中國礦業資源集團有限公司*

China Mining Resources Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 340

Annual Report 2017

* For identification purpose only

CONTENTS

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

COMPANY SECRETARY

Leung Lai Ming

REGISTERED OFFICE

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Bermuda

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Admiralty
Hong Kong

AUDITORS

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111 Connaught Road Central
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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
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

00340

COMPANY WEBSITE

www.chinaminingresources.com

MANAGEMENT DISCUSSION AND ANALYSIS

I am pleased to present to our shareholders, the annual report of China Mining Resources Group Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2017.

RESULTS

For the financial year ended 31 December 2017, the Group recorded a revenue of approximately HK$387,475,000 (2016: HK$112,372,000) and gross profit of HK$86,646,000 (2016: HK$47,039,000), representing an increase of 245% in revenue and increase of 84% in gross profit respectively as compared with that of last year. The increase in revenue and gross profit was mainly attributable to the consolidation of the results of One Champion International Limited ("One Champion") and its subsidiaries (together with One Champion, "One Champion Group") following the acquisition of remaining 73% equity interest in One Champion which was completed on 27 January 2017 (the "Completion Date").

The loss attributable to owners of the Company amounted to approximately HK$74,068,000 (2016: HK$21,130,000). The increase in loss attributable to the owners of the Company was mainly attributable to the one-off effect of the impairment loss of goodwill amounted to HK$52,202,000 as resulted from One Champion Acquisition, which is non-recurring and non-cash in nature.

In accordance with the Hong Kong Financial Reporting Standard 3 "Business Combinations", the goodwill arising from acquisition shall be determined based on the fair value of the identifiable assets and liabilities of the subject assets of the acquisition and the fair value of the consideration for the acquisition which would normally be based on the closing price of the shares of the Company on the Completion Date.

In connection with the One Champion Acquisition, 3,507,750,000 consideration shares were transferred at the issue price of HK$0.08 each. The difference between (i) the grant date fair value of the consideration shares for the One Champion Acquisition as determined based on the closing price of HK$0.10 per share of the Company on the Completion Date and (ii) the issue price of HK$0.08 per consideration share pursuant to the sale and purchase agreement for the One Champion Acquisition, has resulted in an increase in the goodwill and share premium by the same amount of approximately HK$70,155,000.

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 in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets".

The recoverable amount of the One Champion Group is determined based on fair value less costs of disposal using income approach. The cash flow forecast covers the whole period from respective valuation dates until 2029 of which production schedule, based on mining inventory and third parties ores supply and with reference to the processing capacity, is certain. Post-tax discount rate is adopted. Gold price forecast is estimated primarily based on external market forecasts sourced from a range of industry experts as available from Bloomberg and extrapolated at a growth rate of 3% thereafter, representing a nominal inflationary increment. US$:RMB exchange rate is referenced to spot rate available at the respective dates where the impairment assessment are made.

RESULTS *(CONTINUED)*

For the convenience of the investors and public to further understand the impairment assessment made on the Completion Date, the Board would like to provide the key inputs and assumptions adopted at the time when the impairment assessment is being made, and compared them with those adopted in the valuation report for 1 June 2016 as included in the Company's circular dated 31 October 2016, as summarised below:

Valuation date	**1 June 2016**	**27 January 2017**
Discount rate (Post-tax)	15.01%	15.25%
Exchange rate (RMB:US$)	RMB6.5800: US$1	RMB6.6480: US$1
Spot price of Gold (US$/Oz)	US$1,216/Oz	US$1,191/Oz
Forecasted price of Gold for:		
— 2017	US$1,200/Oz	US$1,260/Oz
— 2018	US$1,236/Oz	US$1,300/Oz

Except for the above, there have been no significant changes to the valuation method used nor any other key inputs and assumptions adopted in the impairment assessment made on the Completion Date, as compared to those previously used and adopted in the valuation report as included in the Company's circular dated 31 October 2016.

At the Completion Date of which the impairment assessment is being made, the recoverable amount of the One Champion Group showed an increase as compared with the valuation as of 1 June 2016, i.e. the business valuation of which the consideration is determined for the One Champion Acquisition, and is primarily due to increase in market forecast on future gold prices. Nevertheless, the increase in the recoverable amount of One Champion Group did not completely offset the increase in the carrying amount of One Champion Group as resulted from the increase in the total consideration transferred for One Champion Acquisition and the shortfall of HK$52,202,000 has been recognised as an impairment loss on goodwill.

The impairment loss on goodwill was non-recurring and non-cash in nature which will have no impact on the Group's daily operations and cash flow.

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	**2017**	2016	**2017**	2016	**2017**	2016
Revenue *(HK$'000)*		**295,787**	N/A	**91,688**	112,372	**387,475**	112,372
Gross profit margin *(%)*	*(i)*	**23%**	N/A	**20%**	42%	**22%**	42%
Trade receivables turnover (days)	*(ii)*	**N/A**	N/A	**87**	75		
Net asset value per share *(HK cents)*	*(iii)*					**6.0**	3.6

RESULTS *(CONTINUED)*

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

Notes:

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

(ii) The calculation of trade receivables turnover days is based on the average of the opening and closing balances of the trade receivables divided by revenue and multiplied by number of days in the relevant period.

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

The decrease in gross profit margin was mainly due to the fierce competition in Tea business driving down the profit margins for various products. Gold mining operation realises a gross profit margin broadly consistent with the pre-acquisition track records. Turnover days of trade receivables remained within normal credit period granted to the customers for Tea business. Customers of the Gold mining operation are required to pay upfront when placing orders considering the value and nature of the end products. The Group's net asset value per share increased from HK3.6 cents in 2016 to HK6.0 cents in 2017 as resulted from various acquisitions during the year being settled with consideration shares. Detailed analysis of other KPI is set out in below section.

REVIEW OF OPERATIONS

Gold Mining Operation — One Champion Group, Perfect Major Group and Pride Success Group

The Group engaged in the gold mining operation since 27 January 2017 after the acquisition of remaining 73% equity interest in One Champion. Details of the acquisition of remaining 73% equity interest in One Champion were disclosed in the circular of the Company dated 31 October 2016 and the announcement of the Company dated 27 January 2017.

One Champion Group is principally engaged in the exploration, mining, processing, and sale of gold and related products. The principal asset of One Champion is its indirect 90% equity interest in a PRC company, namely Tongguan County Xiangshun Mining Development Co., Ltd.（潼關縣祥順礦業發展有限公司）("Xiangshun Mining"), and Xiangshun Mining holds (i) the mining licences and exploration licence in respect of a gold mine located in Tongguan County, Shaanxi Province in the PRC; and (ii) owns and operates an ore-processing plant.

The completion of the acquisition of remaining 73% equity interest in One Champion during the period provided the Group with an immediate revenue stream and cash. Excluding the effect of the one-off impairment loss of goodwill amounted HK$52,202,000, during the post-acquisition period, One Champion Group contributed HK$295,787,000 and HK$37,770,000 to the Group's revenue and profit before tax respectively for the year ended 31 December 2017.

On 24 April 2017, the Group also completed the acquisition of the entire equity interest in Perfect Major Holdings Limited ("Perfect Major"). Details of the acquisition of the entire equity interest in Perfect Major were disclosed in the announcements of the Company dated 5 April 2017 and 24 April 2017.

Perfect Major and its subsidiaries (together with Perfect Major, "Perfect Major Group") are principally engaged in the exploration of gold and related minerals. The principal asset of Perfect Major is its indirect equity interest in PRC companies, namely Luonan Jinhui Mining Co., Ltd.（洛南縣金輝礦業有限公司）("Jinhui Mining") and Shaanxi Tongxin Mining Co., Ltd.（陝西潼鑫礦業有限公司）("Tongxin Mining"), which hold the exploration licences in respect of two gold mines located in Tongguan and Luonan Counties in the Shaanxi Province of the PRC. The Perfect Major Group is undergoing geological studies during the year to prepare for the mining licence application.

REVIEW OF OPERATIONS *(CONTINUED)*

Gold Mining Operation — One Champion Group, Perfect Major Group and Pride Success Group *(CONTINUED)*

On 3 November 2017, the Group further completed the acquisition of the entire equity interest in Pride Success Investment Limited ("Pride Success"). Details of the acquisition of the entire equity interest in Pride Success were disclosed in the announcements of the Company dated 26 October 2017, 30 October 2017 and 3 November 2017.

Pride Success and its subsidiaries (together with Pride Success, "Pride Success Group") are principally engaged in the exploration of gold and related minerals. The principal asset of Pride Success is its indirect equity interest in a PRC company, namely Tongguan County De Xing Mining LLC（潼關縣德興礦業有限責任公司）("De Xing Mining"), which hold the mining licence and exploration licence in respect of a gold mine located in Tongguan County in the Shaanxi Province of the PRC. The Pride Success Group is undergoing geological studies during the year to prepare for the mining licence application.

Details of the exploration, development and mining production activities and a summary of expenditure incurred on these activities during the year ended 31 December 2017 are as below:

I Exploration

Xiangshun Mining

During the year ended 31 December 2017, combination of pit drilling and tunnel exploration methods, combination of surface drilling and tunnel exploration methods and tunnel exploration method are used to carry out exploration activities to increase the mineral resources and reserves.

Jinhui Mining and Tongxin Mining

During the year ended 31 December 2017, Jinhui Mining is in the process of application of the mining licence and did not carry out any exploration activities. Tongxin Mining is performing deep drilling work and surface geophysical work and small amount of tunnel exploration work.

De Xing Mining

During the year ended 31 December 2017, combination of pit drilling and tunnel exploration methods is used to carry out deep exploration activities.

REVIEW OF OPERATIONS *(CONTINUED)*

Gold Mining Operation — One Champion Group, Perfect Major Group and Pride Success Group *(CONTINUED)*

II Development

Xiangshun Mining, Tongxin Mining and De Xing Mining

During the year ended 31 December 2017, Xiangshun, Tongxin Mining and De Xing Mining have appointed several engineering and technical companies and have completed (i) the surface drilling project of approximately 12,243 meters; (ii) the pit exploration project of approximately 8,488 meters and (iii) the pit drilling project of approximately 3,071 meters.

Jinhui Mining

During the year ended 31 December 2017, 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

	Year ended 31 December 2017
Purchased from third parties' ore	
Mine production (thousand tonnes)	56.22
Underground mining	
Mine production (thousand tonnes)	78.07
Total mine production (thousand tonnes)	134.29
Average gold grade (gram/tonne)	5.80

(2) Ore processing operation — Concentrating

	Year ended 31 December 2017
Concentrate production — Gold (thousand tonnes)	12.44
Average gold grade (gram/tonne)	58.84
Metal in the concentrate (Kilogram)	732.03

Jinhui Mining, Tongxin Mining and De Xing Mining

During the year ended 31 December 2017, there was no mining production.

REVIEW OF OPERATIONS *(CONTINUED)*

Gold Mining Operation — One Champion Group, Perfect Major Group and Pride Success Group *(CONTINUED)*

IV *Exploration, development and mining production cost of the Group*

Expenses of exploration, development and mining production activities of the Group for the year ended 31 December 2017 are set out as below:

	Mine produced Gold *(HK$'000)*
Exploration and Mining activities	
Development	34,801
Mining ore	22,663
Total	57,464

(Concentrating not included)

Information of the mineral resources and reserves of the gold for the gold mines of the Group as at 31 December 2017 are as below:

JORC Mineral Resources Category	**Inventory** (kt)	**Grade** (g/t Au)	**Contained Metal** (t)	**Contained Metal** (koz)
Indicated	3,363.4	7.10	23.9	842.7
Inferred	1,113.9	6.57	7.3	258.0

JORC Mineral Reserves Category	**Inventory** (kt)	**Grade** (g/t Au)	**Contained Metal** (kg)	**Contained Metal** (koz)
Probable	121.8	5.69	693	24.4

REVIEW OF OPERATIONS *(CONTINUED)*

Gold Mining Operation — One Champion Group, Perfect Major Group and Pride Success Group *(CONTINUED)*

Notes:

1. The resources and reserves stated as above are adjusted by internal geological department based on the consumption deducted from the JORC resources and reserves previously disclosed for respective projects.

2. Mineral reserves were estimated using the following mining and economic factors:

    i. The mining loss rates of 13.8%.

    ii. The dilution rates of 5.5%

    iii. A 3.5 g/t Au cut-off grade has been applied for mineral reserves and 1.0 g/t Au cut-off grade has been applied for mineral resources.

    iv. mineral reserves are inclusive of mineral resources.

    v. Gold price of USD1,307.8/oz.

    vi. Rounding might cause some computational discrepancies in totals.

Tea Business — King Gold Group

Tea Business — 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, and its products selling under the brand names of "武夷" and "武夷星" which are well-recognised in the PRC as premium tea products and widely distributed throughout the country.

King Gold Group contributed approximately HK$91,688,000 (2016: HK$112,372,000) and approximately HK$46,469,000 (2016: HK$9,860,000) to the Group's revenue and loss for the year ended 31 December 2017 respectively. This represented a decrease of 18% in revenue when compared with last year. Decrease in revenue was mainly attributable to the fierce competition of the market for high-end tea products. The cost of sales of King Gold Group increased from approximately HK$65,333,000 in 2016 to approximately HK$72,999,000 in 2017. The average gross profit margin was 20%, representing a decrease of 22 percentage points as compared with an average gross profit margin of 42% last year. Decrease in gross profit margin was mainly attributable to the intensified competition of the market and increasing effort in launching products at affordable price points to strive for better market share. Added variety of discounts have been offered to loyal customers and significant wholesalers to the Group to encourage more frequent and bulk purchases so as to lower the inventory level and to increase market presence.

REVIEW OF OPERATIONS *(CONTINUED)*

Investments in Canada listed mining companies and other securities

The Group has invested in Canada listed mining companies which were held for the purpose of long-term investments and capital gain and dividend income. The Group has disposed the shares of a Canada listed company during the year ended 31 December 2017. The investment portfolio of the Group, included in available-for-sale investments, recorded an appreciation during the year ended 31 December 2017 as benefited from the appreciation of both the market price and favourable changes on exchange rate of Canadian dollar. The increase in fair value of the investment portfolio during the year 2017 was approximately HK$17,610,000 (2016: HK$10,084,000). As at 31 December 2017, the carrying value of the investment portfolio was HK$28,131,000 (31 December 2016: HK$13,194,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2017, the Group had total assets and net assets amounted to approximately HK$2,712,101,000 (2016: HK$757,379,000) and approximately HK$1,696,110,000 (2016: HK$607,237,000), respectively. The current ratio was 1.02, as compared to 2.45 as of last year end date.

As at 31 December 2017, the Group had bank balances and cash of approximately HK$179,707,000 (2016: HK$144,461,000), and most of which were denominated in Renminbi and Hong Kong dollars.

At the end of the reporting period, the Group had bank borrowings of approximately HK$138,272,000 (2016: HK$75,357,000) which were denominated in Renminbi and interest-bearing at fixed rates with reference to the prevailing borrowing rate quoted by the People's Bank of China and the Loan Prime Rate (LPR) quoted by China Foreign Exchange Trade System & National Interbank Funding Center. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 8.6% (2016: 12.3%).

As at 31 December 2017, the Group has pledged certain buildings, certain prepaid lease payments and a forest use right with carrying values of HK$Nil (2016: HK$Nil), approximately HK$14,895,000 (2016: HK$14,321,000) and approximately HK$5,556,000 (2016: HK$5,469,000) respectively to secure general banking facilities granted to the Group.

FUND RAISING ACTIVITY

During the year ended 31 December 2017, the Company further utilised the remaining balance of the proceeds from the placing of new ordinary shares of the Company completed on 31 December 2015. The remaining balance of the new proceeds have been utilized as intended that (i) approximately HK$30,000,000 was used as cash consideration for the acquisition of the entire equity interest in Pride Success which completed on 3 November 2017; (ii) approximately HK$1,600,000 was used for the payment of legal and professional fees of the acquisitions of the gold mining operation; and (iii) the remainder was injected to Xiangshun primarily for the construction cost of the new ore-processing plant.

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

On 27 January 2017, the Company issued 3,507,750,000 new ordinary shares as part of the consideration paid for the acquisition of remaining 73% equity interest in One Champion (as stated in heading "Material acquisitions and disposals of subsidiaries and associated companies" as below).

On 24 April 2017, the Company issued 3,300,000,000 new ordinary shares as the consideration paid for the acquisition of the entire equity interest in Perfect Major (as stated in heading "Material acquisitions and disposals of subsidiaries and associated companies" as below).

On 3 November 2017, the Company issued 4,700,000,000 new ordinary shares as part of the consideration paid for the acquisition of the entire equity interest in Pride Success (as stated in heading "Material acquisitions and disposals of subsidiaries and associated companies" as below).

