潼關黃金集團有限公司

Tongguan Gold Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 340

2018
Interim Report

Content

Corporate Information

DIRECTORS

Executive Directors:

Fang Yi Quan
Yeung Kwok Kuen *(Chief Financial Officer)*
Shi Xing Zhi
Shi Sheng Li

Independent Non-executive Directors:

Chu Kang Nam
Ngai Sai Chuen
Liang Xu Shu
Leung Ka Wo

AUDIT COMMITTEE

Leung Ka Wo *(Chairman)*
Chu Kang Nam
Ngai Sai Chuen
Liang Xu Shu

REMUNERATION COMMITTEE

Chu Kang Nam *(Chairman)*
Ngai Sai Chuen
Liang Xu Shu
Leung Ka Wo
Fang Yi Quan

NOMINATION COMMITTEE

Chu Kang Nam *(Chairman)*
Ngai Sai Chuen
Liang Xu Shu
Leung Ka Wo

COMPANY SECRETARY

Leung Lai Ming

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1306 13th Floor
Bank of America Tower
12 Harcourt Road
Admiralty
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
Suite 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

AUDITORS

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Shanghai Pudong Development Bank
Industrial and Commercial Bank of China Limited
Industrial Bank Company Limited

STOCK CODE

00340

COMPANY WEBSITE

www.tongguangold.com

Management Discussion and Analysis

RESULTS REVIEW

For the six months ended 30 June 2018 (the "Interim Period"), Tongguan Gold Group Limited (the "Company") together with its subsidiaries (the "Group") recorded an unaudited profit attributable to owners of the Company amounted to HK$107,461,000 (six months ended 30 June 2017: loss of HK$55,917,000). Of which, profit derived from the discontinued operation amounted to approximately HK$109,127,000 which is primarily contributed by the gain on disposal of HK$117,661,000. Loss from continuing operations decreased by 96.1% to approximately HK$1,666,000 in 2018 from approximately HK$43,254,000 for the corresponding period in 2017, which is primarily a result of the one-off provision of impairment loss on goodwill attributable to gold mining operation of approximately HK$52,202,000 during the corresponding period in 2017. No such impairment loss on goodwill is provided for during the Interim Period.

REVIEW OF OPERATIONS

Continuing operations

Gold Mining Operation

The principal activity of the gold mining operation is the production and sale of gold concentrates and related products. In the first half of 2018, the Group's revenue from gold mining operation amounted to approximately HK$100,941,000, representing an increase of approximately 8.8% from approximately HK$92,789,000 for the corresponding period in 2017 and is primarily contributed by the improved grading of ore processed and the depreciation of Hong Kong dollars against Renminbi during the period. The cost of sales amounted to HK$69,390,000, representing an increase of approximately 2.9% from approximately HK$67,458,000 for the corresponding period in 2017 and is primarily contributed by the combined effect of the improvement in cost efficiency in production and partially offset by the additional amortization charges of mining rights arisen from acquisition in the corresponding period for 2017. Gross profit from continuing operations amounted to approximately HK$31,551,000, representing an increase in 24.6% respectively as compared with approximately HK$25,331,000 for the corresponding period in 2017. The average gross profit margin for the current period was 31%, representing an increase of 4 percentage points as compared with 27% of average gross profit margin in the corresponding period in 2017. Increase in gross profit margin was mainly attributable to the improved grading of ore processed. Administrative and other expenses amounted to approximately HK$25,714,000, representing an increase of approximately 98.4% from approximately HK$12,959,000 for the corresponding period in 2017 and is primarily contributed by the full period effect of the companies acquired during the corresponding period in 2017 and the expenses incurred for preparing to begin the application of mining licences for certain exploration sites of which the exploration licences are expired in 2018 and permitted for mining licences application.

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

I Exploration

Tongguan County Xiangshun Mining Development Co., Ltd. ("Xiangshun Mining")

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

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

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

Tonggguan County De Xing Mining L.L.C. ("De Xing Mining")

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

II Development

Xiangshun Mining, Tongxin Mining and De Xing Mining

During the Interim Period, Xiangshun Mining, Tongxin Mining and De Xing Mining have appointed several engineering and technical companies and have completed (i) the pit exploration project of approximately 5,236 meters and (ii) the pit drilling project of approximately 4,154 meters.

Jinhui Mining

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

III Mining Production Activities

Xiangshun Mining

(1) Mining operation

	Six months ended 30 June 2018
Underground mining	
Mine production (thousand tonnes)	51.05
Total mine production (thousand tonnes)	51.05
Average gold grade (gram/tonne)	5.76

(2) Ore processing operation — Concentrating

	Six months ended 30 June 2018
Concentrate production — Gold (tonnes)	4,634
Average gold grade (gram/tonne)	56.43
Metal in the concentrate (Kilogram)	261.50

Jinhui Mining, Tongxin Mining and De Xing Mining

During the Interim Period, there was no mining production.

