill arising from the acquisitions. Each of these acquired subsidiaries is a separate cash-generating unit. Management considered that the synergies arising from each acquisition mainly benefited the corresponding acquired subsidiary. Therefore, in performing the impairment test, the goodwill generated from each acquisition is allocated to corresponding subsidiary acquired.

(a) Best Income and Max Paramount Group

The goodwill is arise from acquisition of Best Income and Max Paramount Group on 20 December 2018.

As at 31 December 2018, the Group assessed the recoverable amounts of this CGU and the recoverable amounts of this CGU has been determined based on their estimated fair value less costs of disposal, using market approach essentially for the Mining license and Exploration license of Gold Mine. The fair value on which the recoverable amount is categorised as a level 3 measurement. Several companies with business scopes and operations similar to those of holding Mining license or Exploration license of Gold mine were adopted as comparable companies. Application of Comparable Transaction Method is subject to the following requirements:

— Existence of historical (and recent) comparable transactions;

— Quoted selling price of the Gold Mine with similar characteristics to the CGU;

— Availability of public information on comparable transactions of relevant or similar assets; and

— Arm's length transactions between the independent uncontrolled parties.

No impairment is recognised as a result of the annual impairment testing of goodwill as at year ended 31 December 2018.

The determination of the recoverable amount of the CGU was particularly sensitive to changes in the following key assumption for the year ended 31 December 2018.

— The recoverable amount of the CGU exceed its carrying amount by HK$2,022,000 and the recoverable amount of the CGU would equal its carry amount (while other parameters remain constant) if the gold price was decreased approximately 1%.

— A decrease of 10% in gold price adjusted would result the reduction of recoverable amount of (i.e. impartment loss of) HK$38,199,000.

(b) One Champion Group

As at 31 December 2018, the recoverable amounts of the CGU has been determined from value in use calculations based on cash flow projections which are based on long term mine plans covering the expected life of the operation and are in line with normal practice in the mining industry. Therefore, the projections cover periods well in excess of five years. Management determined budgeted gross margin based on past performance and the future gold price outlook. The discount rate reflects the specific risks relating to the CGUs. Gold price and exchange rate used are with reference to current market information available at the time of impairment assessment.

	2018	2017
Pre-tax discount rate	**18.81%**	21.90%
Spot price of Gold	**USD1,282/Oz**	USD1,308/Oz
Exchange rate (RMB:US$)	**RMB6.8785:US$1**	RMB6.5068:US$1
Growth rate	**3%**	3%

No impairment is recognised as a result of the annual impairment testing of goodwill for the year ended 31 December 2018 and 2017. The Directors of the Company believe that any reasonably possible further change in key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

In 2017, given such unexpected increase in the total consideration transferred for One Champion Acquisition, from HK$360,620,000, being the consideration as stipulated in sale and purchase agreement for the One Champion Acquisition, to HK$430,775,000, being the fair value of the consideration having been transferred, and the fact that there have been no other substantial changes in relation to the One Champion Acquisition from the date of acquisition to the Completion Date, the Directors of the Company considered there is an indicator of which the goodwill may be impaired and has conducted an impairment review by engaging Greater China Appraisal Limited, an independent firm of professional valuers and assessing the recoverable amount of the One Champion Group on the Completion Date. According to the impairment assessment made on the Completion Date, the Directors of the Company concluded that the carrying amount of the One Champion Group exceeded its recoverable amount of HK$545,362,000 and an impairment loss on goodwill of HK$52,202,000 had been charged to profit or loss during the year ended 31 December 2017. The key inputs and assumptions adopted at the time when the impairment assessment is being made, as summarised below:

(c) Perfect Major Group and Pride Success Group

As at 31 December 2018, the Group assessed the recoverable amounts of these CGUs and the recoverable amounts of these CGUs has been determined based on their estimated fair value less costs of disposal, using market approach essentially for the Exploration license of Gold Mine. The fair value on which the recoverable amount is categorized as a level 3 measurement. Several companies with business scopes and operations similar to those of holding Mining license or Exploration license of Gold mine were adopted as comparable companies. Application of Comparable Transaction Method is subject to the following requirements:

— Existence of historical (and recent) comparable transactions;

— Quoted selling price of the Gold Mine with similar characteristics to the CGUs;

— Availability of public information on comparable transactions of relevant or similar assets; and

— Arm's length transactions between the independent uncontrolled parties.