As at 31 December 2017, the Company had 28,422,722,211 ordinary shares in issue with total shareholders' fund of the Group amounting to approximately HK$284,227,000.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 27 January 2017, the Group acquired remaining 73% equity interest in One Champion for a total consideration of HK$360,620,000, of which HK$80,000,000 was settled by cash and the remaining balance of HK$280,620,000 was satisfied by the issue and allotment of ordinary shares of the Company.

On 24 April 2017, the Group acquired the entire equity interest in Perfect Major for a total consideration of HK$330,000,000, which was satisfied by the issue and allotment of ordinary shares of the Company.

On 3 November 2017, the Group acquired the entire equity interest in Pride Success for a total consideration of HK$406,000,000, of which HK$30,000,000 was settled by cash and the remaining balance of HK$376,000,000 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 2017.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no contingent liability (2016: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had approximately 10 and 480 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$35,951,000 for the year ended 31 December 2017 (2016: HK$31,027,000).

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

EMPLOYEES AND REMUNERATION POLICIES *(CONTINUED)*

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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. Key risks and uncertainties affecting the Group are set out as below.

Global Economic and Macro-Economic Conditions

The impact of economic conditions on consumer confidence and buying habits would affect the revenue and results of the Group. The economic growth or decline in the Group's geographical markets that affect consumer spending on tea products would affect the Group's tea business. The Group continues to implement its strategies to develop and strengthen penetration of different customers markets thereby reducing its dependency on specific markets.

Subsequent to the completion of the acquisition of remaining 73% equity interest in One Champion on 27 January 2017, the Group is also engaged in exploration, mining, processing, and sale of gold and related products in China since February 2017. The Group is also facing the fluctuation in the price and demand of gold for gold mining business. The affecting factors including but not limited to the stability of the international economic situation and the fluctuation of the global political and social condition and the global gold reserves, all of which are beyond the control of the Group.

Investment Risk

Balancing risk and return across investment types and geographic location are key considerations of investment framework. Risk assessment is an important aspect of the investment decision process. Management would regularly review and monitor the progress of the investments of the Group and submit to the board of directors of the Company.

Financial Risk

The Group's major financial instruments include available-for-sale investments, trade and other receivables, bank balances and cash, trade and other payables and bank borrowings. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Particulars of financial risk management of the Group for the year ended 31 December 2017 and the policies on how to mitigate these risks are set out in Note 39 to the consolidated financial statements. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group encourages environmental protection and complies with environmental legislation and promote awareness towards environmental protection to the employees.

Further information on environmental policy and performance of the Group is set out under the section headed "Environmental, Social and Governance Report" of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2017, there has been no claim that the Group has breached any law or regulation, or indeed has exceeded its authority.

KEY RELATIONSHIP WITH CUSTOMERS, FRANCHISEES AND SUPPLIERS

The Group understands that it is important to maintain good relationship with its customers, franchisees and suppliers to fulfil its immediate and long-term goals. To maintain its brand competitiveness and dominant status, the Group aims at delivering constantly high standards of quality in the tea products to its customers. The Group has also devoted its resources to strengthen the distribution network, such as offering incentive discounts and better supportive services to the existing and new franchisees. During the year ended 31 December 2017, there was no material and significant dispute between the Group and its franchisees and/or customers. The Group maintains a good relationship with its suppliers. The Group never stops perfecting its procurement process and mechanism. It also insists on the business principles of integrity and trustworthiness to enhance communications with suppliers by all available means, with the goal of seeking mutual benefit and prosperity for all.

PROSPECTS

Gold Mining Operation

This year the Group marks its re-entry to the mining industry after the disposal of the molybdenum operation by the Group in 2014. The post-acquisition operating results of the Gold Mining Operation has been promising and in line with the management expectations. The management is optimistic on the Group's financial performance turnaround in the near future considering the potential of profit contribution from the Gold Mining Operation.

Work safety and environmental protection are of utmost importance to the sustainable development of the Group. The Group is carrying on the construction of the new processing plant to strengthen our processing capacity with the aim to reduce its environmental footprint in mind. As disclosed in the announcement of the Company dated 14 June 2017, the new processing plant will have an ultimate daily processing capacity of 3,000 tonnes and the first phase of the plant with a daily processing capacity of 1,500 tonnes is expected to be completed in or around June 2018. The management is confident that the new processing plant will facilitate the Group towards cleaner and more efficient production.

With regard to the expansion potential in the near future, the Group continues to explore opportunities for acquisitions to expand and maintain a self-sufficient mineral portfolio. Subsequent to the two acquisitions during the year, the Group currently maintains a healthy mineral portfolio which allows the Group to carry out exploration activities and the tenements are expected to be available for exploitation in later 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. The Group will cautiously monitor the market trend and to take necessary actions to minimize the impact to the Group in any unlikely or sudden event of drastic fluctuation in commodity prices.

PROSPECTS *(CONTINUED)*

Gold Mining Operation *(CONTINUED)*

As the investors awaits for clues on the pace of interest rate hikes of the United States, the US dollar stays weak and has stabilized the international gold price to stay at USD1,300/oz level. The heightened geopolitical uncertainty is expected to benefit the Group with the safe-haven effect of gold from the risk-averse sentiments of the market.

The Group will continue to leverage its management expertise in the mining industry with the aim of optimizing the financial performance the Gold Mining Operation so as to increase the shareholders' value of the Group as a whole.

Tea business

The market for high-end tea products remains challenging and competitive and the consumer markets overall continued to sluggish. The Group continued to suffer in the weak market sentiment and recorded a reduction in turnover during 2017.

The Group primarily focuses in maintaining its market share through competing in varied price points and escalated promotion effort. However, the gross profit margin is unavoidably affected in the near term.

The Group will continue to put the Chinese tea culture first in its marketing campaigns. The management of the Group believes our continued effort would bond our brands tightly with tea culture and the cultural bonding would become a crucial competitive edge of the Group in the long-run. The Group will also explore various business options in cope with the rapidly changing environment for Tea Business and safeguard the shareholders' value.

APPRECIATION

On behalf of the board of directors of the Company (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
China Mining Resources Group Limited

Yeung Kwok Kuen
Executive Director and Chief Financial Officer

Hong Kong, 28 February 2018

EXECUTIVE DIRECTORS

FANG Yi Quan

Mr. Fang Yi Quan ("Mr. Fang"), aged 68, was appointed as an executive director of the Company on 23 November 2011. Mr. Fang is also a director of several subsidiaries of the Company.

Mr. Fang was graduated from Fujian Medical University in September 1974 and is a senior economist. Mr. Fang joined the PRC Communist Party in 1970 and was promoted as a military officer (軍官) to the Communist Party in the same year. Mr. Fang participated in People's Liberation Army from February 1968 to October 1999 and was honoured with Second Class (二等功) and Third Class (三等功) awards by the government of People's Republic of China. Mr. Fang has over 30 years of experience in management and his management effort has been recognised by the Chinese government over the years. During his service with the People's Liberation Army, Mr. Fang worked in Fujian Mingqing Pharmaceutical Factory (福建閩清製藥廠) of the People's Liberation Army as factory director, Party Secretary (黨委書記) and legal representative (法人代表). During his service, Fujian Mingqing Pharmaceutical Factory has received a number of awards from the People's Liberation Army General Logistic Department and Nanjun Military Region. From October 1999 to June 2011, Mr. Fang has been working for Fujian Jingxie Group Company (福建經協集團公司) as its group chairman, general manager and Party Secretary (黨委書記). In 1996, Mr. Fang was awarded the rank of senior colonel by the Central Military Commission.

YEUNG Kwok Kuen

Mr. Yeung Kwok Kuen ("Mr. Yeung"), aged 44, was appointed as an executive director of the Company on 1 December 2014. Mr. Yeung is also the chief financial officer of the Company and a director of several subsidiaries of the Company.

Mr. Yeung graduated from The Chinese University of Hong Kong with a bachelor degree in Professional Accountancy and obtained a master degree in Corporate Finance from The Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Yeung has over 20 years of experience in handling accounting and finance matters. Mr. Yeung, was previously an executive director of the Company for the period from 17 January 2007 to 28 February 2014, and also held the position as the qualified accountant and chief financial officer of the Company during that period. From 2004 to 2006, Mr. Yeung was the chief financial officer of a trading and manufacturing group and prior to this, Mr. Yeung was the manager of an international accounting firm.

EXECUTIVE DIRECTORS *(CONTINUED)*

SHI Xing Zhi

Mr. Shi Xing Zhi ("Mr. Shi"), aged 62, was appointed as an executive director of the Company on 21 February 2017. Mr Shi is also a senior technical consultant of a subsidiary of the Company.

Mr. Shi graduated from the Chang An University (長安大學) in 1979. Mr. Shi is a senior geological engineer certified by the State Land and Resources Bureau. From 1980 to 2004, Mr. Shi has held various positions including geological technician, project team leader, project manager, deputy manager of technical department, head engineer, in Shaanxi Province and Guangzhou, the People's Republic of China. From 2005 to 2015, Mr. Shi held various positions at an exploration company in Shaanxi Province including the deputy manager and deputy general manager (technical). From June 2015 to September 2016, Mr. Shi was the head geological engineer of a gold mining company in Gansu Province. Immediately before his appointment as executive director of the Company, Mr. Shi was the senior technical consultant of Tongguan County Xiangshun Mining Development Co., Ltd. (潼關縣祥順礦業發展有限公司), a company which became a subsidiary of the Company since 27 January 2017.

SHI Sheng Li

Mr. Shi Sheng Li ("Mr. Shi"), aged 54, was appointed as an executive director of the Company on 14 June 2017. Mr Shi is also a head engineer of a subsidiary of the Company.

Mr. Shi graduated from the China University of Geosciences (Beijing) (中國地質大學(北京)). Mr. Shi is a senior geological engineer certified by the Senior Professional Qualification of Shaanxi Provincial People's Government (陝西省人民政府高級專業技術任職資格). From 1985 to 2011, Mr. Shi has held various positions including geological technician, project team leader and project manager in Northwest Nonferrous Geological Bureau Team 712 in the PRC. From November 2011 to November 2013, Mr. Shi was the head engineer of a gold mining company in Tongguan County of Shaanxi Province. Immediately before his appointment as the executive director of the Company, Mr. Shi was the senior geological engineer of Tongguan County Xiangshun Mining Development Co., Ltd. (潼關縣祥順礦業發展有限公司), a company which became a subsidiary of the Company since 27 January 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHU Kang Nam

Mr. Chu Kang Nam ("Mr. Chu"), aged 61, was appointed as an independent non-executive director of the Company on 16 May 2007.

Mr. Chu graduated from Xiamen University with a Bachelor of Arts degree, and thereafter, has lectured at the Xiamen University. Mr. Chu has worked in government departments of the Fujian Province of the PRC for the period from June 1984 to November 1989, responsible for research and management positions in economics and foreign trade areas. Mr. Chu has also assumed senior management positions at various trading and retail companies since December 1989. In September 1995, he was employed as a research analyst at the Fujian Provincial Government Development Research Centre. Mr. Chu has over 20 years of management and operation experience in the areas of economics and trading. During the period from 1 August 2007 to 17 October 2012, Mr. Chu was an independent director of Gushan Environmental Energy Limited, a company whose shares were listed on the New York Stock Exchange and delisted since 17 October 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(CONTINUED)*

NGAI Sai Chuen

Mr. Ngai Sai Chuen ("Mr. Ngai"), aged 67, was appointed as an independent non-executive director of the Company on 1 March 2014.

Mr. Ngai was awarded an associate degree by a college in the PRC in 1987. He worked for the railway system in Fuzhou for ten years from 1972. He then acted as a secretary, deputy section chief of Fujian People's Government General Office until 1989. From 1989 to 1994, he acted as the general manager of a subsidiary company of China Fujian Corp for International Techno-Economic Corporation. He then acted as the department manager of Fujian Economy Consultation Company until 2004. Currently, he is a director of Jadford International Limited. During the period from 1 February 2010 to 17 February 2014, Mr. Ngai was an independent non-executive director of GR Properties Limited (Formerly known as Buildmore International Limited) (Stock Code: 108), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

LIANG Xu Shu

Mr. Liang Xu Shu ("Mr. Liang"), aged 51, was appointed as an independent non-executive director of the Company on 14 June 2017.

Mr. Liang graduated from University of Science and Technology Beijing (北京科技大學). Mr. Liang has also obtained a master's degree and a doctorate degree in Engineering from University of Science and Technology Beijing (北京科技大學). Mr. Liang has over 20 years of management and operation experience in the gold mining industry. From 1993 to 2000, Mr. Liang held various positions at China National Gold Group Corporation (中國黃金集團公司) including the supervisor, deputy manager and senior engineer. From 2001 to 2007, Mr. Liang was a deputy head engineer and production technology manager in Zhongjin Gold Corporation Limited (中金黃金股份有限公司). From 2007 to 2014, Mr. Liang was a general manager of two mining investment companies in the PRC. From 2015 to 2016, Mr Liang was a general manager of Zhongjin Golden Valley Fund Management Co., Ltd. (中金金谷基金管理有限公司). Currently, he is a vice secretary of China Occupational Safety and Health Association (中國職業安全健康協會) and the chairman of China Occupation Safety and Health (Beijing) Technology Development Co., Ltd. (中職安健(北京)科技發展有限公司).

LEUNG Ka Wo

Mr. Leung Ka Wo ("Mr. Leung"), aged 44, was appointed as an independent non-executive director of the Company on 25 August 2017.

Mr. Leung is currently a director and chief financial officer of China TX IIOT Group (Hong Kong) Limited. He holds a Bachelor of Business Administration degree from Seattle University. Mr. Leung is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, certified public accountant of the American Institute of Certified Public Accountants and certified public accountant in the State of California in the United States of America. Mr. Leung is also an independent non-executive director of China Hanya Group Holdings Limited (Stock Code: 8312), a company listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the period from 20 March 2014 to 15 September 2016, Mr. Leung was an independent non-executive director of Neo Telemedia Limited (Stock Code: 8167), a company listed on The Growth Enterprise Market of the Stock Exchange.

SENIOR MANAGEMENT

LEUNG Lai Ming

Ms. Leung Lai Ming ("Ms. Leung"), aged 41, is the company secretary and senior accounting manager of the Company. Ms. Leung graduated from The Hong Kong Polytechnic University with a bachelor degree in Accountancy. Ms. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries. Ms. Leung has 19 years of experience in handling accounting matters. Ms. Leung joined the Company in July 2007. Ms. Leung is also a director of several subsidiaries of the Company.

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 2017, 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 2017, 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 non-executive directors (including independent non-executive directors) without the executive directors present.

   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 non-executive directors (including independent non-executive directors) of the Company without the executive directors of the Company present during the year ended 31 December 2017.

3. 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 31 May 2017 in accordance with the Bye-laws of the Company.

4. 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES *(CONTINUED)*

5. Following the resignation of Mr. Chong Cha Hwa as an independent non-executive director of the Company on 31 July 2017, the Company has not complied with the requirements of the Listing Rules as follows:

    a. Rule 3.10(2) of the Listing Rules (i.e. having at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise); and

    b. Rule 3.21 of the Listing Rules (i.e. the audit committee must comprise at least one of the independent non-executive directors with appropriate professional qualifications or accounting or related financial management expertise).

    Subsequent to the appointment of Mr. Leung Ka Wo as an independent non-executive director of the Company on 25 August 2017, the above rules have been duly complied with.

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 2017, and they all confirmed that they had fully complied with the required standards set out in the Model Code.

BOARD OF DIRECTORS

Composition

Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors:

Wang Hui *(retired on 31 May 2017)*
Fang Yi Quan
Yeung Kwok Kuen, *Chief Financial Officer*
Shi Xing Zhi *(appointed on 21 February 2017)*
Shi Sheng Li *(appointed on 14 June 2017)*

Independent Non-executive Directors:

Chong Cha Hwa *(resigned on 31 July 2017)*
Chu Kang Nam
Ngai Sai Chuen
Liang Xu Shu *(appointed on 14 June 2017)*
Leung Ka Wo *(appointed on 25 August 2017)*

The biographical details of the directors of the Company are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report.

BOARD OF DIRECTORS *(CONTINUED)*

Composition *(CONTINUED)*

The composition of the Board is well balanced with the directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group.

There is no relationship among the members of the Board.

During the year ended 31 December 2017, the Board had at all times at least three independent non-executive directors of the Company and at least one independent non-executive director of the Company who has appropriate professional qualifications or accounting or related financial management expertise except for the period from 31 July 2017 to 24 August 2017 as explained above.

The Company has received from each of the independent non-executive directors of the Company an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors of the Company to be independent.

Board Responsibilities and Delegation

The principal roles of the Board are to oversee the strategic development, to determine the objectives, strategies and policies of the Group, to monitor and control the financial performance and to ensure effective internal controls and risk management. 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 written terms of reference specifying a schedule of matters which should be reserved to the Board and which should be delegated to management.