Management Discussion and Analysis

IV Exploration, development and mining production cost of the Group

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

	Mine produced Gold *(HK$'000)*
Exploration and Mining activities	
Exploration and development construction	47,969
Mining ore	12,375
Total	60,344

(Concentrating not included)

Investments in Canada listed mining company and other securities

The Group invested in a Canada listed mining company which was held for the purpose of long-term investments for capital gain and dividend income. The investment portfolio of the Group, included in other financial assets, recorded a depreciation during the Interim Period as the depreciation of both the market price and the exchange rate of Canadian dollar. The net decrease in fair value of the investment portfolio during the Interim Period was HK$15,377,000 (six months ended 30 June 2017: net increase of HK$7,459,000). As at 30 June 2018, the carrying value of the investment portfolio was HK$11,887,000 (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 (six months ended 30 June 2017: HK$41,654,000) and HK$10,667,000 (six months ended 30 June 2017: HK$15,829,000) 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 30 June 2018, the Group had total assets and net assets of HK$2,617,533,000 (31 December 2017: HK$2,712,101,000) and HK$1,735,435,000 (31 December 2017: HK$1,696,110,000), respectively. The current ratio was 1.02, as compared to 1.02 as of year ended 31 December 2017.

As at 30 June 2018, the Group had bank balances and cash, of HK$124,728,000 (31 December 2017: HK$179,707,000), of which most were denominated in Renminbi and Hong Kong dollar.

As at 30 June 2018, the Group had: (i) bank borrowings of HK$45,645,000 (31 December 2017: HK$138,272,000) which were denominated in Renminbi and interest-bearing at a fixed rate of 4% per annum and (ii) other loans of HK$95,754,000 (31 December 2017: HK$Nil) which were denominated in Renminbi was interest-bearing at 1% per month. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 8.7% (31 December 2017: 8.6%).

FOREIGN EXCHANGE RISK MANAGEMENT

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

SHARE CAPITAL

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.

As at 30 June 2018, the Company had 2,842,272,221 ordinary shares in issue with a total shareholders' fund of the Group amounting to approximately HK$284,227,000.

CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 30 June 2018 (31 December 2017: HK$Nil).

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.

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries and associated companies during the Interim Period.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had approximately 10 and 95 employees in Hong Kong and Mainland China respectively.

The staff cost of the Group (including directors' remuneration in form of salary and other benefits, share-based payments, performance related incentive payments and retirement benefit contributions) was approximately HK$10,488,000 for the Interim Period (six months ended 30 June 2017: HK$17,083,000).

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

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

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 gold mining operation continues to perform during the period under review and the management is dedicated to sustainable growth of the operation through improvements on workflow and ramping up the processing capacity.

It is normal practice to carry on maintenance and upgrade on the processing operations annually. In 2018, the central inspection teams visit Qinling mountains for environmental inspections and all the mining operations within Tongguan county, being part of Qinling mountains, were advised by the local authorities in August 2018 to suspend operations temporarily to prepare for the inspections. The Group expects longer period is required for the relevant upgrade to facilitate the environmental inspections and the overall production in 2018 is expected to be decreased.

Management Discussion and Analysis

The phase one of the new processing plant of the Group is expected to complete around the end of 2018. The new processing plant will strengthen our processing capacity in a cost-effective matter and it is expected to reduce the environmental footprint of the Group. With the new processing plant designed with occupational safety in mind, this also mean our staff and contractors can work in a more comfortable workplace. The management will continue to invest on the operation through internal training on human resources as well as capital investments.

The Group makes continual efforts in exploring opportunities for acquisitions to maintain and expand its self-sufficient mineral portfolio and also to prepare the portfolio on hand ready for mining productions. Subsequent to the two acquisitions during 2017, the Group has already begun the application procedures of mining licences for areas that the exploration works had substantially completed. The management is optimistic that the tenements would be available for exploitation in coming years.

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. As the investors are cautious at the beginning of interest rate hikes in the United States and the impact on the economy outlook in the US and globally, gold can be said as trading at its lowest in 18 months in US dollar terms in the recent months, at approximately USD1,200/ounce level. Nevertheless, gold still serves its solid role as a safe-haven asset globally. In China, the gold price remains stable in the range from RMB265/g to RMB275/g during 2018. With reference to various sources, the gold price in the coming years is expected to remain stable at around USD1,250/ounce.

The management remains optimistic to the financial performance of the Group as gold will continue to be in strong demand as a safe-haven asset and the price is expected to remain stable. The Group will continue to leverage its management expertise in the mining industry with the aim to increase the shareholders' value of the Group as a whole.

Independent Review Report

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To the Board of Directors of Tongguan Gold Group Limited
(formerly known as China Mining Resources Group Limited)
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 52 which comprise the condensed consolidated statement of financial position of Tongguan Gold Group Limited (formerly known as China Mining Resources Group Limited) as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Financial Reporting Standards.