No impairment is recognised as a result of the annual impairment testing of goodwill as at year ended 31 December 2018 and 2017.

For Perfect Major, the determination of the recoverable amount of the CGU was particularly sensitive to changes in the following key assumption for the year ended 31 December 2018.

— The recoverable amount of the CGU exceed its carrying amount by HK$22,549,000 and the recoverable amount of the CGU would equal its carry amount (while other parameters remain constant) if the gold price was decreased approximately 6%.

— A decrease of 10% in gold price adjusted would result the reduction of recoverable amount of (i.e. impairment loss of) HK$16,012,000.

For Pride Success, any reasonably possible further change in key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

14. TRADE AND OTHER RECEIVABLES

	Notes	2018 HK$'000	2017 HK$'000
Trade receivables	*(a)*	**—**	21,365
Less: allowances		**—**	(11,728)
		—	9,637
Other receivables	*(b)*	**18,607**	15,984
Less: allowances		**(159)**	(6,320)
		18,448	9,664
Deposits and prepayments		**41,337**	80,246
Value added tax recoverable		**2,665**	—
Advances to suppliers	*(c)*	**—**	32,933
		62,450	132,480

Note:

(a) Trade Receivables

The Group normally allows credit period of 60-90 days to its trade customers. The aged analysis of trade receivables net of allowance for doubtful debts presented based on the delivery date which approximated the respective dates on which revenue was recognised at the end of the reporting period is as follows:

	2018 HK$'000	2017 HK$'000
0 – 30 days	**—**	7,137
31 – 60 days	**—**	997
61 – 90 days	**—**	190
Over 90 days	**—**	1,313
	—	9,637

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed once a year. At 31 December 2018, none (2017: 6%) of the trade receivables are neither past due nor impaired.

	2018 HK$'000	2017 HK$'000
Over 90 days	**—**	1,313

Included in the Group's trade receivables balance at 31 December 2018 are debtors with aggregate carrying amount of approximately HK$Nil (2017: HK$1,313,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered to be recoverable. The Group does not hold any collateral over these balances.

Movement in impairment loss on trade receivables:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**11,728**	11,897
Exchange adjustment	**—**	815
Reversal of impairment loss previously recognised	**(175)**	(3,132)
Impairment loss recognised	**792**	2,148
Disposal of subsidiaries	**(12,345)**	—
At 31 December	**—**	11,728

Included in the Group's impairment loss on trade receivables are individually impaired trade 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.

(b) Other receivables

Movement in impairment loss on other receivables:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**6,320**	3,003
Exchange adjustment	**—**	(177)
Reversal of impairment loss previously recognised	**—**	(211)
Impairment loss recognised	**2,492**	3,705
Written off	**(1,228)**	—
Disposal of subsidiaries	**(7,425)**	—
At 31 December	**159**	6,320

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.

(c) Advances to suppliers

The amount represented advance payments to several suppliers for sourcing of goods from them. Out of which, amounting to approximately HK$Nil (2017: HK$29,741,000 (equivalent to RMB24,860,000) represented the sourcing of teas from several suppliers in which the goods shall be delivered during the year ending (2017: during the year ending 31 December 2018). Prior to the delivery of teas to the Group, these suppliers will pay an interest at the rate of 11.152% (2017: 11.152%) per annum on the outstanding balances to the Group. During the year ended 31 December 2018, interest income from these suppliers of approximately HK$1,104,000 (equivalent to approximately RMB897,000) (2017: approximately HK$2,752,000 (equivalent to approximately RMB2,386,000) was recognised as other income in the consolidated statement of profit or loss and other comprehensive income from discontinued operation (Note 10).

15. TRADE AND OTHER PAYABLES

	Notes	2018 HK$'000	2017 HK$'000
Trade payables	*(a)*	—	40,582
Other payables and accruals		**363,889**	176,178
Amounts due to related parties	*(b)*	**473,966**	352,693
		837,855	569,453
Analysed for reporting purposes as:			
— Current portion		**363,889**	216,760
— Non-current portion		**473,966**	352,693
		837,855	569,453

(a) Trade payables

The following is an aged analysis of trade payables presented based on the delivery date at the end of the reporting period:

	2018 HK$'000	2017 HK$'000
0 – 90 days	—	21,400
91 – 180 days	—	17,579
181 – 365 days	—	159
Over 1 year	—	1,444
	—	40,582

The average credit period on purchases of goods is 90 days (2017: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timetable.

(b) 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.