Board Meetings and General Meetings

During the year, a total of fourteen Board meetings (including four regular meetings) were held and the attendance records are as follows:

Name of Directors	**Number of Board Meetings Attended/Held**
Wang Hui	5/5
Fang Yi Quan	14/14
Yeung Kwok Kuen	14/14
Shi Xing Zhi	12/12
Shi Sheng Li	8/8
Chong Cha Hwa	8/8
Chu Kang Nam	14/14
Ngai Sai Chuen	14/14
Liang Xu Shu	8/8
Leung Ka Wo	4/4

BOARD OF DIRECTORS *(CONTINUED)*

Board Meetings and General Meetings *(CONTINUED)*

During the year, one general meeting of the Company was held and the attendance records are as follows:

Name of Directors	Number of General Meeting Attended/Held
Wang Hui	1/1
Fang Yi Quan	1/1
Yeung Kwok Kuen	1/1
Shi Xing Zhi	1/1
Shi Sheng Li	0/0
Chong Cha Hwa	1/1
Chu Kang Nam	1/1
Ngai Sai Chuen	1/1
Liang Xu Shu	0/0
Leung Ka Wo	0/0

Induction and Professional Development

Upon appointment to the Board, each director of the Company is provided with guideline and reference materials to enable them to be familiarised with the Group's business operations and Board's policies, as well as the general and specific duties of directors under general law (the common law and legislation) and the Listing Rules.

The directors of the Company have participated in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The continuous professional development programme comprised training seminars provided by professional bodies and reading regulatory updated materials. The costs for such trainings are borne by the Company.

During the year, all directors of the Company have participated in continuous professional development by reading regulatory updated materials and materials relevant to the Company's business, director's duties and responsibilities and provided a record of training they received to the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Since the resignation of Dr. You Xian Sheng as the Chairman on 31 January 2014, the Company has not appointed a new Chairman. Since the resignation of Mr. Wang Hui as the Chief Executive Officer on 1 June 2016, the Company has not appointed a new Chief Executive Officer.

The roles of Chairman and Chief Executive Officer are clearly defined by written terms of reference adopted by the Company in order to ensure a balance of power and authority, so that power is not concentrated in any one individual. The Chairman and the Chief Executive Officer are independent and not connected with each other except for being officers of the same company.

NON-EXECUTIVE DIRECTORS

All the independent non-executive directors of the Company were appointed for an initial term of one year. All directors of the Company appointed during the year are subject to re-election by shareholders of the Company at the next annual general meeting after their appointment and every director of the Company (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in 2005. The current members of the Remuneration Committee are:

Chong Cha Hwa, *Independent Non-executive Director, Chairman of the Remuneration Committee (resigned on 31 July 2017)*
Chu Kang Nam, *Independent Non-executive Director, Chairman of the Remuneration Committee (appointed as chairman of the remuneration committee on 31 July 2017)*
Ngai Sai Chuen, *Independent Non-executive Director*
Liang Xu Shu, *Independent Non-executive Director (appointed on 14 June 2017)*
Leung Ka Wo, *Independent Non-executive Director (appointed on 25 August 2017)*
Fang Yi Quan, *Executive Director*

The Remuneration Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

The Remuneration Committee is primarily responsible for the following duties:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

3. to consult the chairman of the Board and/or the chief executive of the Company about their remuneration proposals for other executive directors of the Company;

4. to make recommendations to the Board on the remuneration packages of individual executive directors and senior management of the Company;

   This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

5. to make recommendations to the Board on the remuneration of non-executive directors of the Company;

6. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;

REMUNERATION COMMITTEE *(CONTINUED)*

7. to review and approve the compensation payable to executive directors and senior management of the Company for any loss or termination of office or appointment to ensure that it is consistent with relevant contractual terms and is otherwise fair and not excessive;

8. to review and approve compensation arrangements relating to dismissal or removal of directors of the Company for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

9. to ensure that no director of the Company or any of his associates is involved in deciding his own remuneration; and

10. to deal with any other matters delegated by the Board.

The Remuneration Committee met six times during the year to review the remuneration policies and remuneration packages of the directors and member of the senior management of the Company, approve discretionary bonus payment to the directors and member of the senior management of the Company and review the special discretionary payments to the independent non-executive directors of the Company.

Individual attendance of each member of the Remuneration Committee during the year ended 31 December 2017 is set out below:

Name of Members	Number of Remuneration Committee Meetings Attended/Held
Chong Cha Hwa	3/3
Chu Kang Nam	6/6
Ngai Sai Chuen	6/6
Fang Yi Quan	6/6
Liang Xu Shu	3/3
Leung Ka Wo	1/1

Details of the emoluments of the directors of the Company for the year ended 31 December 2017 are set out in note 13 to the consolidated financial statements.

Senior Management Remuneration By Band

The emoluments of the members of the senior management of the Group for the year ended 31 December 2017 fell within the following bands:

Emoluments bands	Number of individuals
HK$0 — HK$1,000,000	10
HK$1,000,001 — HK$2,000,000	1

NOMINATION COMMITTEE

The Company established the Nomination Committee in March 2012. The current members of the Nomination Committee are:

Chong Cha Hwa, *Independent Non-executive Director, Chairman of the Nomination Committee (resigned on 31 July 2017)*
Chu Kang Nam, *Independent Non-executive Director, Chairman of the Nomination Committee (appointed as chairman of the nomination committee on 31 July 2017)*
Ngai Sai Chuen, *Independent Non-executive Director*
Liang Xu Shu, *Independent Non-executive Director (appointed on 14 June 2017)*
Leung Ka Wo, *Independent Non-executive Director (appointed on 25 August 2017)*

The Nomination Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

The Nomination Committee is primarily responsible for the following duties:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive directors of the Company;

4. to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive of the Company;

5. to make recommendations to the Board on the membership of Board committees e.g. audit committee and remuneration committee, in consultation with the chairman of the Board and the chairmen of such committees, as appropriate;

6. before recommending an appointment of the Board, to evaluate the existing balance of skills, knowledge and experience on the Board, and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment; and

7. to deal with any other matters delegated by the Board.

The Nomination Committee met six times during the year to review the size, composition and structure of the Board, assess the independence of the independent non-executive directors of the Company, review the suitability of the directors of the Company proposed for re-election at the annual general meeting, approve the nomination and appointment of directors of the Company and recommend to the Board for approval and approve the nomination and appointment of the members of the Board committee and recommend to the Board for approval.

NOMINATION COMMITTEE *(CONTINUED)*

Individual attendance of each member of the Nomination Committee during the year ended 31 December 2017 is set out below:

Name of Members	Number of Nomination Committee Meetings Attended/Held
Chong Cha Hwa	3/3
Chu Kang Nam	6/6
Ngai Sai Chuen	6/6
Liang Xu Shu	3/3
Leung Ka Wo	2/2

Each director of the Company appointed during the year is subject to re-election by shareholders of the Company at the next annual general meeting of the Company after his appointment and every director of the Company (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

No director of the Company is involved in fixing his own terms of appointment and nominations and no independent non-executive director of the Company is involved in assessing his own independence.

Summary of the Board Diversity Policy

The Company recognises and embraces the benefits of diversity in the members of the Board to enhance the quality of its performance and hence the purpose of the Board Diversity Policy aims to build and maintain a Board with a diversity of directors, in terms of skills, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be taken into account in determining the optimum composition of the Board. The Nomination Committee will discuss the measurable objectives for implementing diversity on the Board from time to time and recommend them to the Board for adoption.

The Nomination Committee will report annually on the composition of the Board under diversified perspectives and monitor the implementation of this policy to ensure the effectiveness of this policy.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions including, but not limited to, developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors, the Company's policies and practices in compliance with legal and regulatory requirements.

The Board has adopted terms of reference of the Board on corporate governance which in line with the Code in March 2012.

Summary of the terms of reference on corporate governance are as follows:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

2. to review and monitor the training and continuous professional development of directors and senior management of the Company;

CORPORATE GOVERNANCE FUNCTIONS *(CONTINUED)*

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

5. to review the Company's compliance with the Code and disclosures in the corporate governance report of its annual reports.

During the year, the Board reviewed and discussed the corporate governance policy and practices of the Company and the Board discharged the abovesaid responsibilities or through delegation to the Audit Committee, Remuneration Committee and Nomination Committee during the year.

AUDIT COMMITTEE

The Company established the Audit Committee in 1998. The current members of the Audit Committee are:

Chong Cha Hwa, *Independent Non-executive Director, Chairman of the Audit Committee (resigned on 31 July 2017)*
Leung Ka Wo, *Independent Non-executive Director, Chairman of the Audit Committee (appointed on 25 August 2017)*
Chu Kang Nam, *Independent Non-executive Director (appointed as chairman of the audit committee on 31 July 2017 and resigned as the chairman of the audit committee on 25 August 2017)*
Ngai Sai Chuen, *Independent Non-executive Director*
Liang Xu Shu, *Independent Non-executive Director (appointed on 14 June 2017)*

The Audit Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

The Audit Committee is primarily responsible for the following duties:

1. to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

2. to review and monitor the external auditor's independence and objectively and the effectiveness of the audit process in accordance with applicable standard, to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

3. to develop and implement policy on the engagement of an external auditor to supply non-audit services, to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

4. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

AUDIT COMMITTEE *(CONTINUED)*

5. regarding No. (4) above:

   i. to liaise with the Board and senior management of the Company and to meet, at least twice a year, with the Company's external auditors; and

   ii. to consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, to give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

6. to review the Company's financial control, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;

7. to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

8. to consider major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

9. where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

10. to review the group's financial and accounting policies and practices;

11. to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

12. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

13. to report to the Board on the matters set out in Appendix 14 of the Listing Rules "Corporate Governance Code and Corporate Governance Report";

14. to consider the major findings of internal investigations and management's response;

15. to consider other topics, as defined by the Board or handle the job assigned by the Board;

16. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

17. to act as the key representative body for overseeing the Company's relations with the external auditor.

AUDIT COMMITTEE *(CONTINUED)*

The Audit Committee met four times during the year to review the Group's annual and interim financial statements, review the external auditor's plan for the audit of the Group's accounts, review the internal control procedures and the financial reporting systems of the Group, make recommendations with respect to the appointment and reappointment of the auditors of the Company and review the risk management and internal control review plan and reports.

Individual attendance of each member of the Audit Committee during the year ended 31 December 2017 is set out below:

Name of Members	Number of Audit Committee Meetings Attended/Held
Chong Cha Hwa	2/2
Leung Ka Wo	2/2
Chu Kang Nam	4/4
Ngai Sai Chuen	4/4
Liang Xu Shu	3/3

The financial statements for the year ended 31 December 2017 have been reviewed by the Audit Committee.

AUDITOR'S REMUNERATION

During the year ended 31 December 2017, the Group engaged BDO Limited, auditors of the Company to perform audit services. The fees were as follows:

Nature of services	Amount *HK$'000*
Audit services in relation to annual results	1,900
Others – outlays	104
	2,004

COMPANY SECRETARY

Ms. Leung Lai Ming ("Ms. Leung") was appointed as the company secretary of the Company on 16 July 2007. The biographical detail of Ms. Leung is set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report.

For purpose of the Rule 3.29 of the Listing Rules, Ms. Leung has taken not less than 15 hours of relevant professional training for the year ended 31 December 2017.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to the Bye-laws of the Company, a special general meeting of the Company ("SGM") can be convened by a written requisition signed by the shareholder(s) of the Company holding not less than one-tenth of the paid-up share capital of the Company carrying the right of voting at general meetings of the Company, stating the objects of the meeting, and deposited at the head office and principal place of business of the Company in Hong Kong at Room 1306, 13/F., Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong for the attention of the Board or the company secretary of the Board. Such meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting should be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, but any meeting so convened shall not be held after the expiration of three months from the said date.

Putting forward proposals at shareholders' meetings

The procedures for shareholder(s) to put forward proposals at SGM include a written notice of those proposals being submitted by the shareholder(s) of the Company, addressed to the Board or the company secretary of the Board at the head office and principal place of business of the Company in Hong Kong at Room 1306, 13/F., Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong.

The procedures for shareholders of the Company to propose a person for election as a director of the Company are available on the Company's website.

Enquiries to the Board

Shareholders of the Company may at any time send their enquiries and concerns to the Board in writing to the head office and principal place of business of the Company in Hong Kong at Room 1306, 13/F., Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

Information of the Group is delivered to the shareholders of the Company through a number of channels, which include annual reports, interim reports, announcements and circulars at the Company's website. The latest information of the Group together with the published documents are also available on the Company's website.

The general meeting of the Company provides a forum for communication between the Board and the shareholders of the Company. The Board members or their delegates are available to answer questions at the general meeting.

There had been no change in the Company's constitutional documents during the year ended 31 December 2017.

Shareholders of the Company should direct their questions about their shareholdings to 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.

Shareholders of the Company can mail other enquiries or comments to the head office and principal place of business of the Company in Hong Kong at Room 1306, 13/F., Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong or sent through email to enquiry@chinaminingresources.com.

RISK MANAGEMENT AND INTERNAL CONTROLS

It is the policy of the Company to maintain a sound and effective risk management and internal control systems to safeguard the shareholders' investment and the Group's assets. No risk committee has been established and the Board is responsible for the risk management and internal control systems of the Group and reviewing their effectiveness and oversees the management of the Group in the design, implementation and monitoring of the risk management and internal control systems of the Group. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board continuously monitors the Group's risk management framework, reviews the Group significant risks and conducts an annual review of the effectiveness of the risk management system. The Board determines the nature and extent of significant risks it is willing to take in achieving the strategic objectives of the Group. The Group's risk management and internal control systems include, among others, the relevant financial, operational and compliance control and risk management procedures or policies, a well-established organizational structure with clearly defined lines of responsibilities and authorities. Each department is accountable for its daily operations and is required to implement the policies adopted from the Board from time to time.

The Board have reviewed the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2017, which covered all material controls, including financial, operational and compliance controls and risk management of the Group and considered that they are effective and adequate. The Board is also of the opinion that the resources for and qualifications of staff of the Company's accounting, internal audit and financial reporting functions are adequate and sufficient.

The Company does not have internal audit department and the company secretary of the Company are responsible to perform the internal audit function during the year ended 31 December 2017 according to an annual plan and routine checking. The Company would review the arrangement of the internal audit function from time to time. The Audit Committee have reviewed the Company's internal audit function and the risk management and the internal control systems for the year ended 31 December 2017 and considered that they are effective and adequate.

The Board approved and adopted an inside information policy and procedures for the handling and dissemination of inside information. The insider information policy provide the guidelines to the directors, management and relevant staff (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The procedures include, among others, regularly remind the directors, management and relevant staff about the compliance with the securities dealing restrictions as set out in the Model Code (Appendix 10 of the Listing Rules) and the notification of the regular "Blackout Period".

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

The directors of the Company acknowledge that it is their responsibility to prepare the accounts for each financial period which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment of the financial results and disclosures of the Group under the Listing Rules and any other rules and statutory requirements. The directors of the Company are responsible for ensuring that appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable; and the accounts are prepared on a going concern basis.

The responsibility of the external auditor of the Company is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by the external auditors of the Company about their reporting responsibility is set out under the section headed "Independent Auditor's Report" of this annual report.

On behalf of the Board
China Mining Resources Group Limited

Yeung Kwok Kuen
Executive Director and Chief Financial Officer

Hong Kong, 28 February 2018

The directors of the Company submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 41 to the consolidated financial statements.

Further discussion and analysis of business review of the Group as required by Schedule 5 to the Company Ordinance (Chapter 622 of the laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, is set out under the section headed "Management Discussion and Analysis" of this annual report. This discussion forms part of this Directors' Report.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the financial year are set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 and the Group's affairs as at that date are set out in the consolidated financial statements on pages 62 to 131.

The directors of the Company do not recommend the payment of a dividend in respect of the year ended 31 December 2017.

RESERVES

Movement in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 65 of this annual report.

DONATION

Donations made for charitable purposes by the Group during the year amounted to HK$18,000 (2016: HK$Nil).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 33 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution to shareholders, comprising contributed surplus and retained earnings, amounted to approximately HK$266,223,000 (2016: HK$264,540,000).

The Company's contributed surplus represents the special reserve arising upon the reorganisation of the Company. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of its assets would thereby be less than its liabilities.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year ended 31 December 2017 are set out in note 16 to the consolidated financial statements.

DIRECTORS

The directors of the Company who were in office during the financial year and up to the date of this report were:

Executive Directors

Wang Hui *(retired on 31 May 2017)*
Fang Yi Quan
Yeung Kwok Kuen *(Chief Financial Officer)*
Shi Xing Zhi *(appointed on 21 February 2017)*
Shi Sheng Li *(appointed on 14 June 2017)*

Independent Non-executive Directors

Chong Cha Hwa *(resigned on 31 July 2017)*
Chu Kang Nam
Ngai Sai Chuen
Liang Xu Shu *(appointed on 14 June 2017)*
Leung Ka Wo *(appointed on 25 August 2017)*

Pursuant to Bye-law 86(2) of the Bye-laws of the Company, any director of the Company appointed by the board either to fill casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Thus, Mr. Shi Sheng Li, Mr. Liang Xu Shu and Mr. Leung Ka Wo who were appointed as directors of the Company pursuant to Bye-law 86(2) of the Bye-laws of the Company shall retire at the forthcoming annual general meeting of the Company. Mr. Shi Sheng Li, Mr. Liang Xu Shu and Mr. Leung Ka Wo, being eligible, have offered themselves for re-election as directors of the Company.