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

Independent Review Report

SCOPE OF REVIEW

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

CONCLUSION

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

BDO Limited
Certified Public Accountants
Chan Wing Fai
Practising Certificate Number P05443
Hong Kong, 28 August 2018

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

For the six months ended 30 June 2018

	Notes	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited) (Restated)
Continuing operations			
Revenue	3	100,941	92,789
Cost of sales		(69,390)	(67,458)
Gross profit		31,551	25,331
Other income		2,040	1,185
Other net gains and losses		(1,157)	619
Impairment loss on goodwill		–	(52,202)
Administrative and other expenses		(25,714)	(12,959)
Finance costs	4	(4,720)	–
Profit/(loss) before tax from continuing operations	5	2,000	(38,026)
Income tax expense	6	(2,740)	(3,288)
Loss for the period from continuing operations		(740)	(41,314)
Discontinued operation			
Profit/(loss) for the period from the discontinued operation	8	106,994	(15,829)
Profit/(loss) for the period		106,254	(57,143)
Other comprehensive income, net of income tax			
Item that will not be reclassified to profit or loss:			
Fair value changes in equity investments measured at fair value through other comprehensive income		(15,377)	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		(9,030)	15,668
Fair value changes in available-for-sale investments		–	7,459
Other comprehensive income for the period, net of income tax		(24,407)	23,127
Total comprehensive income for the period		81,847	(34,016)

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

For the six months ended 30 June 2018

	Notes	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited) (Restated)
Profit/(loss) for the period attributable to owners of the Company			
— Continuing operations		**(1,666)**	(43,254)
— Discontinued operation		**109,127**	(12,663)
		107,461	(55,917)
Profit/(loss) for the period attributable to non-controlling interests			
— Continuing operations		**926**	1,940
— Discontinued operation		**(2,133)**	(3,166)
		(1,207)	(1,226)
Total comprehensive income for the period attributable to:			
— Owners of the Company		**83,947**	(34,204)
— Non-controlling interests		**(2,100)**	188
		81,847	(34,016)
Earnings/(loss) per share — Basic and diluted	9		
— Continuing operations		**HK(0.06) cents**	HK(2.04) cents
— Discontinued operation		**HK3.84 cents**	HK(0.60) cents

Condensed Consolidated Statement of Financial Position

As At 30 June 2018

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	650,960	606,205
Prepaid lease payments — non-current portion		33,198	48,362
Exploration and evaluation assets	10	948,599	952,872
Goodwill	10	552,180	552,180
Other intangible assets	10	109,139	124,739
Other financial assets	11	11,887	28,131
		2,305,963	2,312,489
Current assets			
Inventories		9,492	86,125
Trade and other receivables	12	176,508	132,480
Prepaid lease payments		842	1,300
Bank balances and cash		124,728	179,707
		311,570	399,612
Current liabilities			
Trade and other payables	13	134,848	216,760
Income tax payable		28,395	42,000
Bank and other borrowings	14	141,399	132,889
		304,642	391,649
Net current assets		6,928	7,963
Total assets less current liabilities		2,312,891	2,320,452

Condensed Consolidated Statement of Financial Position

As At 30 June 2018

	Notes	30 June 2018 *HK$'000* (Unaudited)	31 December 2017 *HK$'000* (Audited)
Non-current liabilities			
Bank and other borrowings	*14*	**–**	5,383
Deferred income		**–**	3,328
Other payables	*13*	**317,112**	352,693
Provision for restoration and environmental costs		**9,016**	8,560
Deferred tax liabilities		**251,328**	254,378
		577,456	624,342
Net assets		**1,735,435**	1,696,110
Capital and reserves			
Share capital	*15*	**284,227**	284,227
Share premium and reserves		**1,348,283**	1,321,701
Equity attributable to owners of the Company		**1,632,510**	1,605,928
Non-controlling interests		**102,925**	90,182
Total equity		**1,735,435**	1,696,110