16. CONTRACT LIABILITIES

The Group has recognised the following revenue — related contract liabilities:

	31 December 2018	1 January 2018	31 December 2017
	HK$'000	*HK$'000*	*HK$'000*
Contract liabilitiess arising from:			
Sale of goods	3,383	40,397	—

Note: The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. As at 31 December 2018, the amount of HK$3,383,000 unsatisfied performance obligations resulting from sales of goods was expected to be recognised as income within one year.

The deposit of the Group receives on sales of gold concentrate remains as a contract liability until the date deliver it to customer.

Movements in contract liabilities

	2018
	HK$'000
Balance as at 1 January	40,397
Decrease in contract liabilities as a result of recognising revenue during the year	(40,397)
Increase in contract liabilities as a result of receipt in advance of sales of gold concentrate	3,383
Balance at 31 December	3,383

17. SHARE CAPITAL

	Number of ordinary shares at HK$0.1 each	Number of ordinary shares at HK$0.01 each	
	'000	*'000*	*HK$'000*
Authorised:			
At 31 December 2017 and 1 January 2018	—	462,238,100	4,622,381
Share Consolidation	46,223,810	(462,238,100)	—
At 31 December 2018	46,223,810	—	4,622,381

		Number of ordinary shares		
		at	at	
		HK$0.1 each	HK$0.01 each	
	Notes	*'000*	*'000*	*HK$'000*
Issued and fully paid:				
A 1 January 2017		N/A	16,914,972	169,150
Issuance of shares for One Champion Acquisition	*18(b)*	N/A	3,507,750	35,077
Issuance of shares for Perfect Major Acquisition	*18(c)*	N/A	3,300,000	33,000
Issuance of shares for Pride Success Acquisition	*18(d)*	N/A	4,700,000	47,000
At 31 December 2017 and 1 January 2018		N/A	28,422,722	284,227
Share Consolidation	*(a)*	2,842,272	(28,422,722)	—
Issuance of shares for Best Income and Max Paramount Acquisition	*18(a)*	550,000	—	55,000
At 31 December 2018		3,392,272	—	339,227

All the shares issued during the year rank pari 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").

18. ACQUISITION OF SUBSIDIARY

(a) Best Income and Max paramount Acquisition

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").

Best Income and Max Paramount and their subsidiaries (referred to as "Best Income and Max Paramount Group") are principally engaged in the exploration of gold and related minerals. The acquisition represents an opportunity for the Group to increase its mineral portfolio. Upon the completion of the Best Income and Max Paramount Acquisition, Best Income and Max Paramount Group became indirect wholly-owned subsidiaries of the Company.

Goodwill recognised of approximately HK$84,230,000, which is not deductible for tax purposes, is mainly attributable to the significant future prospect of the acquired business and the synergies arising from the combination of the acquired business with the existing operations of the Group.

The fair values of the identifiable assets acquired and liabilities assumed of the Best Income Group as at the date of the acquisition were as follows:

	HK$'000
Property, plant and equipment	415,968
Interest in an associate	3,383
Exploration and evaluation assets	363,295
Other intangible assets	38,913
Inventories	343
Trade and other receivables	13,716
Bank balances and cash	2,846
Trade and other payables	(190,856)
Income tax payable	(133,922)
Amount due to related parties	(168,039)
Deferred tax liabilities	(87,854)
Other non-current liabilities	(646)
Total identifiable net assets at fair value	257,147
Non-controlling interest	(25,715)
Goodwill *(Note 13)*	84,229
Fair value of consideration	315,661
Satisfied by:	
Cash consideration	—
550,000,000 shares*	247,500
Contingent consideration payable - promissory note	68,161
	315,661

* The grant date fair value of the ordinary shares issued was HK$0.45 per ordinary share.

Since the acquisition date, Best Income and Max Paramount Group has contributed HK$Nil and HK$863,000 to the Group's revenue and loss before tax. Had the acquisition occurred on 1 January 2018, Best Income and Max Paramount Group would have contributed revenue and loss before tax for the current year of HK$Nil and HK$7,742,000 respectively.

The acquisition-related costs of HK$631,000 have been expensed and are included in administrative and other expenses. The attributable costs of the issuance of the equity instruments of HK$9,000 have been included in administrative and other expenses.