In addition, pursuant to Bye-law 87(1) of the Bye-laws of the Company, at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Pursuant to Bye-law 87(2) of the Bye-laws of the Company, any director of the Company appointed pursuant to Bye-law 86(2) of the Bye-laws of the Company shall not be taken into account in determining which particular directors of the Company or the number of the directors of the Company who are to retire by rotation. Accordingly, Mr. Chu Kang Nam and Mr. Ngai Sai Chuen will retire by rotation at the forthcoming annual general meeting of the Company. Mr. Chu Kang Nam and Mr. Ngai Sai Chuen, being eligible, have offered themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

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

As at 31 December 2017, 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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 31 December 2017, persons (other than directors or chief executives of the Company as disclosed above) 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	3,300,000,000	11.61%
Hu Jianzhong	Interest in controlled corporation	Ordinary	4,700,000,000 *(Note 2)*	16.54%
Lin Eddie Chang	Interest in controlled corporation	Ordinary	3,300,000,000 *(Note 3)*	11.61%
Lin Yuhua	Interest in controlled corporation	Ordinary	1,852,500,000 *(Note 4)*	6.52%

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2017, which was 28,422,722,211.

2. These ordinary shares are held by Golden Blossom Investment Limited which is 100% beneficially owned by Mr. Hu Jianzhong. Pursuant to a sale and purchase agreement dated 26 October 2017 entered into between Combined Success Investments Limited, a wholly-owned subsidiary of the Company, Golden Blossom Investment Limited and Mr. Hu Jianzhong, in relation to the acquisition of 100% of the total issued share capital of Pride Success Investment Limited, the Company would issue 4,700,000,000 ordinary shares of the Company to Golden Blossom Investment Limited. 4,700,000,000 ordinary shares were allotted and issued to Golden Blossom Investment Limited on 3 November 2017.

3. These ordinary shares are held by Fung Wai Enterprises Ltd. which is 100% beneficially owned by Mr. Lin Eddie Chang. Pursuant to a sale and purchase agreement dated 5 April 2017 entered into between Combined Success Investments Limited, a wholly-owned subsidiary of the Company, Fung Wai Enterprises Ltd. and Mr. Lin Eddie Chang, in relation to the acquisition of 100% of the total issued share capital of Perfect Major Holdings Limited, the Company would issue 3,300,000,000 ordinary shares of the Company to Fung Wai Enterprises Ltd.. 3,300,000,000 ordinary shares were allotted and issued to Fung Wai Enterprises Ltd. on 24 April 2017.

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

SHARE OPTION SCHEMES

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

Particulars of the New Share Option Scheme are set out in note 45 to the consolidated financial statements.

Summary of main terms of the 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).

3. As at 28 February 2018, the total number of ordinary shares of HK$0.01 each in the capital of the Company ("Shares") available for issue under the New Share Option Scheme was 2,372,272,221 representing approximately 8% 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 year ended 31 December 2017, 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 31 December 2017, there is no option granted by the Company under the New Share Option Scheme that remains outstanding as at 31 December 2017.

Apart from the foregoing, at no time during the year was the Company, or any of its subsidiaries a party to any arrangement 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.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws of the Company, every director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The permitted indemnity provision is in force for the benefit of the directors of the Company as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Directors' report is approved in accordance with section 391(1)(a) of the Companies Ordinance.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors of the Company and officers of the Group throughout the year ended 31 December 2017.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Schemes" above, no equity-linked agreements were entered into by the Group, or existed during the year.

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 2017. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

CONNECTED TRANSACTION

None of the "Related party transactions" as disclosed in note 46 to the financial statements for the year ended 31 December 2017 constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

To the extent of the above "Related party transactions" constituted connected transaction as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	74%	
Five largest customers in aggregate	90%	
The largest supplier		43%
Five largest suppliers in aggregate		68%

At no time during the year have the directors of the Company, their close associates or any shareholders of the Company (which to the knowledge of the directors of the Company owns more than 5% of the Company's issued share capital) had any interest in these major customers and suppliers.

COMPETING INTEREST

None of the directors of the Company or their respective close associates had any interest in a business which competes with or may compete with the business of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their respective shareholdings in the Company if new shares of the Company are issued.

TAX RELIEF

The Company is not aware of any relief on taxation available to the shareholders by reason of their holding of the Company's securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

BANK LOANS AND BORROWINGS

Particulars of bank loans and borrowings of the Group as at 31 December 2017 are set out in note 29 to the consolidated financial statements.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 132 of this annual report.

RETIREMENT SCHEMES

Details of the retirement benefit schemes operated by the Group are set out in note 44 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors of the Company an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors of the Company to be independent.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out under the section headed "Corporate Governance Report" of this annual report.

AUDITORS

BDO Limited ("BDO") acted as the auditors of the Company for the financial years ended 31 December 2016 and 2017. The consolidated financial statements of the Company for the year ended 31 December 2017 have been audited by BDO. BDO were appointed as auditors of the Company on 19 December 2016 for the financial year ended 31 December 2016 upon the resignation of Asian Alliance (HK) CPA Limited, who have acted as auditors of the Company for the preceding five financial years.

BDO will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of BDO as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
China Mining Resources Group Limited

Yeung Kwok Kuen
Executive Director and Chief Financial Officer

Hong Kong, 28 February 2018

I. ABOUT THIS REPORT

China Mining Resources Group Limited (the "Company") and its subsidiaries (collectively, the "Group") stringently adhere to their environmental and social responsibilities.

The Group developed its sustainability strategy with aims to create sustainable values to its stakeholders, and to continue to lower the Group's impact on the environment. In order to carry out the Group's sustainability strategy from top to bottom, the Board of Directors (the "Board") of the Company has ultimate responsibility for ensuring the effectiveness of the Group's environmental, social and governance ("ESG") policies. The Board established dedicated teams to manage ESG issues within each business division of the Group. Designated staff was assigned to enforce and supervise the implementation of the relevant ESG policies. The Group is also committed to constantly reviewing and adjusting the Group's sustainability policies to satisfy the ever-changing needs of its stakeholders. Details of its management approach in both the environmental and social aspect can be found throughout different sections of this ESG Report. The Group believes sustainability is essential to the development of the Group's overall long-term success.

The Group is pleased to present its fourth ESG Report to further demonstrate the Group's approach and performance in terms of sustainable development for the year ended on 31 December 2017. This ESG report is prepared in compliance with the ESG Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited's website.

II. REPORTING PERIOD AND SCOPE OF THE REPORT

This ESG Report covers the environmental and social performance within the operational boundaries of the Group that includes the Group's headquarter office in Hong Kong, the tea business operation and the gold mining business in the People's Republic of China (the "PRC"). The reporting period is the Group's financial year dating from 1 January 2017 to 31 December 2017 ("FY2017").

III. STAKEHOLDER ENGAGEMENT

With the goal to strengthen the sustainability approach and performance of the Group, the Group put tremendous efforts into listening to both its internal and external stakeholders. The Group actively collects feedback from its stakeholders to maintain a high standard of sustainability within the Group, while also building a trustful and supporting relationship with them. The Group connects with its stakeholders through their preferred communication channels as listed in the table below.

Table 1 Communication with Stakeholders

Stakeholders	Expectations and concerns	Communication Channels
Government and regulatory authorities	— Compliance with laws and regulations — Support economic development	— Supervision on complying with local laws and regulations — Routing reports and taxes paid
Shareholders	— Return on investments — Corporate governance — Business compliance	— Regular reports and announcements — Regular general meetings — Official website

III. STAKEHOLDER ENGAGEMENT *(CONTINUED)*

Table 1 Communication with Stakeholders *(CONTINUED)*

Stakeholders	Expectations and concerns	Communication Channels
Employees	— Employees' compensation and benefits — Career development — Health and safety working environment	— Performance reviews — Regular meetings and trainings — Emails, notice boards, hotline, caring activities with management
Customers	— High quality products and services — Protect the rights of customers	— Customer satisfaction survey — Face-to-face meetings and on-site visits — Customer service hotline and email
Suppliers	— Fair and open procurement — Win-win cooperation	— Open tendering — Suppliers' satisfactory assessment — Face-to-face meetings and on-site visits — Industry seminars
General public	— Involvement in communities — Business compliance — Environmental protection awareness	— Media conferences and responses to enquiries

Materiality Assessment

The Group undertakes annual review in identifying and understanding its stakeholders' main concerns and material interests for the ESG Report. With respect to this ESG Report, the Group identified product quality control and management, mitigation measures to protect natural resources, and occupational health and safety as issues of the highest importance to both the Group and its stakeholders. This review helped the Group in prioritising its sustainability issues and highlighting the material and relevant aspects, so as to align them with stakeholders' expectations.

IV. ENVIRONMENTAL SUSTAINABILITY

The Group is committed to ensuring the long-term sustainability in the environment and community where the Group operates. The Group stringently controls its emissions and consumption of resources, and complies with all relevant environmental laws and regulations in its daily operations. All offices and manufacturing factories of the Group implemented effective energy conservation measures to reduce emissions and resource consumption.

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in FY2017.

A.1. Emissions

The Group has complied with all relevant local environmental laws as set out in the country where the Group operates. In FY2017, the Group found no disregard to influential laws relevant to waste gas or greenhouse gas emissions, water or land discharging, and hazardous or non-hazardous wastes.

In FY2017, the Group's greenhouse gases ("GHG") for Scope 1 (Direct Emissions) and Scope 2 (Energy indirect emission) was 129 tonnes CO_2e and 6,908 tonnes CO_2e respectively. The Group's total GHG emissions amounted to 7,037 tonnes CO_2e, and the GHG intensity for the Group was 14 tonnes CO_2e/employee. Other than GHG emissions, the Group also emitted 119,404 tonnes of non-hazardous solid wastes (with an intensity of 244 tonnes/employee), and 32,983 of non-hazardous wastewater (with an intensity of 67 tonnes/employee) in its operations. The Group did not generate any hazardous waste. The Group's total emissions are summarized in Table 2 below.

Table 2 Group's Total Emissions by Category in FY2017

Emission Category	Item	Unit	Amount	Intensity (Per employee)
GHG emissions	Scope 1 (Direct Emission)	tonnes CO_2e	129	—
	Scope 2 (Energy Indirect Emission)	tonnes CO_2e	6,908	—
	Total (Scope 1 & 2)	tonnes CO_2e	7,037	14
Non-hazardous waste	Solid Waste	tonnes	119,404	244
	Wastewater	tonnes	32,983	67

IV. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

Hong Kong Headquarter Office

Emissions for the Hong Kong office include GHG emissions from the use of electricity, and municipal solid waste and wastewater generated by the staffs in the office. No hazardous waste were generated at the Group's Hong Kong office in FY2017.

The main source of GHG emissions for the Hong Kong office came from the use of electricity. Specific measures taken to reduce electricity consumption in the office, and thus GHG emissions from this business segment, are further described in A.2. Use of Resources.

The Group is committed to environmental protection in its daily operations in the office. To reduce the amount of municipal solid waste generated every day, the Group implemented the following practices:

- Source-separate and recycle as many solid waste as possible;
- Encourage all employees to reduce the use of disposable items such as plastic tableware; and
- Advocate the reusing of office stationeries.

Any non-recyclable municipal solid wastes were collected and disposed by the property management.

Since the amount of wastewater generated highly depends on the amount of water used, the Group adopted specific measures to reduce water consumption, which are further described in A.2. Use of Resources. Municipal wastewater is directly discharged into the property water discharge system.

Tea Business

In the tea business, the Group is very prudent in controlling all discharges. Emissions from the tea production process include air & GHG, wastewater, solid waste, and noise. The Group established the "Quality, Food Safety and Environmental Safety Management Procedural Document" to control and manage air & GHG, wastewater, solid waste and noise emissions.

Air & GHG Emissions

Air and GHG emissions for the tea business came from the use of gasoline in vehicles, diesel in backup generators, and electricity in machineries. The Group set up internal policies, further described in A.2. Use of Resources, to reduce energy use and thus the air and GHG emissions. The Group's tea business has complied with the Integrated Emission Standard for Air Pollutants (《大氣污染物綜合排放標準》).

Wastewater

Wastewater produced in this business segment includes domestic wastewater and non-hazardous wastewater. Wastewater was directly discharged into the local sewerage system, as the Group has complied with the Integrated Emission Standard for Wastewater (《污水綜合排放標準》).

IV. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

Solid Wastes

The solid wastes generated in this business segment include domestic solid waste from employee's daily life and non-hazardous industrial solid wastes. Domestic and non-hazardous industrial solid wastes were recycled and collected by the local waste management company.

Noise

Noise was mainly generated from the operation of machinery and equipment during the tea manufacturing process. According to the monitoring results from the factory, the noise level has complied with to the Industrial Enterprise Boundary Noise Emission Standards (《工業企業廠界環境雜訊排放標準》).

In order to maintain a green production environment, the Group inspects and monitors the environmental conditions in the operation areas regularly and ensures that the wastewater and solid wastes generated by the Group comply with the local emission standards at all times.

Gold Mining Business

Emissions for this business segment include GHG emissions from electricity consumption, domestic wastewater and domestic solid wastes generated by the staffs.

Air & GHG Emissions

Air and GHG emissions for the gold mining business came from the use of gasoline and electricity to power machineries and vehicles. The Group has set up internal policies, further described in the A.2. Use of Resources, to reduce energy use and thus the air and GHG emissions.

Wastewater

Wastewater produced in this business segment includes domestic wastewater and industrial wastewater. The Group is committed to reducing the generated wastewater by recycling both domestic wastewater and industrial wastewater. For instance, domestic wastewater was centrally collected and treated through bio-medical treatment before being used for greening the area.

Solid Wastes

The solid wastes generated in this business segment include domestic solid wastes from employee's daily life, industrial solid wastes such as rocks and debris from the mining process. Domestic and industrial solid wastes were collected, source separated, and recycled before being transferred to landfill for disposal.

During the year under review, the Group was not in violation of any relevant laws and regulations, which have a significant impact on the Group, related to emissions.

IV. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.2. Use of Resources

The Group has complied with the relevant laws and regulations in relation to the Group's use of resources during the year under review. In FY2017, resources consumed by the Group were gasoline, diesel, electricity, water, paper and packaging materials (by paper, plastic, metal).

Table 3 Group's Total Use of Resources by Category in FY2017

Resource Category	Item	Unit	Amount	Intensity (Per Employee)
Energy	Electricity	kWh'000	10,308	21
	Gasoline	L	54,766	112
	Diesel	L	2,926	6
Water	Water	tonnes	65,077	133
Paper	Paper	tonnes	0.8	0.002
Packaging Materials	By Paper	tonnes	47	0.1
	By Plastic	tonnes	1,239	2.5
	By Metal	tonnes	210	0.4

Electricity

The Group's electricity consumption came from regular operations of the office and machineries at production sites (gold mines and tea farms). In FY2017, the total electricity consumption of the Group was 10,308 kWh'000 (with an intensity of 21 kWh'000/employee). All subsidiaries of the Group stringently complied with the Group's policy of saving energy.

The Group started to replace traditional light bulbs with electricity-saving light bulbs as well as educated its employees about energy conservation and emission reductions. As the Group reduced electricity consumption, GHG emissions declined correspondingly. To ensure the effective use of electricity, the Group conducted the following practices:

- Turn off lights, computers and air conditioning system before clocking out;
- Place energy saving reminder labels next to switches
- Clean office equipment (such as refrigerator, air-conditioner) regularly to maintain high efficiency;
- Use energy saving equipment; and
- Set temperature of air conditioners based on the season.

IV. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

Energy

The Group consumed gasoline for its vehicle and diesel for back-up generator. In FY2017, the amount of gasoline and diesel consumed by the Group was 54,766 L (with an intensity of 112 L/employee), and 2,926 L (with an intensity of 6 L/employee) respectively. The Group encourages energy saving through simple measures, such as turning off all idle equipment and replacing highly polluting vehicles with more environmentally-friendly ones.

Water

The Group educated its employees on saving water. In FY2017, the total water consumption of the Group was 65,077 tonnes (with an intensity of 133 tonnes/employee). To further improve the utilization efficiency of water resources, the Group adopted the following practices:

- Place posters "Saving Water Resource" in prominent places to encourage water conservation;
- Fix dripping taps immediately and avoid any leakage of the water supply system;
- Strengthen the inspection and maintenance on water tap, water pipelines and water storage; and
- Use water saving equipment.