On behalf of the board of directors

Fang Yi Quan
Director

Yeung Kwok Kuen
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Statutory surplus reserve *HK$'000*	Contributed surplus *HK$'000*	Investment revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2017 (audited)	169,150	–	10,067	287,496	11,009	45,338	88,177	611,237	(4,000)	607,237
Loss for the period	–	–	–	–	–	–	(55,917)	(55,917)	(1,226)	(57,143)
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	14,254	–	14,254	1,414	15,668
Fair value changes in available-for-sale investments	–	–	–	–	7,459	–	–	7,459	–	7,459
Other comprehensive income for the period	–	–	–	–	7,459	14,254	–	21,713	1,414	23,127
Total comprehensive income for the period	–	–	–	–	7,459	14,254	(55,917)	(34,204)	188	(34,016)
Issuance of shares for acquisitions of subsidiaries	68,077	592,898	–	–	–	–	–	660,975	61,419	722,394
At 30 June 2017 (unaudited)	237,227	592,898	10,067	287,496	18,468	59,592	32,260	1,238,008	57,607	1,295,615
At 1 January 2018 (audited)	**284,227**	**898,397**	**10,067**	**287,496**	**25,620**	**86,012**	**14,109**	**1,605,928**	**90,182**	**1,696,110**
Impact of adopting HKFRS 9 *(Note 2)*	**–**	**–**	**–**	**–**	**(54,344)**	**–**	**54,344**	**–**	**–**	**–**
At 1 January 2018 (restated)	**284,227**	**898,397**	**10,067**	**287,496**	**(28,724)**	**86,012**	**68,453**	**1,605,928**	**90,182**	**1,696,110**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**107,461**	**107,461**	**(1,207)**	**106,254**
Exchange difference arising on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**–**	**(8,137)**	**–**	**(8,137)**	**(893)**	**(9,030)**
Fair value changes in equity investments	**–**	**–**	**–**	**–**	**(15,377)**	**–**	**–**	**(15,377)**	**–**	**(15,377)**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**(15,377)**	**(8,137)**	**–**	**(23,514)**	**(893)**	**(24,407)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(15,377)**	**(8,137)**	**107,461**	**83,947**	**(2,100)**	**81,847**
Release of reserves upon disposal of subsidiaries	**–**	**–**	**(10,067)**	**–**	**–**	**(47,298)**	**–**	**(57,365)**	**14,843**	**(42,522)**
At 30 June 2018 (unaudited)	**284,227**	**898,397**	**–**	**287,496**	**(44,101)**	**30,577**	**175,914**	**1,632,510**	**102,925**	**1,735,435**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	2018 *HK$'000* (Unaudited)	2017 *HK$'000* (Unaudited)
Net cash used in operating activities	**(119,031)**	(21,631)
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	**(83,193)**	(22,256)
Payments for purchase of prepaid lease payments	**—**	(9,354)
Expenditure paid on exploration and evaluation assets	**(3,851)**	(893)
Acquisitions of subsidiaries (net of cash and cash equivalents acquired)	**—**	91,522
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	**39,462**	—
Interest received	**415**	494
Government grants received	**1,946**	1,118
Net cash (used in)/from investing activities	**(45,221)**	60,631
Cash flows from financing activities		
Repayment of bank borrowings	**(615)**	(39,006)
New bank borrowings raised	**11,078**	35,727
Other borrowings raised	**99,387**	—
Interest paid	**(2,284)**	(1,893)
Net cash from/(used in) financing activities	**107,566**	(5,172)
Net (decrease)/increase in cash and cash equivalents	**(56,686)**	33,828
Cash and cash equivalents at 1 January	**179,707**	144,461
Effect of exchange rate changes on cash and cash equivalents	**1,707**	394
Cash and cash equivalents at 30 June, represented by bank balances and cash	**124,728**	178,683

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Tongguan Gold Group Limited (formerly known as China Mining Resources Group Limited, the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). It was authorised for issue on 28 August 2018.

These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2017, except for those relating to new standards or interpretations effective for the first time in the consolidated financial statements for the year ending 31 December 2018. Details of any changes in accounting policies are set out in Note 2.

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

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

1. BASIS OF PREPARATION *(Continued)*

These condensed consolidated financial statements contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2017. These condensed consolidated financial statements and notes thereon do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the Group's audited annual financial statements for the year ended 31 December 2017.

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

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

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Revenue from Contracts with Customers (Clarifications to HKFRS 15)*

The Group has not applied any amendment, new standard or interpretation that is not yet effective for the current accounting period, except for the Amendments to HKFRS 9, *Prepayment features with negative compensation* which has been adopted at the same time as HKFRS 9.

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

Other than the below on the adoption of HKFRS 9 and HKFRS 15, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The adoption of HKFRS 9 and HKFRS 15 does not have a material impact on the Group's results and financial positions for the current or prior periods. Details of the changes in accounting policies are discussed in Note 2(a) for HKFRS 9 and Note 2(b) for HKFRS 15.

(a) HKFRS 9, *Financial instruments*, including the Amendments to HKFRS 9, *Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. Cumulative effect of initial application of HKFRS 9 has been recognised as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39 and thus may not be comparable with the current period.

The following table summarises the impact of the transition to HKFRS 9 on retained earnings and reserves at 1 January 2018. There is no tax impact related to the transition to HKFRS 9.

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

(a) HKFRS 9, *Financial instruments*, including the Amendments to HKFRS 9, *Prepayment features with negative compensation* *(Continued)*

	HK$'000
Retained earnings	
Transferred to investment revaluation reserve (non-recycling) relating to historical impairment of equity investments now measured at fair value through other comprehensive income	54,344
Increase in retained earnings	54,344
Investment revaluation reserve	
Reclassification	
— from recycling reserve for available-for-sale investments	(25,620)
— to non-recycling reserve for financial assets measured at fair value through other comprehensive income	25,620
Transferred from retained earnings relating to historical impairment of equity investments now measured at fair value through other comprehensive income	(54,344)
Decrease in investment revaluation reserve (non-recycling)	(54,344)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification and measurement

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

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

(a) HKFRS 9, *Financial instruments*, including the Amendments to HKFRS 9, *Prepayment features with negative compensation* *(Continued)*

(i) *Classification and measurement* *(Continued)*

At the date of initial application of HKFRS 9, the Group has reassessed the classifications of all of its financial assets based on the business model of which a financial asset is held.

The Group previously classified its equity investments as available-for-sale investments under HKAS 39. With the adoption of HKFRS 9, the equity investments are re-classified as financial assets measured at FVOCI as the investment is held as long-term strategic investments and not for trading purposes.