An analysis of the cash flows in respect of the Best Income and Max Paramount Acquisition is as follows:

	HK$'000
Cash consideration	—
Cash and bank balances acquired	2,846
Net inflow of cash and cash equivalents from acquisition	2,846

The details of contingent consideration arrangement is as follows:

The promissory note with principal amount of HK$80,000,000 carries zero interest and with maturity of 36 months from the date of Registration Approval ("Effective Date"). The date of Registration Approval of mining license, which must fall (i) within 12 months after the date of issuance of the Promissory Note or (ii) on such other date as the Company and the acquiree may agree in writing ("the Expiry Date"). If such approval is not obtained on or before the Expiry Date, the Promissory Note will be invalidated and will no longer be enforceable against the Company. The Promissory Note was issued on 20 December 2018. The fair value of the promissory note was HK$68,161,000 determined at date of issuance with reference to a professional valuation performed by JP Assets and with the effect interest rate of 4.68%.

(b) One Champion Acquisition

On 4 August 2016, Combined Success entered into agreement with Forever Success Investments Limited ("Forever Success") and Supreme Success Group Limited ("Supreme Success", and together with Forever Success, the "Vendors") and pursuant to which, Combined Success agreed to acquire, and the Vendors agreed to sell, the remaining 73% equity interests of One Champion, a then available-for-sale investment of the Company and owned as to 27% by Combined Success, 43% owned by Forever Success and 30% owned by Supreme Success, at a combined consideration of HK$80,000,000 in cash and 4,475,000,000 ordinary shares of the Company at the issue price of HK$0.08 per ordinary share (the "One Champion Acquisition").

One Champion and its subsidiaries (referred to as "One Champion Group") is principally engaged in the exploration, mining, processing, and sale of gold and related products. The acquisition represents an opportunity for the Group to broaden its revenue base and to enhance its financial conditions, as well as to provide growth potential to the Group. Completion of the One Champion Acquisition took place on 27 January 2017 ("Completion Date"). Thereafter, One Champion became an indirect wholly-owned subsidiary of the Company since 2017.

The fair values of the identifiable assets acquired and liabilities assumed of the One Champion Group as at the date of the acquisition were as follows:

	HK$'000
Property, plant and equipment	142,241
Prepaid lease payments	4,478
Exploration and evaluation assets	133,064
Other intangible assets	41,947
Inventories	11,455
Trade and other receivables	52,305
Bank balances and cash	89,817
Trade and other payables	(268,261)
Provision for restoration and environment costs	(6,424)
Income tax payable	(18,852)
Deferred tax liabilities	(24,752)
Total identifiable net assets at fair value	157,018
Non-controlling interest	(26,390)
27% equity interest held by the Group immediately prior to the Completion Date	(140,400)
Goodwill *(Note 13)*	440,547
Fair value of consideration	430,775
Satisfied by:	
Cash consideration paid in 2016 as deposit	80,000
3,507,750,000 shares*	350,775
	430,775

* The grant date fair value of the ordinary shares issued was HK$0.1 per ordinary share.

Since the re-measurement of the Group's 27% equity interest in One Champion held before the One Champion Acquisition to fair value did not result in significant difference with its carrying value, there was no gain or loss recognised from the re-measurement.

Since the acquisition date, One Champion has contributed HK$295,787,000 and HK$14,432,000 to the Group's revenue and loss before tax for the year ended 31 December 2017. Had the acquisition occurred on 1 January 2017, One Champion would have contributed revenue and loss before tax for the year ended 31 December 2017 of HK$295,787,000 and HK$14,525,000 respectively.

The acquisition-related costs of HK$3,453,000 have been expensed and are included in administrative and other expenses for the year ended 31 December 2017. The attributable costs of the issuance of the equity instruments of HK$9,000 have been included in administrative and other expenses for the year ended 31 December 2017.

An analysis of the cash flows in respect of the One Champion Acquisition is as follows:

	HK$'000
Cash consideration paid during the year ended 31 December 2016	(80,000)
Cash and bank balances acquired	89,817
Net inflow of cash and cash equivalents from acquisition	9,817

(c) Perfect Major Acquisition

On 24 April 2017, Combined Success completed the acquisition of the entire equity interests of Perfect Major at a consideration of 3,300,000,000 ordinary shares of the Company at the issue price of HK$0.1 per ordinary share (the "Perfect Major Acquisition").

Perfect Major and its subsidiaries (referred to as "Perfect Major Group") is principally engaged in the exploration of gold and related minerals. The acquisition represents an opportunity for the Group to increase its mineral portfolio. Upon the completion of the Perfect Major Acquisition, Perfect Major became an indirect wholly-owned subsidiary of the Company since 2017.