Paper

Paper was mainly consumed by the Group in its headquarter office. In FY2017, the Group consumed a total of 0.8 tonnes of papers (with an intensity of 0.002 tonnes/employee). The Group strives to reduce paper waste at source by adopting the following practices:

- Think before print;
- Set duplex printing as the default mode for most network printers;
- Use email to reduce fax paper consumption;
- Separate the single-sided paper and double-sided paper neatly for better recycling; and
- Use the back of old single-sided documents for printing or as draft paper.

Packaging Materials

The Group used paper, aluminium bags, plastic bags, aluminium boxes, iron boxes as packaging materials. In FY2017, the amount of paper packaging materials, plastic packaging materials and metal packaging materials consumed by the Group was 47 tonnes (with an intensity of 0.1 tonnes/employee), 1,239 tonnes (with an intensity of 2.5 tonnes/employee) and 210 tonnes (with an intensity of 0.4 tonnes/employee) respectively. To reduce the use of packaging materials, the Group encourages the reuse of boxes as much as possible.

IV. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.3. The Environment and Natural Resources

The Group is committed to protecting the environment where the Group operates. The Group had taken effective measures to reduce electricity consumption, and thus the overall GHG emissions.

For the Group's gold mining business, the Group established policies to protect the environment during its operations and ensure the compliance with the Provisions on the Protection of the Geologic Environment of Mines(《礦山地質環境保護規定》). The Group also has a restoration plan in place for the mined areas.

For the Group's tea business, the Group planted different kinds of landscape trees such as Taxus(紅豆杉), Podocarpus Macrophyllus(羅漢松), Osmanthus Fragrans trees(桂花樹)in its tea farms. The addition of landscape trees in the Group's tea farms helps create a more ecologically rich environment, while serving the purpose of GHGs removal. The Group has also installed advanced sprinkler watering system in its tea farms to reduce the Group's water use, thereby executing the overall sustainable development strategy of the Group.

V. SOCIAL SUSTAINABILITY

Employment and Labour Practices

B.1. Employment

The Group treasures employee's talent and sees it as the key in driving the success and maintaining the sustainability of the Group. The Group strives to provide its employees with a safe and suitable platform for developing their career, professionalism and advancement.

Law compliance

The human resources policies of the Group strictly adhere to the applicable employment laws and regulations in Hong Kong, and the PRC, including but not limited to the Employment Ordinance (Cap 57) and Labour Law of the PRC(《中華人民共和國勞動法》). The Group also complied with the laws and regulations in respect to the employees' social security schemes that are enforced by the local governments in the PRC in relation to employee benefits. The human resources department of the Group and its subsidiaries review and update the relevant company policies regularly in accordance with the latest laws and regulations.

Recruitment and promotion

To attract high-calibre candidates, the Group offers fair, competitive remuneration and benefits based on the individuals' past performance, personal attributes, job experiences and career aspiration. The Group also references market benchmarks in determining its remuneration and benefit policies. As talent retention is vital to the future business development of the Group, the Group constantly reviews its compensation packages, and performs probationary and regular evaluations according to the overall market environment, profitability of the Group and employee's performance in the past. This ensures that employees can be recognised by the Group appropriately with respect to their efforts and contributions.

V. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.1. Employment *(CONTINUED)*

Compensation and dismissal

Any appointment, promotion or termination of employment contract would be based on reasonable, lawful grounds and internal policies, such as staff handbooks. The Group strictly prohibits any kind of unfair or unreasonable dismissals.

Working hours and rest periods

The Group has formulated its policy based on local employment laws, for determining working hours and rest period for employees. In addition to basic paid annual leave and statutory holidays stipulated by the employment laws of the local governments, employees may also be entitled to additional leave entitlements such as marriage leave, maternity leave and compassionate leave.

Equal opportunity and anti-discrimination

As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are based on factors irrespective of the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job related factors in all business units of the Group. The equal opportunity policy allows zero tolerance in relation to any workplace discrimination, harassment or vilification in accordance with local ordinances and regulations, such as Disability Discrimination Ordinance and Sex Discrimination Ordinance. Employees are encouraged to report any incidents involving discrimination to the human resources department of the Company. The human resources department of the Company will take responsibility for assessing, dealing with, recording and taking any necessary disciplinary actions on such incidents.

Other benefits and welfare

As for employee welfare, the Group provides welfare package, which may include medical insurance, annual physical examination and meals to its employees. During some traditional Chinese festivals, employees may even receive additional bonuses and gifts.

During the year under review, the Group was in compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

V. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.1. Employment *(CONTINUED)*

Table 4 Total Workforce by Age Group and Geographical Region in FY2017

By Age Group	HK office	PRC subsidiaries	Total
Aged below 31	2	206	208
Aged 31-50	4	217	221
Aged over 50	4	57	61
Total	10	480	490

B.2. Health and Safety

To provide and maintain good working conditions and a safe, healthy working environment for its employees, the Group has established occupational safety and health policies that are in line with various laws and regulations stipulated by the HKSAR Government, and the State Council of the PRC. The specific laws and regulations include are Occupational Safety and Health Ordinance (Cap 509), and Occupational Disease Prevention Law in the PRC(《中華人民共和國職業病防治法》).

The Group upholds the concept of "Safety First" by continuously strengthening the safety awareness of its employees. All supervisors must adhere to the principle of "Production Management Must Encompass Management of Safety", while all worker should take personal responsibilities in terms of safety management in his or her daily work. Moreover, the Group arranges annual physical examination to all its first-line production employees.

The Group strives to provide a high-quality working environment for its employees. The Group established a series of policies according to the ISO 14000 and OHSAS18000 for safe working environment and protecting employees from occupational hazards. In order to keep workers safe and avoid hazardous situation, the Group regularly provides safety training, machine safeguarding training, and emergency training. Safety warning labels has been placed in potentially hazardous area, and smoking and liquor drinking has been strictly prohibited at the work place. In FY2017, the Group had no work-related fatalities.

During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

V. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.3. Development and Training

The Group draws up training plans in accordance with the Group's training needs. Specifically, the Group offers comprehensive training and development programmes to its staff in order to strengthen their work-related skills and knowledge. The purpose is to equip employee with the necessary skills, knowledge and attitudes to meet the Group's need. The Group also formulated a set of internal policies for development and training. The internal trainings provided by the Group cover topics such as company overview training, professional and technical training, qualifications training, health and safety training, and anti-bribery and corruption.

The Group encourages outstanding employees to attend external trainings and take professional qualification examinations for enhancing their competitiveness and expanding their capacity through continuous learning. The Group arranges external training organisations and trainers to provide job-related trainings to its employees, so as to make its employees achieve better working performance after receiving appropriate training. Employees that take and pass professional qualification examination are qualified for an imbursement.

B.4. Labour Standards

The Group strictly abides by the Employment Ordinance (Cap 57), Labour Law of the PRC(《中華人民共和國勞動法》), and other related labour laws and regulations in Hong Kong, and the PRC, to prohibit any child and/or forced labour employment.

To combat against illegal employment on child labour, underage workers and forced labour, the Group's human resources staff requires job applicants to provide valid identity documents before confirmation of employment to ensure that the applicants are lawfully employable. In situations where the hired staff is found to provide false identity during the recruitment process, the Group will terminate the staff's employment immediately as it is a serious breach of the Group's rules and regulations. The human resources department of the Group is responsible to monitor and ensure the compliance by the Group with the latest relevant laws and regulations that prohibit child labour and forced labour.

During the year under review, the Group was not in violation of any of the relevant laws and regulations, in relation to the prevention of child and forced labour that have a significant impact on the Group.

V. SOCIAL SUSTAINABILITY *(CONTINUED)*

Operating Practices

B.5. Supply Chain Management

As an enterprise with a keen sense of social responsibility, it is critical and vital for the Group to maintain and manage a sustainable and reliable supply chain that takes environmental and societal impact into considerations. The Group monitors the quality of its suppliers and supply chain practices on a draconian and regular basis.

The Group chooses suppliers based on their background, product quantity and quality, price, customer service quality, reputation, past cooperation experience, delivery time, and outcome from annual evaluation. When selecting suppliers, the supplier must not only meet the Group's internal standards, but also be a legally compliant, socially responsible and financially healthy enterprise. Potential suppliers are required to provide relevant quality certifications, arrange for site visits, and request for samples of materials to be supplied to ensure that the materials meet the required specifications. The Group has its own internal list of approved qualified suppliers and will reassess them annually.

The Group strives to reduce the environmental impact of procurement activities when cooperating with suppliers. Local suppliers are preferred as it reduces both cost and emissions associated with the transportation of raw materials and packaging materials. Environmental requirements of the supplier are clearly stated in the commercial agreement, and environmental assessments for suppliers are conducted annually.

The Group maintains close liaison with its suppliers to ensure they comply with local laws and regulations in their country during operations and stick to their corporate ethics. The Group has formulated a policy on supplier management and divided the suppliers into different groups according to the duration of the cooperation and the scope of the cooperation so as to implement a differentiated management strategy for the suppliers. Given the firm and stable relationship between the Group and its suppliers, the Group can be quickly informed of the suppliers' situation through the internet, phone calls, and other communication means. In FY2017, the Group did not experience any major difficulty in obtaining adequate supplies of raw materials and packing materials to meet its production requirements

B.6. Product Responsibility

With regard to the Group's product health and safety, advertising and labelling, quality management, the Group is strictly in compliance with the related rules and regulations in the PRC, such as Product Quality Law of the PRC(《中華人民共和國產品質量法》) and Law on Protection of Consumer Rights and Interests of the PRC(《中國消費者權益保護法》).

Products Quality/Product Safety

The Group is committed to ensuring product safety and product quality. The Group's tea business has formulated a quality inspection management system that covers raw materials, auxiliary ingredient, packaging materials and finished products, and is in strict compliance with the ISO 9001 management practices. The Group's tea business has also obtained the HACCP international food safety certification and GAP certification from the Ministry of Agriculture. In FY2017, there was no products sold subject to recalls for health and safety reasons.

V. SOCIAL SUSTAINABILITY *(CONTINUED)*

Operating Practices *(CONTINUED)*

B.6. Product Responsibility *(CONTINUED)*

Customer complaints

The Group has established standard procedures for handling product enquires and complaints. Specifically, the Group's tea business has set up customer services hotline, on-line services and several branch offices within the PRC, which has brought enormous convenience for handling customers enquiries and complaints.

Advertising & Labelling

The Group has established internal guidelines to ensure the Group is providing accurate product labelling and marketing materials that comply with the relevant local laws and regulations, such as the Advertising Law of the PRC（《中華人民共和國廣告法》）, to its customers. Any exaggeration of offerings in the marketing materials is strictly prohibited. If there is any non-compliance with the Group's internal guideline, the Group would carry out corrective action immediately.

Intellectual property

The Group is dedicated to protecting and enforcing its intellectual property rights and has complied with the relevant laws and regulations such as the Patent Law of the PRC（《中華人民共和國專利法》）, and the Intellectual Property Law of the People's Republic of China（《中華人民共和國知識財產權法》）. The Group's tea business has arranged trademark registration in the PRC and is actively applying for different types of patent such as "appearance patent", "utility model patent", and "invention patent" for its products and technologies.

Consumer data protection

The Group is committed to abiding by the laws in relation to customer privacy, such as the Consumer Protection Law of the PRC（《中華人民共和國消費者權益保護法》）and the Personal Data (Privacy) Ordinance (Cap 486), and so on, to ensure customers' rights are strictly protected. Information collected by the Group from its customers would only be used for the purpose for which it has been collected. The Group prohibits the provision of customer information to a third party without authorisation of the customer. All collected personal data of customers during the course of business are treated as confidential, kept securely and accessible by designated personnel only.

During the year under review, the Group was not in violation of any relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters of its products that may have a significant impact on the Group.

V. SOCIAL SUSTAINABILITY *(CONTINUED)*

Operating Practices *(CONTINUED)*

B.7. Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the local laws and regulations relating to anti-corruption and bribery, irrespective of the area or country where the Group conducts its business, such as the Prevention of Bribery Ordinance (Cap 201), Law of the PRC on Anti-money Laundering (《中華人民共和國反洗錢法》).

The Group prohibits all forms of bribery and corruption. The Group has stipulated the Anti-Fraud Management Policy (《反舞弊與舉報制度》), and requires all employees to strictly abide by professional ethics and eliminate any corruption and bribery. All employees are expected to discharge their duties with integrity, to act fairly and professionally, and to abstain from engaging in bribery activities or any activities, which might exploit their positions against the Group's interests. No concluded legal cases regarding corrupt practices were brought against the Group or its employees during FY2017.

Whistle-blowers can report verbally or in writing to the senior management of the Group for any suspected misconduct with full details and supporting evidence. The management will conduct investigations against any suspicious or illegal behaviour to protect the Group's interests. The Group advocates a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimisation. Where criminality is suspected, a report is made to the relevant regulators or law enforcement authorities when the management considers necessary.

During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

Community

B.8. Community Investment

The Group understands well the importance of making a positive contribution to the communities where the Group operates, and sees the interests of the communities as one of its social responsibilities. The Group is committed to promoting the economic development and living environment of the community, and insists on helping individuals and organizations within the community. The Group is also keen to support social welfare activities and community care projects, and encourages its own employees to participate in these activities and projects.

The Group believes that enterprise and the communities, where the Group operates, are inseparable. To better fulfil its social responsibilities, the Group is committed to contributing in the following areas:

- Actively cooperate with the work of the community to strengthen communication with local government and social organizations;
- Steadfastly promote social employment and contribute to alleviating unemployment;
- Protect the environment, effectively control the "three wastes" emissions, and vigorously pursue energy conservation; and
- Fulfil its legal obligation to pay taxes.

VI. REPORT DISCLOSURE INDEX

Aspects	ESG Indicators	Description	Page
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	41
	KPI A1.1	The types of emissions and respective emission data.	41
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	41
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	41
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	41
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	42
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	42
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	44
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	44
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	44
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	44
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	45
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	45
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	46
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	46

VI. REPORT DISCLOSURE INDEX *(CONTINUED)*

Aspects	ESG Indicators	Description	Page
B. Social			
Employment and Labour Practices			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	46
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	48
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	—
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	48
	KPI B2.1	Number and rate of work-related fatalities.	48
	KPI B2.2	Lost days due to work injury.	—
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	48
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	49
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	—
	KPI B3.2	The average training hours completed per employee by gender and employee category.	—
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	49
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	49
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	49

VI. REPORT DISCLOSURE INDEX *(CONTINUED)*

Aspects	ESG Indicators	Description	Page
Operating Practices			
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	50
	KPI B5.1	Number of suppliers by geographical region.	—
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	—
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	50
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	50
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	—
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	51
	KPI B6.4	Description of quality assurance process and recall procedures.	—
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	51
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	52
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	52
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	52

VI. REPORT DISCLOSURE INDEX *(CONTINUED)*

Aspects	ESG Indicators	Description	Page
Community			
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	52
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	52
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	—

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TO THE SHAREHOLDERS OF
CHINA MINING RESOURCES GROUP LIMITED
中國礦業資源集團有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Mining Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 131, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of advances to suppliers

Refer to note (5)(b)(ii) and note 26 to the consolidated financial statements and accounting policies on note (4)(h)(ii)

As at 31 December 2017, the Group's advances to suppliers amounted to approximately HK$33,278,000. The recoverability and the valuation of the impairment of the Group's advances to suppliers is a key audit matter due to the judgment involved.

How our audit addressed the key audit matter:

Our audit procedures in relation to assessment of recoverability of advances to suppliers included:

— obtained confirmations from the relevant suppliers;

— discussed with management of the Group on the credit worthiness of the suppliers; and

— evaluated the reasonableness of management's assessment on the recoverability of the balances with reference to the transaction history of suppliers.

Impairment assessment of exploration and evaluation assets and goodwill

Refer to notes 5(b)(iv) and 5(b)(i) and notes 18 and 19 to the consolidated financial statements and accounting policies on note (4)(c) and (4)(f).

As at 31 December 2017, the Group had exploration and evaluation assets and goodwill relating to gold mining operation which amounted to HK$952,872,000 and HK$552,180,000, respectively, which were allocated to the cash generating units of gold mining operation. The impairment assessment of exploration and evaluation assets and goodwill is a key audit matter due to its significance and judgment involved.