Once designation as equity investments at fair value through other comprehensive income has taken place, all fair value gains or losses previously recognised in other comprehensive income will not be recycled to profit or loss on disposal of the equity investments.

The Group classified all its remaining financial assets, including trade receivables, other receivables and bank balance and cash as loans and receivables under HKAS 39. With the adoption of HKFRS 9, they are re-classified as financial assets measured at amortised cost.

The classifications for all financial liabilities of the Group remain the same, i.e. measured at amortised cost, with the adoption of HKFRS 9.

The carrying amounts for all financial assets and financial liabilities as at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

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

(a) HKFRS 9, *Financial instruments*, including the Amendments to HKFRS 9, *Prepayment features with negative compensation* *(Continued)*

(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.

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

(a) HKFRS 9, *Financial instruments*, including the Amendments to HKFRS 9, *Prepayment features with negative compensation* *(Continued)*

(ii) Credit losses *(Continued)*

Measurement of ECLs (Continued)

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.

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

(a) HKFRS 9, *Financial instruments*, including the Amendments to HKFRS 9, *Prepayment features with negative compensation* *(Continued)*

(ii) Credit losses *(Continued)*

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.

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

(a) HKFRS 9, *Financial instruments*, including the Amendments to HKFRS 9, *Prepayment features with negative compensation* (Continued)

(ii) ***Credit losses*** *(Continued)*

Significant increases in credit risk (Continued)

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:

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

(a) HKFRS 9, *Financial instruments*, including the Amendments to HKFRS 9, *Prepayment features with negative compensation* *(Continued)*

(ii) Credit losses *(Continued)*

Basis of calculation of interest income on credit-impaired financial assets (Continued)

— 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.

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

(a) HKFRS 9, *Financial instruments*, including the Amendments to HKFRS 9, *Prepayment features with negative compensation* *(Continued)*

(ii) Credit losses *(Continued)*

Impact of ECL model

(1) Impact on trade receivables

The Group has elected to measure loss allowances for trade receivables 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 as at 1 January 2018.

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

The remaining financial assets at amortised cost of the Group include other receivables and bank balance and cash. No changes have been made to loss allowance upon the transition to HKFRS 9 as of 1 January 2018 and no further increase of loss allowance during the six months ended 30 June 2018 for such balances are recorded as there are no significant change in credit risk and therefore the amount of additional impairment measured under the ECL model is immaterial.

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

(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 amount of revenue is 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 shortly 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.

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.

3. SEGMENT REPORTING *(Continued)*

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

(a) Segment revenue and results

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.

3. SEGMENT REPORTING *(Continued)*

(a) Segment revenue and results *(Continued)*

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from external customers and reportable segment revenue	**100,941**	92,789
Reportable segment results	**14,131**	(30,888)*
Other income	**2,040**	1,185
Other net gains and losses	**(1,157)**	619
Finance costs	**(4,720)**	—
Corporate expense	**(8,294)**	(8,942)
Profit/(loss) before tax from continuing operations	**2,000**	(38,026)

* Included in the amount was impairment loss on goodwill of approximately HK$52,202,000.

(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.

3. SEGMENT REPORTING *(Continued)*

(c) Other segment information

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation	**9,376**	4,537
Amortisation	**9,816**	4,018

Depreciation of HK$12,000 is included in corporate expense for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$13,000). No amortisation is included in corporate expense for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$Nil).

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Reportable segment assets —		
Gold mining operation	**2,531,074**	2,443,679
Other financial assets	**11,887**	28,131
Assets relating to a discontinued operation	**—**	217,554
Corporate total assets	**74,572**	22,737
Consolidated total assets	**2,617,533**	2,712,101

4. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Interest on bank and other borrowings	**4,720**	—

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

Profit/(loss) before tax from continuing operations is arrived at after charging:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Staff costs (including Directors' emoluments)	**6,810**	7,866
Amortisation of other intangible assets	**9,369**	3,979
Amortisation of prepaid lease payments	**447**	39
Costs of inventories recognised as an expense	**52,877**	66,585
Depreciation of property, plant and equipment	**9,388**	4,550

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2018 and 2017.

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

Pursuant to the Notice of the Ministry of Finance, 財政部國家税務總局海關總署關於深入實施西部大開發戰略有關税收政策問題的通知(財税〔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%.

During the six months ended 30 June 2018, 潼關縣祥順礦業發展有限公司(transliterated as Tongguan County Xiangshun Mining Development Co., Ltd.*) ("Xiangshun Mining"), an indirectly-owned operating subsidiary of the Group, obtained the in-charge tax bureau's approval for 2018 and was granted a reduced EIT rate of 15%.

6. INCOME TAX EXPENSE *(Continued)*

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Current tax — PRC Enterprise Income Tax	**3,654**	4,459
Deferred tax	**(914)**	(1,171)
	2,740	3,288

* For identification purposes only

7. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2018. The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$Nil).

8. DISCONTINUED OPERATION/DISPOSAL OF SUBSIDIARIES

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").