The fair values of the identifiable assets acquired and liabilities assumed of the Perfect Major Group as at the date of the acquisition were as follows:

	HK$'000
Property, plant and equipment	162,466
Exploration and evaluation assets	359,145
Inventories	218
Trade and other receivables	3,612
Bank balances and cash	1,705
Trade and other payables	(180,687)
Deferred tax liabilities	(92,085)
Total identifiable net assets at fair value	254,374
Non-controlling interest	(27,925)
Goodwill *(Note 13)*	83,751
Fair value of consideration	310,200
Satisfied by:	
3,300,000,000 shares*	310,200

* The grant date fair value of the ordinary shares issued was HK$0.094 per ordinary share.

Since the acquisition date, Perfect Major has contributed HK$Nil and HK$5,568,000 to the Group's revenue and loss before tax for the year ended 31 December 2017. Had the acquisition occurred on 1 January 2017, Perfect Major would have contributed revenue and loss before tax for the year ended 31 December 2017 of HK$Nil and HK$7,070,000 respectively.

The acquisition-related costs of HK$719,000 have been expensed and are included in administrative and other expenses for the year ended 31 December 2017. The attributable costs of the issuance of the equity instruments of HK$9,000 have been included in administrative and other expenses for the year ended 31 December 2017.

An analysis of the cash flows in respect of the Perfect Major Acquisition is as follows:

	HK$'000
Cash consideration	—
Cash and bank balances acquired	1,705
Net inflow of cash and cash equivalents from acquisition	1,705

(d) Pride Success Acquisition

On 3 November 2017, Combined Success completed the acquisition of the entire equity interests of Pride Success at a combined consideration of HK$30,000,000 in cash and 4,700,000,000 ordinary shares of the Company at the issue price of HK$0.08 per ordinary share (the "Pride Success Acquisition").

Pride Success and its subsidiaries (referred to as "Pride Success Group") is principally engaged in the exploration of gold and related minerals. The acquisition represents an opportunity for the Group to increase its mineral portfolio. Upon the completion of the Pride Success Acquisition, Pride Success became an indirect wholly-owned subsidiary of the Company since 2017.

The fair values of the identifiable assets acquired and liabilities assumed of the Pride Success Group as at the date of the acquisition were as follows:

	HK$'000
Property, plant and equipment	223,472
Exploration and evaluation assets	411,180
Other intangible assets	83,697
Trade and other receivables	3,279
Bank balances and cash	62
Trade and other payables	(247,835)
Income tax payable	(2)
Deferred tax liabilities	(131,850)
Total identifiable net assets at fair value	342,003
Non-controlling interest	(39,587)
Goodwill *(Note 13)*	80,084
Fair value of consideration	382,500
Satisfied by:	
Cash consideration	30,000
4,700,000,000 shares*	352,500
	382,500

* The grant date fair value of the ordinary shares issued was HK$0.075 per ordinary share.

Since the acquisition date, Pride Success has contributed HK$Nil and HK$1,077,000 to the Group's revenue and loss before tax for the year ended 31 December 2017. Had the acquisition occurred on 1 January 2017, Pride Success would have contributed revenue and loss before tax for the year ended 31 December 2017 of HK$Nil and HK$7,287,000 respectively.

The acquisition-related costs of HK$617,000 have been expensed and are included in administrative and other expenses for the year ended 31 December 2017. The attributable costs of the issuance of the equity instruments of HK$9,000 have been included in administrative and other expenses for the year ended 31 December 2017.

An analysis of the cash flows in respect of the Pride Success Acquisition is as follows:

	HK$'000
Cash consideration	(30,000)
Cash and bank balances acquired	62
Net outflow of cash and cash equivalents from acquisition	(29,938)

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 14 May 2019 to Friday, 17 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming annual general meeting of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Friday, 10 May 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the financial year ended 31 December 2018, the Group recorded a profit attributable to owners of the Company amounted to HK$57,526,000 (2017: loss of HK$74,068,000). Of which, profit derived from the discontinued operation amounted to approximately HK$106,994,000 which is primarily contributed by the gain on disposal of HK$117,661,000. Loss from continuing operations increased by 70% to approximately HK$54,685,000 in 2018 from approximately HK$32,235,000 for the year 2017, which is primarily a result of the decrease in gross profit. The decrease in gross profit is mainly due to the temporary suspension of production of gold mining and increasing production cost of gold mining.