How our audit addressed the key audit matter:

Our audit procedures in relation to the directors' impairment assessment included:

— assessed the reasonableness of discount rate applied in determining the recoverable amount;

— challenged the reasonableness of other key assumptions based on our knowledge of the business and industry; and

— checked input data to supporting evidence, such as management's cash flow forecasts and considering the reasonableness of these cash flow forecasts.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Chan Wing Fai
Practising Certificate number P05443

Hong Kong, 28 February 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	7	**387,475**	112,372
Cost of sales		**(300,829)**	(65,333)
Gross profit		**86,646**	47,039
Other income	8	**8,309**	13,363
Other net gains and losses	9	**4,839**	73
Selling and distribution expenses		**(38,451)**	(36,321)
Administrative and other expenses		**(78,651)**	(42,731)
Finance costs	10	**(4,580)**	(4,560)
Impairment loss recognised in respect of goodwill		**(52,202)**	—
Loss before tax	11	**(74,090)**	(23,137)
Income tax expense	12	**(5,084)**	—
Loss for the year		**(79,174)**	(23,137)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**46,060**	(4,486)
Release of investment revaluation reserve upon disposal of available-for-sale investment	22	**(2,999)**	—
Fair value changes in available-for-sale investments	22	**17,610**	10,084
Other comprehensive income for the year, net of income tax		**60,671**	5,598
Total comprehensive income for the year		**(18,503)**	(17,539)
Loss for the year attributable to:			
Owners of the Company		**(74,068)**	(21,130)
Non-controlling interests		**(5,106)**	(2,007)
		(79,174)	(23,137)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(18,783)**	(14,633)
Non-controlling interests		**280**	(2,906)
		(18,503)	(17,539)
Loss per share			
Basic and diluted (HK cents)	15	**HK (0.32) cents**	HK (0.12) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Notes	**As at 31 December 2017 HK$'000**	As at 31 December 2016 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**606,205**	21,591
Prepaid lease payments — non-current portion	*17*	**48,362**	13,900
Exploration and evaluation assets	*18*	**952,872**	—
Goodwill	*19*	**552,180**	—
Other intangible assets	*20*	**124,739**	5,469
Available-for-sale investments	*22*	**28,131**	153,594
Deposit paid for acquisition of a subsidiary	*23(a)*	**—**	80,000
Loans receivable	*24*	**—**	203,943
		2,312,489	478,497
Current assets			
Inventories	*25*	**86,125**	74,026
Trade and other receivables	*26*	**132,480**	59,974
Prepaid lease payments	*17*	**1,300**	421
Bank balances and cash	*27*	**179,707**	144,461
		399,612	278,882
Current liabilities			
Trade and other payables	*28*	**216,760**	56,500
Income tax payable		**42,000**	15,929
Bank borrowings	*29*	**132,889**	41,307
		391,649	113,736
Net current assets		**7,963**	165,146
Total assets less current liabilities		**2,320,452**	643,643

	Notes	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Non-current liabilities			
Bank borrowings	29	**5,383**	34,050
Deferred income	30	**3,328**	2,356
Other payables	28	**352,693**	—
Provision for restoration and environmental costs	32	**8,560**	—
Deferred tax liabilities	31	**254,378**	—
		624,342	36,406
Net assets		**1,696,110**	607,237
Capital and reserves			
Share capital	33	**284,227**	169,150
Share premium and reserves		**1,321,701**	442,087
Equity attributable to owners of the Company		**1,605,928**	611,237
Non-controlling interests		**90,182**	(4,000)
Total equity		**1,696,110**	607,237

On behalf of the board of directors

Fang Yi Quan
Director

Yeung Kwok Kuen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company									
	Share capital HK$'000 (Note 33)	Share premium HK$'000 (Note 34(a))	Statutory surplus reserve HK$'000 (Note 34(b))	Contributed surplus HK$'000 (Note 34(c))	Investment revaluation reserve HK$'000 (Note 34(d))	Translation reserve HK$'000 (Note 34(e))	(Accumulated losses)/ retained earnings HK$'000 (Note 34(f))	Total HK$'000	Non-controlling interests HK$'000 (Note 35)	Total HK$'000
At 1 January 2016	1,691,497	3,548,588	10,067	–	925	48,925	(4,674,132)	625,870	(1,094)	624,776
Loss for the year	–	–	–	–	–	–	(21,130)	(21,130)	(2,007)	(23,137)
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	(3,587)	–	(3,587)	(899)	(4,486)
Fair value changes in available-for-sale investments	–	–	–	–	10,084	–	–	10,084	–	10,084
Other comprehensive income for the year	–	–	–	–	10,084	(3,587)	–	6,497	(899)	5,598
Total comprehensive income for the year	–	–	–	–	10,084	(3,587)	(21,130)	(14,633)	(2,906)	(17,539)
Capital reorganisation *(Note 33(a))*	(1,522,347)	(3,548,588)	–	287,496	–	–	4,783,439	–	–	–
At 31 December 2016 and 1 January 2017	169,150	–	10,067	287,496	11,009	45,338	88,177	611,237	(4,000)	607,237
Loss for the year	–	–	–	–	–	–	**(74,068)**	**(74,068)**	**(5,106)**	**(79,174)**
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	**40,674**	–	**40,674**	**5,386**	**46,060**
Release of investment revaluation reserve upon disposal of available-for-sale investment	–	–	–	–	**(2,999)**	–	–	**(2,999)**	–	**(2,999)**
Fair value changes in available-for-sale investments	–	–	–	–	**17,610**	–	–	**17,610**	–	**17,610**
Other comprehensive income for the year	–	–	–	–	**14,611**	**40,674**	–	**55,285**	**5,386**	**60,671**
Total comprehensive income for the year	–	–	–	–	**14,611**	**40,674**	**(74,068)**	**(18,783)**	**280**	**(18,503)**
Issuance of shares for acquisitions of subsidiaries *(Note 23)*	**115,077**	**898,397**	–	–	–	–	–	**1,013,474**	**93,902**	**1,107,376**
At 31 December 2017	**284,227**	**898,397**	**10,067**	**287,496**	**25,620**	**86,012**	**14,109**	**1,605,928**	**90,182**	**1,696,110**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 HK$'000	2016 HK$'000
Cash flows from operating activities		
Loss before tax	**(74,090)**	(23,137)
Adjustments for:		
Interest income	**(3,925)**	(10,698)
Interest expenses	**4,580**	4,560
Depreciation of property, plant and equipment	**16,834**	758
Amortisation of prepaid lease payments	**1,084**	441
Amortisation of other intangible assets	**11,045**	298
Gain on changes in fair value less costs-to-sell for agricultural produces	**(510)**	(509)
Gain on disposal of property, plant and equipment	**—**	(5)
Government grants recognised	**(3,035)**	(2,126)
Gain on disposal of available-for-sale investment	**(2,999)**	—
Impairment loss recognised in respect of trade and other receivables	**5,853**	1,201
Impairment loss recognised in respect of goodwill	**52,202**	—
Written-down of inventories	**745**	2,299
Provision for restoration and environment costs	**1,706**	—
Reversal of impairment loss recognised in respect of trade and other receivables	**(3,343)**	(614)
	6,147	(27,532)
Decrease in inventories	**5,119**	14,975
(Increase)/decrease in trade and other receivables	**(8,221)**	15,002
Increase/(decrease) in trade and other payables	**1,241**	(9,751)
Cash generated from/(used in) operations	**4,286**	(7,306)
Income tax expenses paid	**(2,957)**	—
Net cash generated from/(used in) operating activities	**1,329**	(7,306)
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	**(51,977)**	(12,855)
Payments for purchase of prepaid lease payments	**(29,668)**	—
Expenditure paid on exploration and evaluation assets	**(11,220)**	—
Proceeds from disposal of available-for-sale investment	**4,073**	—
Proceeds from disposal of property, plant and equipment	**—**	5
Acquisitions of subsidiaries, net of cash acquired	**61,584**	—
Deposit paid for acquisition of a subsidiary	**—**	(80,000)
Loans granted to One Champion	**—**	(199,000)
Interest received	**3,947**	4,891
Government grants received	**3,810**	1,975
Net cash used in investing activities	**(19,451)**	(284,984)

	2017 HK$'000	2016 HK$'000
Cash flows from financing activities		
Repayment of bank borrowings	**(42,672)**	(50,655)
New bank borrowings raised	**98,126**	45,572
Interest paid	**(4,580)**	(4,560)
Net cash generated from/(used in) from financing activities	**50,874**	(9,643)
Net increase/(decrease) in cash and cash equivalents	**32,752**	(301,933)
Cash and cash equivalents at beginning of the year	**144,461**	447,570
Effect of exchange rate changes on cash and cash equivalents	**2,494**	(1,176)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**179,707**	144,461

1. GENERAL

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 production and sale of tea products and gold mining operation, which includes exploration, mining, processing and sale of gold and related products. The Group's production and sale of tea products and gold mining operation are mainly carried out in the People's Republic of China (the "PRC").

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Except as explained below, the adoption of these new/revised HKFRSs has no material impact on the Group's financial statements.

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to consolidated statement of cash flows.

(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 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HKFRS 16	Leases[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019

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.

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

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

HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

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.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVTOCI if specified conditions are met, instead of at FVTPL.

In the opinion of the directors, based on the historical experience of the Group, the Group experienced bad debts on outstanding balances with customers and other debtors. Hence, the directors of the Company anticipate that application of the new impairment requirements under HKFRS 9 may result in impairments on the Group's financial assets recognised in earlier accounting period due to the expected loss impairment model.

HKFRS 15 – Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

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

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

HKFRS 15 – Revenue from Contracts with customers *(CONTINUED)*

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments HKFRS 15 – Revenue from Contracts with customers

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The directors have performed a review of the current contractual arrangements with its customers, and the directors do not anticipate that the application of HKFRS 15 will have a significant impact on the Group's future financial position and financial performance.

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 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.

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

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

HKFRS 16 – Leases *(CONTINUED)*

As set out in Note 42 below, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises and tea plantation as at 31 December 2017 amounted to approximately 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. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair value, at the end of each reporting period, as explained in the accounting policies set out below.

(c) Functional and presentation currency

The functional currency of the Group is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the investors as its shares are listed on the Stock Exchange. All values are rounded to the nearest thousand except when otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(a) Business combination and basis of consolidation *(CONTINUED)*

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree, if any, is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Goodwill

Where the fair value of identifiable assets and liabilities exceeds the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGUs") that are expected to benefit from the synergies of the acquisition. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 4(o)), and whenever there is an indication that the CGU may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Property, plant and equipment *(CONTINUED)*

Property, plant and equipment are depreciated so as to write off their costs net of expected residual values over their estimated useful lives on a straight-line basis. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Buildings	Shorter of lease term of land or 8-40 years
Plant and machinery	5-10 years
Furniture, fixtures and equipment	5-10 years
Motor vehicles	5-10 years
Bearer plants	Over the lease term of land or 25 years

Mining structures located in the mining site are depreciated using the Unit-of-Production ("UOP") method to write-off cost of the assets proportionately to the extraction of the proven and probable mineral reserves.

Construction in progress represents mining structures, buildings and machinery in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount if any indication of impairment is identified.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net disposal proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(e) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

(f) Exploration and evaluation assets

All costs directly associated with exploration and evaluation are initially capitalised. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment loss. Exploration and evaluation assets are those expenditures for an area where technical feasibility and commercial viability has not been determined. Exploration and evaluation assets include acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, sampling and trenching and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. Exploration and evaluation assets are written off to profit or loss if the exploration property is abandoned.

Exploration and evaluation assets became demonstrable and reached the development phase were transferred to mining rights. Exploration and evaluation assets are assessed for impairment annually and before reclassification.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative and other expenses. The estimated useful lives are as follows:

Brand name	Indefinite
Forest use right	25 years
Network video platform	10 years

Mining rights with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is provided using the UOP method based on the actual volume mined over the estimated total proven and probable reserves of the ore mine within the terms of the mining license.

(i) Impairment

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see Note 4(o)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised in profit or loss immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Financial Instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. The Group's financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Financial Instruments *(CONTINUED)*

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments; granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate, where the effect of discounting is material. The carrying amount of financial asset is reduced through the use of a provision account. When any part of financial asset is determined as uncollectible, it is written off against the provision account for the relevant financial asset.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Financial Instruments *(CONTINUED)*

(iii) Financial liabilities (CONTINUED)

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(i) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Agricultural produce

Agricultural produce harvested from bearer plants is measured at its fair value less costs to sell at the point of harvest. Costs to sell include all costs that would be necessary to sell the agricultural produce. Growing agricultural produce on the bearer plants are accounted for as biological assets until point of harvest. Harvested agricultural produce is transferred to inventory at fair value less costs to sell at the time of harvest.

If an active market exists for agricultural produce with reference to comparable species, growing conditions and expected yield of the crops, the quoted price in that market is adopted for determining the fair value of the agricultural produce. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values or as determined by independent professional valuers.

(k) Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer. Revenue excludes value added tax or any others sales taxes and is after deduction of any trade discounts.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Dividend income is recognised when the right to receive the dividend is established.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

(l) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities and adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) Income taxes *(CONTINUED)*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(m) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Foreign currency *(CONTINUED)*

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the translation reserve.

(n) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(o) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- prepaid lease payments;
- exploration and evaluation assets
- other intangible assets; and
- investments in subsidiaries in the Company's statement of financial position

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(o) Impairment of assets (other than financial assets) *(CONTINUED)*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or CGU (see Note 4(c)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Provisions for land reclamation and cavity refill costs and environmental rehabilitation are based on estimates of required expenditure on the mines in accordance with the relevant rules and regulations in the PRC. The Group estimates its liabilities for land reclamation and cavity refill, and environmental rehabilitation based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work, escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. Provisions for land reclamation and refill cost, and environmental rehabilitation are recognised in profit or loss in the period when the obligation is identified.

(q) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(q) Related parties *(CONTINUED)*

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

(a) Critical judgments in applying accounting policies

(i) Impairment of available-for-sale investments

The Directors review available-for-sale investments at the end of each reporting period to assess whether they are impaired. The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Directors evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(ii) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated. The recoverable amount is the higher of its fair value less costs to sell and its value in use. In the absence of active market of the CGU, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation models. Assumptions and inputs used in valuation techniques vary and depend on the nature of business of the CGU. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and a suitable discount rate. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period. However, where market data are not available, management needs to make estimates on such unobservable market inputs based on assumptions. Changes in assumptions about these factors could affect the estimated fair value of the CGU. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

(ii) Impairment of trade and other receivables

The Group estimates the impairment of trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgments. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group re-assesses the impairment allowances at the end of each reporting period.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

(b) Key sources of estimation uncertainty *(CONTINUED)*

(iii) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether non-financial assets suffered any impairment in accordance with accounting policy stated in Note 4(o). The non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The determination of recoverable amount requires an estimation of future cash flows and the selection of appropriate discount rates. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

(iv) Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable amount. The assessment of the recoverable amount involves judgment as to (i) the likely future commercial viability of the asset and when such commercial viability should be determined; (ii) future revenues based on forecasted gold prices; (iii) future development costs and production expenses; (iv) the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable amount; and (v) potential value to future exploration and evaluation activities of any geological and geographical data acquired. Any material adverse changes of these factors may cause impairment of the carrying value of the exploration and evaluation assets.

(v) Fair value measurement

A number of assets and liabilities included in the Group's consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group's agricultural produce at the point of harvest (Note 21) and certain of the Group's available-for-sale investments (Note 22) are measured at fair value.

6. 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.

The Group has two (2016: one) reportable segments as described below, which are the Group's strategic business units. During the year ended 31 December 2017, the Group acquired the remaining 73% equity interests of One Champion International Limited ("One Champion"), which principally engages in the operation of exploration, mining, processing and sale of gold and related products. Considering the distinctive business attributes of the acquired operations, a new reportable segment, namely Gold mining operation, is presented to reflect the Group's recent business development. The following describes the operations in each of the Group's reportable segments:

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

(a) Segment revenue and results

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 available-for-sale investments and other corporate assets.

Segment liabilities include all liabilities with the exception of bank borrowings and other corporate liabilities.

Corresponding items of segment information for the year ended 31 December 2016, during which the group's senior executive management considered the Group had one reportable segment, have been restated for consistent presentation with current year's segment information.

6. SEGMENT REPORTING *(CONTINUED)*

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

For the year ended 31 December 2017

	Tea business *HK$'000*	Gold mining operation *HK$'000*	Total *HK$'000*
Revenue from external customers and reportable segment revenue	**91,688**	**295,787**	**387,475**
Reportable segment results	**(49,775)**	**(15,228)***	**(65,003)**
Other income			**8,309**
Other net gains and losses			**4,839**
Finance costs			**(4,580)**
Corporate expense			**(17,655)**
Group's loss before tax			**(74,090)**

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

For the year ended 31 December 2016 (restated)

	Tea business *HK$'000*	Gold mining operation *HK$'000*	Total *HK$'000*
Revenue from external customers and reportable segment revenue	112,372	N/A	112,372
Reportable segment results	(13,692)	N/A	(13,692)
Other income			13,363
Other net gains and losses			73
Finance costs			(4,560)
Corporate expense			(18,321)
Group's loss before tax			(23,137)

6. SEGMENT REPORTING *(CONTINUED)*

(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:

	2017	2016
	HK$'000	*HK$'000*
Customer A#	**N/A***	33,367
Customer B#	**43,695**	32,852
Customer C##	**288,455**	—

* Less than 10% of Group's revenue
\# Relating to tea business
\## Relating to gold mining operation

(c) Other segment information

For the year ended 31 December 2017

	Depreciation	**Amortisation**	**Additions to non-current assets**
	HK$'000	***HK$'000***	***HK$'000***
Tea business	**1,495**	**729**	**6,624**
Gold mining operation	**15,314**	**11,400**	**86,241**
Total	**16,809**	**12,129**	**92,865**

For the year ended 31 December 2016 (restated)

	Depreciation	Amortisation	Additions to non-current assets
	HK$'000	*HK$'000*	*HK$'000*
Tea business	723	739	12,384
Gold mining operation	N/A	N/A	N/A
Total	723	739	12,384

Depreciation of approximately HK$25,000 is included in corporate expense for the year ended 31 December 2017 (2016: approximately HK$35,000). No amortisation is included in corporate expense for the year ended 31 December 2017 (2016: HK$Nil).