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

King Gold Investments Limited ("King Gold") and its subsidiaries (together with King Gold, "King Gold Group") is principally engaged in cultivation, research, production and sale of Chinese tea products.

The King Gold Disposal is completed on 16 April 2018. Upon completion, the King Gold Group ceased to be subsidiaries of the Company and its consolidated results, assets and liabilities were ceased to be consolidated with those of the Group.

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(10,667)**	(15,829)
Gain on disposal of subsidiaries	**117,661**	—
	106,994	(15,829)

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period from the discontinued operation		
Revenue	**25,933**	41,654
Cost of sales	**(21,868)**	(28,506)
Other income	**4,285**	4,976
Other net gains and losses	**—**	499
Selling and distribution expenses	**(8,614)**	(16,352)
Administrative and other expenses	**(9,062)**	(16,207)
Finance costs — Interest on bank borrowings	**(1,341)**	(1,893)
Loss before tax	**(10,667)**	(15,829)
Income tax expense	**—**	—
Loss for the period	**(10,667)**	(15,829)
Loss for the period attributable to:		
— Owners of the Company	**(8,534)**	(12,663)
— Non-controlling interests	**(2,133)**	(3,166)
	(10,667)	(15,829)

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income from the discontinued operation included the following:		
Interest on bank deposits	**16**	16
Interest from advances to suppliers	**1,105**	1,991
Government grants	**2,970**	1,117
Others	**194**	1,852
	4,285	4,976
Other net gains and losses from the discontinued operation included the following:		
Net foreign exchange losses	**–**	(10)
Gain on changes in fair value less costs to sell for agricultural produces	**–**	509
	–	499

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

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Staff costs	**3,678**	9,217
Impairment loss recognised in respect of trade and other receivables	**1,897**	3,954
Reversal of impairment loss recognised in respect of trade and other receivables	**(175)**	(893)
Amortisation of other intangible assets	**78**	144
Amortisation of prepaid lease payments	**130**	213
Costs of inventories recognised as an expense	**21,577**	28,094
Depreciation of property, plant and equipment	**394**	722
Minimum leases payments under operating lease in respect of office premises and tea plantation	**3,535**	5,924

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
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

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

The consolidated net assets of the King Gold Group as at the date of disposal were 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 loans	(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

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit for the period attributable to owners of the Company of approximately HK$107,461,000 (six months ended 30 June 2017: loss of HK$55,917,000), which represented by the loss from continuing operations of approximately HK$1,666,000 (six months ended 30 June 2017: HK$43,254,000) and the profit from the discontinued operation of approximately HK$109,127,000 (six months ended 30 June 2017: loss of HK$12,663,000), and the weighted average number of ordinary shares of approximately 2,842,272,000 (six months ended 30 June 2017: adjusted as 2,115,863,000) in issue during the six months ended 30 June 2018, as adjusted to reflect the effect of the Share Consolidation (as defined in Note 15(a)). Comparative figures have also been adjusted on the assumption that the Share Consolidation had been effective in the prior period.

Diluted earnings/(loss) per share equals to basic earnings/(loss) per share, as there were no potential dilutive ordinary shares issued during the six months ended 30 June 2018 and 2017.

10. CAPITAL EXPENDITURE

	Property, plant and equipment HK$'000	Exploration and evaluation assets HK$'000	Goodwill HK$'000	Other intangible assets HK$'000
Cost				
At 1 January 2018 (audited)	757,463	952,872	1,115,763	233,900
Exchange adjustments	(1,384)	(8,124)	–	3,374
Additions	94,218	3,851	–	–
Derecognised on disposal of subsidiaries	(172,461)	–	(511,381)	(108,077)
At 30 June 2018 (unaudited)	677,836	948,599	604,382	129,197
Accumulated depreciation, amortisation and impairment				
At 1 January 2018 (audited)	151,258	–	563,583	109,161
Exchange adjustments	5,276	–	–	3,809
Charge for the period	9,782	–	–	9,447
Derecognised on disposal of subsidiaries	(139,440)	–	(511,381)	(102,359)
At 30 June 2018 (unaudited)	26,876	–	52,202	20,058
Carrying values				
At 30 June 2018 (unaudited)	650,960	948,599	552,180	109,139
At 31 December 2017 (audited)	606,205	952,872	552,180	124,739

11. OTHER FINANCIAL ASSETS

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Equity securities listed in overseas stock exchange		
— as available-for-sale investments	—	28,131
— as financial assets measured at fair value through other comprehensive income	**11,887**	—

Information about the fair value measurement of the equity investments measured at fair value through other comprehensive income is included in Note 19.

12. TRADE AND OTHER RECEIVABLES

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Trade receivables	*(a)*	**18,766**	21,365
Less: allowances		—	(11,728)
		18,766	9,637
Other receivables	*(b)*	**89,162**	15,984
Less: allowances		—	(6,320)
		89,162	9,664
Deposits and prepayments		**66,540**	80,246
Value added tax recoverable		**2,040**	—
Advances to suppliers	*(c)*	—	32,933
		176,508	132,480

12. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables

The Group normally allows credit period of 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:

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
0 — 30 days	**12,139**	7,137
31 — 60 days	**6,627**	997
61 — 90 days	**—**	190
Over 90 days	**—**	1,313
	18,766	9,637

(b) Other receivables

Included in the balance were advances made available to independent third parties amounted to approximately RMB66,000,000 (equivalent to approximately HK$78,283,000). The advances were unsecured, interest bearing at 1% per month and repayable within three months from the drawdown date. The amount had been recovered in full in July 2018.