Key Performance Indicators (Financial Ratio) ("KPI")

The management considers the following key performance indicators are relevant to the management of its business segments, through evaluating, controlling and setting strategies to improve performance:

		Gold mining operation		Tea business		Overall	
		Year ended 31 December					
	Note	**2018**	2017	**2018**	2017	**2018**	2017
Revenue *(HK$'000)*		**105,975**	295,787	**25,933**	91,688	**131,908**	387,475
Gross profit margin *(%)*	*(i)*	**4%**	23%	**16%**	20%	**6%**	22%
Net asset value per share *(HK cents)*	*(ii)*					**56.7**	6.0

Notes:

(i) Gross profit margin is calculated as gross profit divided by revenue.

(ii) Using the number of issued ordinary shares of the Company as at the relevant financial year end date.

(iii) The tea business was disposal of in April 2018.

The decrease in gross profit margin in Gold mining operation is mainly due to the temporary suspension of production to prepare for the central inspection in Tongguan Country and rising cost of production including extraction and labour cost. The Group's net asset value per share increased from HK6.0 cents in 2017 to HK56.7 cents in 2018 as resulted from an acquisition during the year being settled with consideration shares and consolidation of shares of the Company. 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$0.1 each. Detailed analysis of other KPI is set out in below section.

Administrative and other expenses amounted to approximately HK$64,967,000, representing an increase of approximately 34% from approximately HK$48,638,000 for the year 2017 and is primarily contributed by the full period effect in 2018 in respect of acquisitions by the Group in various months of 2017 (One Champion Acquisition in January 2017, Perfect Major Acquisition in April 2017 and Pride Success Acquisition in November 2017) and the one-off expense incurred for the grant of share option of HK$10,235,000.

REVIEW OF OPERATIONS

Continuing 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 financial year ended 31 December 2018, the Group's revenue from gold mining operation amounted to approximately HK$105,975,000, representing a decrease of approximately 64% from approximately HK$295,787,000 for the year 2017 and is primarily contributed by the temporary suspension of the gold mining operations within Tongguan county during May 2018 to July 2018 to carry on environmental upgrade and maintenance and during August 2018 to October 2018 for the environmental inspections by the local authorities which result in a decrease in overall production in 2018. The cost of sales amounted to HK$102,073,000, representing a decrease of approximately 55% from approximately HK$227,830,000 for the year 2017 and is primarily contributed by the decrease in overall production. Gross profit from continuing operations amounted to approximately HK$3,902,000, representing a decrease in 94% respectively as compared with approximately HK$67,957,000 for the year 2017. Decrease in gross profit margin was mainly attributable to the temporary suspension of production and increasing cost of production including extraction cost and labour cost.

On 20 December 2018, the Group completed the acquisition of the entire equity interests in Best Income Limited ("Best Income") and Max Paramount Holdings Limited ("Max Paramount") (collectively, the "Best Tone and Max Paramount Acquisition"). Details of the acquisition of the entire equity interests in Best Income and Max Paramount were disclosed in the announcements of the Company dated 4 December 2018 and 20 December 2018.

Best Income and its subsidiaries (together with Best Income, "Best Income Group") and Max Paramount and its subsidiary (together with Max Paramount, "Max Paramount Group") are principally engaged in the exploration and mining of gold and related minerals. The principal asset of Best Income and Max Paramount are their indirect equity interest in PRC company, namely Tongguan Tongjin Mining Company Limited (潼關縣潼金礦業有限責任公司) ("Tongjin Mining"), which holds the exploration licences and mining licence in respect of four gold mines located in the Tongguan County in Shaanxi Province of the PRC.

Investments in Canada listed mining company

The Group has invested in Canada listed mining company which was held for the purpose of long-term investments and capital gain and dividend income. The investment portfolio of the Group, included in other financial assets, recorded a depreciation during the year ended 31 December 2018 as the depreciation of both the market price and exchange rate of Canadian dollar. The decrease in fair value of the investment portfolio during the year 2018 was approximately HK$20,343,000 (2017: net increase of HK$17,610,000). As at 31 December 2018, the carrying value of the investment portfolio was HK$6,600,000 (31 December 2017: HK$28,131,000).

Discontinued Operation

Disposal of Tea Business

Discontinued operation represented the operating results up to the date of disposal and the gain on disposal of the tea business.