6. SEGMENT REPORTING *(CONTINUED)*

(d) Segment assets

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Tea business	**217,554**	194,692
Gold mining operation	**2,443,679**	N/A
Reportable segments assets	**2,661,233**	194,692
Available-for-sale investments	**28,131**	153,594
Corporate assets	**22,737**	409,093
Consolidated total assets	**2,712,101**	757,379

(e) Segment liabilities

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Tea business	**120,534**	70,769
Gold mining operation	**752,904**	N/A
Reportable segments liabilities	**873,438**	70,769
Bank borrowings	**138,272**	75,357
Corporate liabilities	**4,281**	4,016
Consolidated total liabilities	**1,015,991**	150,142

7. REVENUE

	2017 HK$'000	2016 HK$'000
Sales of tea products	91,688	112,372
Sales of gold and related products	295,787	—
	387,475	112,372

8. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Interest on bank deposits	666	580
Interest from loans receivable *(Note 24)*	507	4,943
Interest from advances to suppliers *(Note 26(c))*	2,752	5,175
Government grants *(Note 30)*	3,035	2,126
Others	1,349	539
	8,309	13,363

9. OTHER NET GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Net foreign exchange gains/(losses)	1,330	(441)
Gain on changes in fair value less costs to sell for agricultural produces	510	509
Gain on disposal of available-for-sale investments	2,999	—
Gain on disposal of property, plant and equipment	—	5
	4,839	73

10. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on bank borrowings	4,580	4,560

11. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	2017	2016
	HK$'000	*HK$'000*
Directors' emoluments *(Note 13)*	**4,401**	4,039
Other staff's salaries, bonus and allowances	**29,519**	24,978
Other staff's contribution to retirement benefits schemes	**2,031**	2,010
Total staff costs	**35,951**	31,027
Impairment loss recognised in respect of goodwill	**52,202**	—
Impairment loss recognised in respect of trade and other receivables	**5,853**	1,201
Reversal of impairment loss recognised in respect of trade and other receivables	**(3,343)**	(614)
Amortisation of other intangible assets	**11,045**	298
Amortisation of prepaid lease payments	**1,084**	441
Auditor's remuneration		
— audit services	**2,004**	1,561
— non-audit services	**—**	353
Costs of inventories recognised as an expense	**296,544**	64,344
Written-off of inventories	**745**	2,299
Depreciation of property, plant and equipment	**16,834**	758
Minimum leases payments under operating lease in respect of office premises and tea plantation	**14,423**	14,297

12. 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 years ended 31 December 2017 and 2016.

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%.

During the year ended 31 December 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 for 2017 and was granted a reduced EIT rate of 15%.

12. INCOME TAX EXPENSE *(CONTINUED)*

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

	2017	2016
	HK$'000	*HK$'000*
Current tax — PRC Enterprise Income Tax	**8,749**	—
Deferred tax *(Note 31)*	**(3,665)**	—
	5,084	—

The income tax 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:

	2017	2016
	HK$'000	*HK$'000*
Loss before tax	**(74,090)**	(23,137)
Notional tax on loss before tax, calculated at 25% (2016: 25%)	**(18,523)**	(5,785)
Differential tax rates	**1,230**	1,133
Expenses not deductible for tax purposes	**14,650**	4,514
Revenue not taxable for tax purposes	**(3,404)**	(1,564)
Tax losses not recognised	**11,131**	1,702
Income tax expense	**5,084**	—

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

	2017	2016
	HK$'000	*HK$'000*
Fees	**662**	600
Other emoluments		
Salaries and other benefits	**3,168**	2,860
Performance related incentive payments *(Note (a))*	**483**	460
Contributions to retirement benefits schemes	**88**	119
	4,401	4,039

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(CONTINUED)*

Directors' and chief executives' emoluments are disclosed as follows:

Year ended 31 December 2017

	Fees	**Salaries and other benefits**	**Performance related incentive payments**	**Contributions to retirement benefits schemes**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Executive directors					
Wang Hui *(Note (b))*	**–**	**350**	**–**	**18**	**368**
Yeung Kwok Kuen	**–**	**1,200**	**200**	**70**	**1,470**
Fang Yi Quan	**–**	**720**	**120**	**–**	**840**
Shi Xing Zhi *(Note (c))*	**–**	**414**	**34**	**–**	**448**
Shi Sheng Li *(Note (d))*	**–**	**337**	**129**	**–**	**466**
Independent non-executive directors					
Chu Kang Nam	**180**	**30**	**–**	**–**	**210**
Chong Cha Hwa *(Note (e))*	**140**	**60**	**–**	**–**	**200**
Ngai Sai Chuen	**180**	**30**	**–**	**–**	**210**
Liang Xu Shu *(Note (f))*	**99**	**16**	**–**	**–**	**115**
Leung Ka Wo *(Note (g))*	**63**	**11**	**–**	**–**	**74**
	662	**3,168**	**483**	**88**	**4,401**

Year ended 31 December 2016

	Fees	Salaries and other benefits	Performance related incentive payments	Contributions to retirement benefits schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Wang Hui *(Note (b))*	–	840	140	49	1,029
Yeung Kwok Kuen	–	1,200	200	70	1,470
Fang Yi Quan	–	720	120	–	840
Independent non-executive directors					
Chu Kang Nam	180	30	–	–	210
Chong Cha Hwa *(Note (e))*	240	40	–	–	280
Ngai Sai Chuen	180	30	–	–	210
	600	2,860	460	119	4,039

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(CONTINUED)*

Notes:

(a) The performance related incentive payments are determined by reference to the financial performance of certain subsidiaries of the Group and the market environment during the year.

(b) Mr. Wang Hui resigned as the chief executive officer of the Company with effect from 1 June 2016 but remained as an executive director of the Company and retired as an executive director of the Company with effect from 31 May 2017. Mr. Wang has taken this decision due to his other business commitments.

(c) Mr. Shi Xing Zhi was appointed as the executive director of the Company with effect from 21 February 2017.

(d) Mr. Shi Sheng Li was appointed as the executive director of the Company with effect from 14 June 2017.

(e) Mr. Chong Cha Hwa resigned as independent non-executive director of the Company with effect from 31 July 2017.

(f) Mr. Liang Xu Shu was appointed as independent non-executive director of the Company with effect from 14 June 2017.

(g) Mr. Leung Ka Wo was appointed as independent non-executive director of the Company with effect from 25 August 2017.

The directors' and chief executives' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the two years ended 31 December 2017 and 2016.

Five highest paid employees

The five highest paid employees of the Group during the year included two directors (2016: three directors), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining three (2016: two) highest paid employees who are not a director of the Company are as follows:

	2017	2016
	HK$'000	*HK$'000*
Salaries and other benefits	**1,803**	1,149
Performance related incentive payments *(Note (a))*	**323**	192
Contributions to retirement benefits schemes	**71**	67
	2,197	1,408

Their remuneration was all within HK$Nil to HK$1,000,000.

During the two years ended 31 December 2017 and 31 December 2016, no emoluments were paid by the Group to the directors or employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

14. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (2016: HK$Nil).

15. LOSS PER SHARE

The calculation of basic earnings per share is based on the loss for the year attributable to owners of the Company of approximately HK$74,068,000 (2016: HK$21,130,000) and the weighted average number of ordinary shares of approximately 23,223,814,000 (2016: 16,914,972,000) in issue during the year.

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 2017 and 2016.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Bearer plants *HK$'000*	Construction in progress *HK$'000*	Mining structures *HK$'000*	Total *HK$'000*
COST								
At 1 January 2016	90,885	14,983	10,036	6,707	11,122	9,230	–	142,963
Exchange adjustment	(6,295)	(1,187)	(651)	(475)	(720)	(532)	–	(9,860)
Additions	588	4,926	351	925	–	6,065	–	12,855
Transfer	7,512	–	–	–	–	(7,512)	–	–
Disposals	–	(51)	(37)	–	–	–	–	(88)
At 31 December 2016 and 1 January 2017	92,690	18,671	9,699	7,157	10,402	7,251	–	145,870
Exchange adjustment	9,177	3,355	718	542	743	21,702	5,135	41,372
Additions	750	5,375	885	86	–	44,882	–	51,978
Transfer	10,590	16	–	–	–	(10,606)	–	–
Acquired through business combinations	23,112	32,057	71	533	–	368,709	103,697	528,179
Written-off	–	–	–	–	–	(49)	(9,765)	(9,814)
Disposals	–	–	(6)	(116)	–	–	–	(122)
At 31 December 2017	**136,319**	**59,474**	**11,367**	**8,202**	**11,145**	**431,889**	**99,067**	**757,463**
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2016	90,885	14,983	9,960	6,664	525	9,230	–	132,247
Exchange adjustment	(6,174)	(977)	(638)	(432)	(58)	(359)	–	(8,638)
Charge for the year	8	189	48	–	513	–	–	758
Transfer	5,347	–	–	–	–	(5,347)	–	–
Eliminated on disposals	–	(51)	(37)	–	–	–	–	(88)
At 31 December 2016 and 1 January 2017	90,066	14,144	9,333	6,232	980	3,524	–	124,279
Exchange adjustment	7,438	1,162	664	448	89	252	214	10,267
Charge for the year	5,185	4,632	154	178	506	–	6,179	16,834
Eliminated on disposals	–	–	(6)	(116)	–	–	–	(122)
At 31 December 2017	**102,689**	**19,938**	**10,145**	**6,742**	**1,575**	**3,776**	**6,393**	**151,258**
NET BOOK VALUE								
At 31 December 2017	**33,630**	**39,536**	**1,222**	**1,460**	**9,570**	**428,113**	**92,674**	**606,205**
At 31 December 2016	2,624	4,527	366	925	9,422	3,727	–	21,591

16. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The Group's bearer plants are located in Fujian Province, Wuyishan City, Wuyi Town, Chishi Village, Du Kou Dao Ban（福建省武夷山市武夷鎮赤石村渡口道班）. Bearer plants of the Group comprise tea trees in forests, of which the Forestry Right Certificates have been issued to the Group for the purpose of tea plantation ("Tea Forest") involved in the agricultural activities of the growing agricultural produce for sale or further processing.

The Group had pledged certain buildings with carrying values of HK$Nil (2016: HK$Nil) to secure the general banking facilities granted to the Group as details disclosed in Note 29 to the consolidated financial statements.

17. PREPAID LEASE PAYMENTS

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**14,321**	15,763
Exchange adjustments	**2,279**	(1,001)
Additions	**29,668**	—
Acquired through business combinations	**4,478**	—
Amortisation for the year	**(1,084)**	(441)
At 31 December	**49,662**	14,321
Analysed for reporting purposes as:		
— Current portion	**1,300**	421
— Non-current portion	**48,362**	13,900
	49,662	14,321

The Group has pledged certain prepaid lease payment with carrying value of HK$Nil (2016: HK$Nil) to secure general banking facilities granted to the Group as details disclosed in Note 29 to the consolidated financial statements.

18. EXPLORATION AND EVALUATION ASSETS

	2017
	HK$'000
COST	
At 1 January	—
Exchange adjustments	**38,263**
Additions	**11,220**
Acquired through business combinations	**903,389**
At 31 December	**952,872**
ACCUMULATED IMPAIRMENT	
At 1 January	—
Exchange adjustments	—
At 31 December	—
CARRYING AMOUNT	
At 31 December	**952,872**

19. GOODWILL

	2017	2016
	HK$'000	*HK$'000*
COST		
At 1 January	**511,381**	511,381
Acquired through business combinations	**604,382**	—
At 31 December	**1,115,763**	511,381
ACCUMULATED IMPAIRMENT		
At 1 January	**511,381**	511,381
Impairment loss recognised	**52,202**	—
At 31 December	**563,583**	511,381
CARRYING AMOUNT		
At 31 December	**552,180**	—

19. GOODWILL *(CONTINUED)*

Impairment testing

(a) The Group's goodwill and brand name relating to its tea business were grouped to the Group's CGU, tea business operated by King Gold Investments Limited and its subsidiaries (the "King Gold Group") for the purpose of impairment testing of intangible assets with indefinite useful life, together with the Group's forest use right.

The goodwill and brand name arose from the acquisition of the King Gold Group in 2009 while the forest use right, representing the right to use and operate of tea plantation in Fujian Province, Wuyishan City, Wuyi Town, Chishi Village, Du Kou Dao Ban（福建省武夷山市武夷鎮赤石村渡口道班）with useful life of 25 years, were acquired with the Group's bearer plants in 2011.

The Group's goodwill from its tea business had been fully impaired in prior years.

(b) In connection with the One Champion Acquisition, 3,507,750,000 consideration shares were transferred at the issue price of HK$0.08 each. The difference between (i) the grant date fair value of the consideration shares for the One Champion Acquisition as determined based on the closing price of HK$0.10 per share of the Company on the completion date and (ii) the issue price of HK$0.08 per consideration share pursuant to the sale and purchase agreement for the One Champion Acquisition, has resulted in an increase in the goodwill and share premium by the same amount of approximately HK$70,155,000.

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:

Post-tax discount rate	**15.25%**
Spot price of Gold	**USD1,191/Oz**
Exchange rate (RMB:US$)	**RMB6.6480: US$1**

(c) Goodwill arose from One Champion Acquisition, Perfect Major Acquisition and Pride Success Acquisition completed during the year respectively. For the purpose of annual impairment testing of goodwill, the carrying amounts of the CGUs are compared with their recoverable amounts. In accordance with the Group's accounting policy, recoverable amount is assessed as the higher of fair value less costs of disposal and value in use. The Group has adopted fair value less costs of disposal methodology, which is a level 3 fair value measurement, in its assessment, with the assistance provided by an independent valuer, Greater China Appraisal Limited ("GCA"), in which a discounted cash flow model for the processing plant is adopted and market approach for certain mineral reserves and resources is adopted. Income approach is not considered to be appropriate for certain mineral reserves and resources as it is not able to estimate the future economic benefits using reliable parameters and assumptions under the current operating stage of those mineral reserves and resources. Market approach has been consistently adopted for the valuation of the said mineral reserves and resources since their acquisitions by the Group.

19. GOODWILL *(CONTINUED)*

Impairment testing *(CONTINUED)*

(c) *(CONTINUED)*

In line with normal practice in the mining industry, the cash flow projections are based on long term mine plans covering the expected life of the operation. 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.

	31 December 2017
Post-tax discount rate	**15.73%**
Spot price of Gold	**USD1,308/Oz**
Exchange rate (RMB:US$)	**RMB6.5068: US$1**

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

20. OTHER INTANGIBLE ASSETS

	Brand name HK$'000 (Note (a))	Network video platform HK$'000 (Note (b))	Forest use right HK$'000 (Note (c))	Mining rights HK$'000 (Note (d))	Total HK$'000
COST					
At 1 January 2016	80,511	8,159	9,121	—	97,791
Exchange adjustments	—	(528)	(591)	—	(1,119)
At 31 December 2016 and 1 January 2017	80,511	7,631	8,530	—	96,672
Acquired through business combinations	—	—	—	125,644	125,644
Exchange adjustment	—	546	611	4,664	5,821
At 31 December 2017	**80,511**	**8,177**	**9,141**	**130,308**	**228,137**
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January 2016	80,511	8,159	2,968	—	91,638
Exchange adjustments	—	(528)	(205)	—	(733)
Charge for the year	—	—	298	—	298
At 31 December 2016 and 1 January 2017	80,511	7,631	3,061	—	91,203
Exchange adjustments	—	546	230	374	1,150
Charge for the year	—	—	294	10,751	11,045
At 31 December 2017	**80,511**	**8,177**	**3,585**	**11,125**	**103,398**
CARRYING AMOUNT					
At 31 December 2017	—	—	**5,556**	**119,183**	**124,739**
At 31 December 2016	—	—	5,469	—	5,469

20. OTHER INTANGIBLE ASSETS *(CONTINUED)*

Notes:

(a) Brand name (included in the CGU of tea business)

Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by the Directors, which supports that the brand name has no foreseeable limit to the period over which the products with the brand name are expected to generate net cash inflows for the Group.

As a result, the brand name is considered by the Directors as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually whenever there is an indication that it may be impaired. The brand name had been fully impaired in prior years. Particulars of the impairment testing are disclosed in Note 19(b) to the consolidated financial statements.