(c) Advances to suppliers

The amount represented advance payments to several suppliers for sourcing of goods from them for the tea business, which has been disposed during the period ended 30 June 2018.

13. TRADE AND OTHER PAYABLES

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Trade payables	*(a)*	–	40,582
Other payables and accruals		134,848	176,178
Amounts due to related parties	*(b)*	317,112	352,693
		451,960	569,453
Analysed for reporting purposes as:			
— current portion		134,848	216,760
— non-current portion		317,112	352,693
		451,960	569,453

13. TRADE AND OTHER PAYABLES *(Continued)*

(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:

	30 June 2018 *HK$'000* (Unaudited)	31 December 2017 *HK$'000* (Audited)
0 — 90 days	–	21,400
91 — 180 days	–	17,579
181 — 365 days	–	159
Over 1 year	–	1,444
	–	40,582

(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.

14. BANK AND OTHER BORROWINGS

Included in the balance was a loan from an independent third party of approximately RMB80,730,000 (equivalent to approximately HK$95,754,000). The balance is unsecured, interest bearing at 1% per month, and repayable within one year from drawdown date.

The effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are fixed rates at 4% (31 December 2017: fixed rate ranged from 4%-5.4625%).

15. SHARE CAPITAL

	Notes	Number of ordinary shares at HK$0.1 each '000	Number of ordinary shares at HK$0.01 each '000	HK$'000
Authorised:				
At 1 January 2017 (audited), 31 December 2017 (audited) and 1 January 2018 (unaudited)		–	462,238,100	4,622,381
Share Consolidation	*(a)*	46,223,810	(462,238,100)	–
At 30 June 2018 (unaudited)		**46,223,810**	**–**	**4,622,381**
Issued and fully paid:				
At 1 January 2017		N/A	16,914,972	169,150
Issuance of shares for One Champion Acquisition	*(b)*	N/A	3,507,750	35,077
Issuance of shares for Perfect Major Acquisition	*(c)*	N/A	3,300,000	33,000
Issuance of shares for Pride Success Acquisition	*(d)*	N/A	4,700,000	47,000
At 31 December 2017 (audited) and 1 January 2018 (unaudited)		N/A	28,422,722	284,227
Share Consolidation	*(a)*	2,842,272	(28,422,722)	–
At 30 June 2018 (Unaudited)		**2,842,272**	**–**	**284,227**

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

Notes:

(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").

15. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(b) On 27 January 2017, the Company completed the acquisition of the remaining 73% equity interests of One Champion International Limited (the "One Champion Acquisition"). As part of the considerations in respect of the One Champion Acquisition, 3,507,750,000 new ordinary shares of the Company were allotted and issued at an issue price of HK$0.08 per consideration share to Forever Success Investments Limited and Supreme Success Group Limited. Further details of the issue of the consideration shares and the One Champion Acquisition were set out in the Company's announcements dated 4 August 2016, 26 October 2016 and 27 January 2017 and circular dated 28 October 2016.

(c) On 24 April 2017, the Company completed the acquisition of the 100% equity interests of Perfect Major Holdings Limited (the "Perfect Major Acquisition"). As the consideration in respect of the Perfect Major Acquisition, 3,300,000,000 new ordinary shares of the Company were allotted and issued at an issue price of HK$0.10 per consideration share to Fung Wai Enterprises Ltd. Further details of the issue of the consideration shares and the Perfect Major Acquisition were set out in the Company's announcements dated 5 April 2017, 6 April 2017 and 24 April 2017.

(d) On 3 November 2017, the Company completed the acquisition of the 100% equity interests of Pride Success Investment Limited (the "Pride Success Acquisition"). As part of the considerations in respect of the Pride Success Acquisition, 4,700,000,000 new ordinary shares of the Company were allotted and issued at an issue price of HK$0.08 per consideration share to Golden Blossom Investment Limited. Further details of the issue of the consideration shares and the Pride Success Acquisition were set out in the Company's announcements dated 26 October 2017, 30 October 2017 and 3 November 2017.

16. OPERATING LEASE COMMITMENTS

The Group leases office premises and warehouses under operating leases. Each of the leases runs for initial periods of one to ten years (31 December 2017: one to fifteen years) and the leases do not include contingent rentals. The total future minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Not later than one year	**2,386**	11,827
Later than one year but not later than five years	**237**	14,733
Later than five years	**176**	188
	2,799	26,748

17. CAPITAL COMMITMENTS

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**248,641**	284,664

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

	Fair value hierarchy			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2018 (unaudited)				
Equity investments				
Listed equity securities	**11,887**	**–**	**–**	**11,887**
At 31 December 2017 (audited)				
Available-for-sale investments				
Listed equity securities	28,131	–	–	28,131

The listed equity securities of the Group were classified as financial assets measured at fair value through other comprehensive income in the condensed consolidated statement of financial position and were measured at fair value determined based on their quoted bid prices in active markets at the end of each reporting period, which is a Level 1 fair value measurement.