On 16 April 2018, the Group has disposed of 80% issued shares of King Gold Investments Limited (the "Disposal"). King Gold Investments Limited ("King Gold") and its subsidiaries (together with King Gold, the "King Gold Group") is principally engaged in cultivation, research, production and sale of Chinese tea products.

Upon completion of the Disposal, King Gold ceased to be a subsidiary of the Group. For the operation results, during the period from 1 January 2018 to 16 April 2018, King Gold Group contributed HK$25,933,000 (year ended 31 December 2017: HK$91,688,000) and profit of HK$106,994,000 (year ended 31 December 2017: loss of HK$46,939,000) to the Group's revenue and loss before tax respectively.

A gain of disposal of approximately HK$117,661,000 was arisen from the Disposal and was derived from (i) the total consideration of HK$121,072,000; and (ii) the net assets and other reserves of King Gold Group of HK$3,411,000 upon the Disposal.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, the Group had total assets and net assets amounted to approximately HK$3,415,219,000 (2017: HK$2,712,101,000) and approximately HK$1,921,884,000 (2017: HK$1,696,110,000), respectively. The current ratio was 0.32, as compared to 1.02 as of last year end date.

As at 31 December 2018, the Group had bank balances and cash of approximately HK$109,550,000 (2017: HK$179,707,000), and most of which were denominated in Renminbi and Hong Kong dollars.

At the end of the reporting period, the Group had no bank borrowings (2017: HK$138,272,000) and other loan of approximately HK$92,046,000 (2017: HK$Nil) which was denominated in Renminbi was interest-bearing at 1% per month. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 5.1% (2017: 8.6%).

FOREIGN EXCHANGE RISK MANAGEMENT

As part of the Group's assets and liabilities are denominated in Hong Kong dollars and Canadian dollars 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

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 27 April 2018, a share consolidation (the "Share Consolidation") was approved by the shareholders of the Company:

(i) every 10 of issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company were consolidated into 1 consolidated ordinary share of HK$0.10 each; and

(ii) every 10 issued and unissued convertible preference shares of HK$0.01 each in the share capital of the Company were consolidated into 1 consolidated convertible preference share of HK$0.10 each.

The Share Consolidation was completed and became effective on 30 April 2018.

On 20 December 2018, the Company issued 550,000,000 new ordinary shares as the consideration paid for the acquisition of the entire equity interests in Best Income and Max Paramount (as stated in heading "Material acquisitions and disposals of subsidiaries and associated companies" as below).

As at 31 December 2018, the Company had 3,392,272,221 ordinary shares in issue with total shareholders' fund of the Group amounting to approximately HK$339,227,000.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 6 April 2018, the Company entered into a sale and purchase agreement to disposal 80% issued shares of King Gold, a subsidiary of the Company, to an independent third party for a total consideration of HK$121,071,664 and the disposal was completed on 16 April 2018.

On 20 December 2018, the Group acquired the entire equity interests in Best Income and Max Paramount for a total consideration of HK$300,000,000, of which HK$80,000,000 was settled by issuing promissory note and the remaining balance of HK$220,000,000 was satisfied by the issue and allotment of ordinary shares of the Company.

Saved as disclosed above, there were no other material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2018.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no contingent liability (2017: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had approximately 10 and 146 employees in Hong Kong and Mainland China respectively.

The staff cost of the Group (including directors' emoluments in form of salary and other benefits, share-based payments, performance related incentive payments and retirement benefit contributions) was approximately HK$27,657,000 for the year ended 31 December 2018 (2017: HK$10,941,000). There was a share-based payment of HK$10,235,000 arising from grant of share options to directors and employees of the Group for the year ended 31 December 2018 (2017: HK$Nil).

Directors' emoluments 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.

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 is determined to focus on the gold exploration and mining business. Subsequent to disposal of tea business in the first half of 2018, the Group has completed an acquisition of gold business at the end of this year. To strengthen the Group's resource and reserve, the Group will continue to explore the opportunities of high quality gold exploration and mining business. In respect of the mining areas which has completed the exploration stages, the Group has begun the application of mining licenses during the year. The management believes that the production capacity would be gradually improved with more mining activities.

This year, the central inspection teams visited Qinling for the one-off and large-scale environmental inspection. As advised by the local authorities, the Group has suspended the mining operation in Tongguan country temporarily and the production in second half of 2018 has been decreased. Nevertheless, the Group remains optimistic to the financial performance in the coming years. The management believes the central inspection is non-recurring and the Group will continue to put emphasis on workplace safety and environmental protection.