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

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

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period presentation.

Corporate Governance

The Company is committed to comply with its established best practice in corporate governance and is acting in line with those practices as set out in the annual report of the Company for the financial year ended 31 December 2017. The Board believes that good corporate governance is crucial to enhance the performance of the Group and to safeguard the interests of the shareholders of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company has complied with the code provisions ("Code Provision(s)") of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the six months ended 30 June 2018, except for certain deviations as specified and explained below with considered reasons for such deviations.

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

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

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

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

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

2. Under Code Provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting. Since the new Chairman has not been appointed following the resignation of Dr. You Xian Sheng as the Chairman on 31 January 2014, Mr. Yeung Kwok Kuen, the executive Director, has been elected by other Directors present to act as the chairman of the annual general meeting of the Company held on 27 April 2018 in accordance with the Bye-laws of the Company.

3. Under Code Provision F.1.3 of the CG Code, the company secretary should report to the board chairman and/or the chief executive officer. Since the new Chairman has not been appointed following the resignation of Dr. You Xian Sheng as the Chairman on 31 January 2014 and the new CEO has not been appointed following the resignation of Mr. Wang Hui as the CEO on 1 June 2016, the company secretary of the Company reported to the executive Directors since 1 June 2016.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Upon specific enquiries, all Directors confirmed they had complied with the required standard set out in the Model Code during the six months ended 30 June 2018.

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

Disclosure of Interests and Other Information

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

As at 30 June 2018, none of the directors and chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 30 June 2018, persons (other than directors or chief executives of the Company as disclosed herein) who had interests or short positions in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in shares of the Company

Name of Shareholders	Capacity	Class of shares of the Company	Number of shares held	% of total issued share capital of the relevant class of shares *(Note 1)*
Ho Ping Tanya	Beneficial owner	Ordinary	330,000,000	11.61%
Hu Jianzhong	Interest in controlled corporation	Ordinary	470,000,000 *(Note 2)*	16.54%
Lin Eddie Chang	Interest in controlled corporation	Ordinary	330,000,000 *(Note 3)*	11.61%
Lin Yuhua	Interest in controlled corporation	Ordinary	185,250,000 *(Note 4)*	6.52%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS *(Continued)*

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

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2018, which were 2,842,272,221.

2. These shares are held by Golden Blossom Investment Limited which is 100% beneficially owned by Mr. Hu Jianzhong.

3. These shares are held by Fung Wai Enterprises Ltd. which is 100% beneficially owned by Mr. Lin Eddie Chang.

4. These shares are held by Supreme Success Group Limited which is 100% beneficially owned by Ms. Lin Yuhua.

Save as disclosed above, the Company had not been notified of any interests or short positions in the shares and underlying shares of equity derivatives of the Company as required to be recorded in the register under section 336 of the SFO as at 30 June 2018.

SHARE OPTION SCHEMES

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

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

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

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

SHARE OPTION SCHEMES *(Continued)*

3. As at 28 August 2018, the total number of ordinary shares of HK$0.1 each in the capital of the Company ("Shares") available for issue under the New Share Option Scheme was 284,227,222 representing approximately 10% of the issued ordinary share capital of the Company.

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

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

6. An option shall be accepted by a participant together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof within 30 days from the date of the offer of grant of the option.

7. The subscription price for Shares under the New Share Option Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Board, but shall be at least the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations on the date of grant which must be a business day, (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant and (iii) the nominal value of a Share.

8. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on 25 May 2012.

SHARE OPTION SCHEMES *(Continued)*

During the six months ended 30 June 2018, no option has been granted to the participants of the New Share Option Scheme to subscribe for the Shares. From the date of adoption of the New Share Option Scheme and up to 30 June 2018, there is no option granted by the Company under the New Share Option Scheme that remains outstanding as at 30 June 2018.

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

The Company has not redeemed any of its listed securities during the six months ended 30 June 2018. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 June 2018.

AUDIT COMMITTEE

The Audit Committee of the Company and management have reviewed the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 30 June 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018.

Disclosure of Interests and Other Information

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company on 27 April 2018 and with the approval of the Registrar of Companies in Bermuda on 21 May 2018 and the Registrar of Companies in Hong Kong on 1 June 2018, the English name of the Company has been changed from "China Mining Resources Group Limited" to "Tongguan Gold Group Limited" and the new Chinese name "潼關黃金集團有限公司" has been registered as the Company's secondary name to replace its previous Chinese name "中國礦業資源集團有限公司" which had been used for identification purpose only. Details of the change of Company name were set out in the announcements of the Company dated 28 February 2018, 27 April 2018 and 6 June 2018 and the circular of the Company dated 19 March 2018.

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

Hong Kong, 28 August 2018