The Group considers work safety and environmental protection as an important topics when it comes to sustainable development. To mitigate the workplace injuries and accidents, the Group provides continuous trainings and workshops. To reduce the environmental damage, the Group has set up the internal control to monitor the waste being produced in the mining operation and promote energy-saving.

The phase one of the new processing plant is expected to complete in or around the first half of 2019. The new processing plant will strengthen our processing capacity and the production is expected to be benefited from the economics of scale. The Group will continue to look for opportunities to improve the production capacity and operate in a cost-effective manner.

The profitability of the Group highly depends on the gold price in the domestic and international markets and the market prices of gold (and other precious metals) are highly correlated with the global economic growth and stability. In view of the potential impacts from Fed interest rate hikes and the US-China trade war, the Company is of the view that the gold serves as a safe haven is beneficial to the Group.

The management will continually strive to explore the investment opportunities of high quality mining to enhance reserve, resources and production output. The Group will leverage its management expertise in the mining industry so as to increase the shareholders' value of the Group as a whole.

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

The Company has not redeemed any of its listed securities during the year ended 31 December 2018. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company has a policy of seeking to comply with the established best practice in corporate governance. The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of its shareholders. For the year ended 31 December 2018, the Company has applied the principles of the Corporate Governance Code and Corporate Governance Report 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") (the "Code"), and the associated Listing Rules. During the year ended 31 December 2018, the Company has complied with the code provisions of the Code ("Code Provision(s)"), except for certain deviations as specified and explained below with considered reasons for such deviations.

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

Since the resignation of Dr. You Xian Sheng as the chairman and the executive director of the Company 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 "Chief Executive Officer") on 1 June 2016, the Company has not appointed a new Chief Executive Officer. Until the appointment of the new Chief Executive Officer, 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.

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 A.2.7 of the Code, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.

   Since the resignation of Dr. You Xian Sheng as the chairman and the executive director of the Company on 31 January 2014, the Company has not appointed a new Chairman, no meeting was held between the Chairman and the independent non-executive directors of the Company without the presence of other directors of the Company during the year ended 31 December 2018.

3. Under Code Provision A.6.7 of the Code, generally, independent non-executive directors and other non-executive directors should attend the general meetings to gain and develop a balanced understanding of the views of shareholders. During the year ended 31 December 2018, an independent non-executive director was unable to attend the annual general meeting and the special general meeting of the Company due to other engagement. The Company will try its best endeavors in arranging the meeting schedule and arrangement in order to comply with the code provision in future.

4. Under Code Provision E.1.2 of the 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 of the Company, has been elected by other directors of the Company present to act as the chairman of the annual general meeting of the Company held on 27 April 2018 in accordance with the Bye-laws of the Company.

5. Under Code Provision F.1.3 of the 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 Chief Executive Officer has not been appointed following the resignation of Mr. Wang Hui as the Chief Executive Officer on 1 June 2016, the company secretary of the Company reported to the executive directors of the Company since 1 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code and its code of conduct regarding directors' securities transaction during the year ended 31 December 2018, and they all confirmed that they had fully complied with the required standards set out in the Model Code.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company comprises Mr. Leung Ka Wo, Mr. Chu Kang Nam, Mr. Ngai Sai Chuen and Mr. Liang Xu Shu, all of them are independent non-executive directors. The consolidated financial results of the Group for the year ended 31 December 2018 have been reviewed by the audit committee of the Company.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditors, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company (www.tongguangold.com) and the designated website of the Stock Exchange (www.hkexnews.hk).

The 2018 annual report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

The 2018 annual financial information set out above does not constitute the Group's statutory financial statements for the financial year ended 31 December 2018. Instead, it has been derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2018, which will be included in the Company's 2018 annual report.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the continuous support of our shareholders and hard work and dedication of all our staff over the past year.

By Order of the Board
Tongguan Gold Group Limited
Yeung Kwok Kuen
Executive Director and Chief Financial Officer

Hong Kong, 19 March 2019

As at the date hereof, the board of directors of the Company comprises Mr. Fang Yi Quan, Mr. Yeung Kwok Kuen, Mr. Shi Xing Zhi and Mr. Shi Sheng Li as executive directors and Mr. Chu Kang Nam, Mr. Ngai Sai Chuen, Mr. Liang Xu Shu and Mr. Leung Ka Wo as independent non-executive directors.