(b) Network video platform (operation has been discontinued in prior years)

The network video platform represented the design and application of the network video platform for providing online video services. The network video platform had been fully impaired in prior years.

(c) Forest use right (included in the CGU of tea business)

The forest use right entitles relates to the favorable aspect of the right to use and operate the tea plantation land, which in substance is an operating right. The fair value on acquisition was determined based on the valuation report prepared by an independent professional valuer, Greater China Appraisal Limited, using discount cash flows method at the date of acquisition in 2011 and the estimated present value of payments due under the agreement entered into by Wuyi Star Tea Industrial Co., Ltd. It will be tested for impairment annually whenever there is an indication that it may be impaired.

The Group has pledged the forest use right with carrying values of approximately HK$5,556,000 (2016: HK$5,469,000) to secure general banking facilities granted to the Group as details disclosed in Note 29 to the consolidated financial statements.

(d) Mining rights (included in the CGU of gold mining operation)

The mining licences and gold mining permit of the relevant gold mining projects have been granted to the Group, which allow the Group to mine up to a predetermined level of ore every year from the date of grant through the expiry of the mining licences.

21. AGRICULTURAL PRODUCE

As at year end, any tea leaves growing on tea trees were removed to provide rooms for growing to fresh leaves in spring, which would be the period for highest quality tea leaves to be grow.

The estimated quantity and fair value less costs to sell of agricultural produce, representing tea leaves before further processing into raw tea, harvested from tea trees was as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Estimated fair value less costs-to-sell	**510**	509
Estimated quantity (kg)	**21,076**	21,248

The change in fair value of agricultural produce less costs to sell recognised in the consolidated statement of profit or loss and other comprehensive income represents the difference between the estimated fair value less costs to sell and costs incurred for plantation of tea leaves.

22. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	2017 HK$'000	2016 HK$'000
Available-for-sale investments			
Equity securities listed in overseas stock exchange	(a)	**28,131**	13,194
Unlisted equity securities	23(a)	**—**	140,400
		28,131	153,594

Note:

(a) The available-for-sale investments represent investments in the following listed entities at the end of reporting period:

Name of investees	Place of incorporation	Carrying value HK$'000	Credited to investment revaluation reserve HK$'000	Reclassified to profit or loss upon disposal HK$'000	Equity interest attributable to the Group
Year ended 31 December 2017					
ScoZinc Mining Ltd.	Canada	**—**	**1,793**	**(2,999)**	**—**
Fortune Minerals Ltd.	Canada	**28,131**	**15,817**	**—**	**4.62%**
		28,131	**17,610**	**(2,999)**	
Year ended 31 December 2016					
ScoZinc Mining Ltd.	Canada	2,152	281	—	11.14%
Fortune Minerals Ltd.	Canada	11,042	9,803	—	5.65%
		13,194	10,084	—	

The listed available-for-sale investments represent investments in equity securities listed in Toronto Stock Exchange ("TSX") for both years. They are measured at fair value determined with reference to quoted market bid prices at the end of each reporting period.

During the year ended 31 December 2017, fair value gain of approximately HK$17,610,000 (2016: HK$10,084,000) is recognised in investment revaluation reserve under other comprehensive income, no impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income for the current year (2016: HK$Nil).

(b) Included in the available-for-sale investments are the following amounts denominated in a currency other than the functional currency of the Group:

	2017 CAD'000	2016 CAD'000
Currency		
Canadian dollars ("CAD")	**4,519**	2,288

23. ACQUISITIONS OF SUBSIDIARIES

(a) 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.

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 *(Note 22)*	(140,400)
Goodwill *(Note 19)*	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.

23. ACQUISITIONS OF SUBSIDIARIES *(CONTINUED)*

(a) One Champion Acquisition *(CONTINUED)*

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. Had the acquisition occurred on 1 January 2017, One Champion would have contributed revenue and loss before tax for the current year 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. 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 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

(b) 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.

23. ACQUISITIONS OF SUBSIDIARIES *(CONTINUED)*

(b) Perfect Major Acquisition *(CONTINUED)*

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 19)*	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$5,568,000 to the Group's revenue and loss before tax. Had the acquisition occurred on 1 January 2017, Perfect Major would have contributed revenue and loss before tax for the current year of HK$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. 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 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

23. ACQUISITIONS OF SUBSIDIARIES *(CONTINUED)*

(c) 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.

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 19)*	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.

23. ACQUISITIONS OF SUBSIDIARIES *(CONTINUED)*

(c) Pride Success Acquisition *(CONTINUED)*

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

24. LOANS RECEIVABLE

On 22 January 2016 and 13 April 2016, the Company granted loans of HK$100,000,000 and HK$99,000,000 respectively at interest rate of 3% per annum for a term of 24 months from the drawdown date to One Champion (the "First Loan" and the "Second Loan" respectively). Forever Success, one of the shareholders of One Champion, has executed share mortgage agreements in favour of the Company to pledge 20% and 23% respectively of the total issued share capital of One Champion held by Forever Success to the Company as securities in respect of the First Loan and the Second Loan respectively. The First Loan was drawn on 25 January 2016 and the Second Loan was drawn on 13 April 2016. Details of the First Loan and the Second Loan were disclosed in the announcements of the Company dated 22 January 2016 and 13 April 2016 respectively. The pledged assets for the First Loan and the Second Loan were subsequently released on 27 January 2017 in conjunction with the completion of the acquisition of the remaining 73% equity interest in One Champion.

25. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Raw materials	**21,823**	14,739
Work in progress	**42,877**	45,364
Finished goods	**21,425**	13,923
	86,125	74,026

During the year ended 31 December 2017, approximately HK$745,000 of the inventories has been written-down (2016: approximately HK$2,299,000).

26. TRADE AND OTHER RECEIVABLES

	Notes	2017 HK$'000	2016 HK$'000
Trade receivables	(a)	**21,365**	22,338
Less: allowances		**(11,728)**	(11,897)
		9,637	10,441
Other receivables	(b)	**15,984**	7,831
Less: allowances		**(6,320)**	(3,003)
		9,664	4,828
Deposits and prepayments		**80,246**	12,705
Advances to suppliers	(c)	**32,933**	32,000
		132,480	59,974

Notes:

(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:

	2017 HK$'000	2016 HK$'000
0 — 30 days	**7,137**	7,060
31 — 60 days	**997**	715
61 — 90 days	**190**	156
Over 90 days	**1,313**	2,510
	9,637	10,441

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 2017, approximately 6% (2016: 11%) of the trade receivables are neither past due nor impaired.

Trade receivables which are past due based on the invoice date but not impaired:

	2017 HK$'000	2016 HK$'000
Over 90 days	**1,313**	2,510

Included in the Group's trade receivables balance at 31 December 2017 are debtors with aggregate carrying amount of approximately HK$1,313,000 (2016: HK$2,510,000) 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.

26. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

(a) Trade receivables *(CONTINUED)*

Movement in the provision for impairment of doubtful debts for trade receivables:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**11,897**	12,051
Exchange adjustment	**815**	(810)
Reversal of impairment loss previously recognised	**(3,132)**	(370)
Impairment loss recognised	**2,148**	1,026
At 31 December	**11,728**	11,897

Included in the Group's allowance for of doubtful debts 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 the allowance for impairment of doubtful debts for other receivables:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**3,003**	3,280
Exchange adjustment	**(177)**	(208)
Reversal of impairment loss previously recognised	**(211)**	(244)
Impairment loss recognised	**3,705**	175
At 31 December	**6,320**	3,003

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$29,741,000 (equivalent to RMB24,860,000) (2016: HK$30,805,000 (equivalent to RMB27,593,000) represented the sourcing of teas from several suppliers in which the goods shall be delivered during the year ending 31 December 2018 (2016: during the year ending 31 December 2017). Prior to the delivery of teas to the Group, these suppliers will pay an interest at the rate of 11.152% (2016: 11.152%) per annum on the outstanding balances to the Group. During the year ended 31 December 2017, interest income from these suppliers of approximately HK$2,752,000 (equivalent to approximately RMB2,386,000) (2016: approximately HK$5,175,000 (equivalent to approximately RMB4,429,000) was recognised as other income in the consolidated statement of profit or loss and other comprehensive income (Note 8).

27. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates ranging from 0.01% to 0.35% per annum (2016: 0.01% to 0.35% per annum) at 31 December 2017.

Included in bank balances and cash are the following amounts which are subject to foreign exchange control regulations or not freely transferrable:

	2017	2016
	HK$'000	*HK$'000*
Amounts denominated in:		
RMB	**158,524**	21,640

28. TRADE AND OTHER PAYABLES

		2017	2016
	Notes	***HK$'000***	*HK$'000*
Trade payables	*(a)*	**40,582**	19,687
Other payables and accruals		**176,178**	36,813
Amounts due to related parties	*(b)*	**352,693**	—
		569,453	56,500
Analysed for reporting purposes as:			
— current portion		**216,760**	56,500
— non-current portion		**352,693**	—
		569,453	56,500

(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:

	2017	2016
	HK$'000	*HK$'000*
0 — 90 days	**21,400**	8,817
91 — 180 days	**17,579**	9,209
181 — 365 days	**159**	17
Over 1 year	**1,444**	1,644
	40,582	19,687

The average credit period on purchases of goods is 90 days (2016: 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.

29. BANK BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Secured bank borrowings repayable*:		
Within one year	**132,889**	41,307
More than one year but not more than two years	**5,383**	29,026
More than two years but not more than five years	**—**	5,024
	5,383	34,050
	138,272	75,357

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

The Group has pledged certain buildings, prepaid lease payments and forest use right with carrying values of approximately HK$Nil (2016: HK$Nil), HK$14,895,000 (2016: HK$14,321,000) and HK$5,556,000 (2016: HK$5,469,000), respectively to secure general banking facilities granted to the Group.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are fixed rates ranged from 4%-5.4625% (2016: fixed rate ranged from 5.0025%-5.4625%).

30. DEFERRED INCOME

Deferred income represents government grants received by the Group at the end of the reporting period in respect of acquisition of property, plant and equipment and prepaid lease payments. It can only be recognised in profit or loss when the relevant assets subsidised by the government commence operations, which is a condition set out by the government. Such government grants are recognised as deferred income initially and recognised in profit or loss as other income over the useful lives of the relevant assets.

Movements of government grants during the year are as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**2,356**	2,673
Exchange adjustment	**197**	(166)
Received during the year	**3,810**	1,975
Recognised in profit or loss	**(3,035)**	(2,126)
At 31 December	**3,328**	2,356

31. DEFERRED TAX LIABILITIES

The followings are the deferred tax liabilities recognised and movements thereon during current and prior years:

	Accelerated tax depreciation	Exploration and evaluation assets	Other intangible assets	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016, 31 December 2016 and 1 January 2017	—	—	—	—	—
Exchange adjustment	1,234	7,717	402	3	9,356
Acquired through business combinations	22,910	194,253	31,045	479	248,687
Credited to profit or loss *(Note 12)*	(2,468)	—	(1,187)	(10)	(3,665)
At 31 December 2017	**21,676**	**201,970**	**30,260**	**472**	**254,378**

At the end of the reporting period, the Group has unused tax losses of approximately HK$113,825,000 (2016: HK$69,850,000) available for offset against future profits. No deferred tax asset has been recognised in relation to such tax losses due to the unpredictability of future profit streams available in the relevant tax jurisdictions and entities. The tax losses arising from the PRC operations expire five years after the relevant accounting year end. The tax losses arising from other operations do not expire under current tax legislation in the relevant tax jurisdiction.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

32. PROVISION FOR RESTORATION AND ENVIRONMENT COSTS

	2017 *HK$'000*
At 1 January	—
Acquired through business combinations	**6,424**
Exchange adjustment	**430**
Additions to site reclamation	**1,706**
At 31 December	**8,560**

In accordance with relevant PRC rules and regulations, if any damage is caused to cultivated land, grassland or forest as a result of exploration or mining activities, a mining enterprise must restore the land to a state appropriate for use by reclamation, re-planting trees or grasses or such other measures, as appropriate, after the mining has been completed. The Group provides for the present obligation of the cost of the restoration.

The provision for restoration costs has been determined by the directors of the Company based on their best estimates for the restoration upon the closure of the mine sites taking consideration of the amount and timing of future cash flows that a third party may be required to perform the required work of restoration, including material cost and labor cost, escalated for inflation, and discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability to reflect the present value of the expenditures expected to be required to settle such obligation.

33. 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 2016		46,223,810	—	4,622,381
Capital Reorganisation	(a)	(46,223,810)	462,238,100	—
At 31 December 2016, 1 January 2017 and 31 December 2017		**—**	**462,238,100**	**4,622,381**
Issued and fully paid:				
At 1 January 2016		16,914,972	—	1,691,497
Capital Reorganisation	(a)	(16,914,972)	16,914,972	(1,522,347)
At 31 December 2016 and 1 January 2017		N/A	16,914,972	169,150
Issuance of shares for One Champion Acquisition	23(a)	N/A	3,507,750	35,077
Issuance of shares for Perfect Major Acquisition	23(b)	N/A	3,300,000	33,000
Issuance of shares for Pride Success Acquisition	23(c)	N/A	4,700,000	47,000
At 31 December 2017		**N/A**	**28,422,722**	**284,227**

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

Note:

(a) Pursuant to the special resolution of the Company's shareholders at its special general meeting on 18 February 2016, the capital reorganisation, involving the share premium cancellation, the capital reduction, the share subdivision and the accumulated losses offset (collectively referred to as the "Capital Reorganisation") were approved by the shareholders of the Company. Details of the Capital Reorganisation were set out in the Company's 2016 annual report, Company's announcement dated 8 January 2016 and Company's circular dated 22 January 2016.

34. RESERVES

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of changes in equity.

(a) Share premium

Share premium represented the amount subscribed for share capital in excess of nominal value.

(b) Statutory surplus reserve

According to the relevant rules and regulations in the People's Republic of China ("The PRC"), subsidiaries of the China Mining Resources Group Limited established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Statutory surplus reserve can be used to set-off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

(c) Contributed surplus

The contributed surplus represents the excess of capital reduction and share premium cancellation over the accumulated losses of the Company pursuant to the capital reorganisation on 29 February 2016 (Note 33(a)).

(d) Investment revaluation reserve

Investment revaluation reserve represented the gains or losses arising on recognising financial assets classified as available-for-sale at fair value.

(e) Translation reserve

Translation reserve represented the gains or losses arising on retranslating the net assets of foreign operations into presentation currency.

(f) Accumulated losses/Retained earnings

Accumulated losses/retained earnings represented the cumulative net gains and losses recognised in profit or loss.

35. NON-CONTROLLING INTERESTS

King Gold Investments Limited

King Gold Investments Limited, an 80% owned subsidiary of the Company, has material non-controlling interests (NCI). Summarised financial information in relation to the NCI of King Gold Investments Limited and its subsidiaries before intra-group eliminations is presented below:

	2017	2016
	HK$'000	*HK$'000*
For the year ended 31 December		
Revenue	**91,688**	112,372
Loss for the year	**(45,736)**	(9,860)
Total comprehensive income	**(43,032)**	(14,336)
Loss allocated to NCI	**(9,147)**	(1,972)
Dividends paid to NCI	**—**	—
Cash flows (used in)/from operating activities	**(7,509)**	10,575
Cash flows used in investing activities	**(2,624)**	(6,494)
Cash flows from/(used in) financing activities	**43,866**	(9,643)
Net cash inflows/(outflows)	**33,733**	(5,562)
As at 31 December		
Current assets	**274,777**	205,693
Non-current assets	**48,349**	40,860
Current liabilities	**(376,755)**	(229,455)
Non-current liabilities	**(8,711)**	(36,406)
Net deficits	**(62,340)**	(19,308)
Accumulated non-controlling interests	**(12,468)**	(3,862)

35. NON-CONTROLLING INTERESTS *(CONTINUED)*

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

Xiangshun, an 90% owned subsidiary of the Company, has NCI. Summarised financial information in relation to the NCI of Xiangshun before intra-group eliminations is presented below:

	2017 ***HK$'000***
For the year ended 31 December	
Revenue	**281,077**
Profit for the year	**42,984**
Total comprehensive income	**60,130**
Profit allocated to NCI	**8,597**
Dividends paid to NCI	**—**
Cash flows from operating activities	**48,127**
Cash flows used in investing activities	**(65,921)**
Cash flows from financing activities	**44,016**
Net cash inflows	**26,222**
As at 31 December	
Current assets	**256,722**
Non-current assets	**371,313**
Current liabilities	**(265,828)**
Non-current liabilities	**(30,938)**
Net equity	**331,269**
Accumulated non-controlling interests	**33,127**

35. NON-CONTROLLING INTERESTS *(CONTINUED)*

Shaanxi Tongxin Mining Co. Ltd. ("Tongxin Mining")

Tongxin Mining, an 90% owned subsidiary of the Company, has NCI. Summarised financial information in relation to the NCI of Tongxin Mining before intra-group eliminations is presented below:

	2017 ***HK$'000***
For the year ended 31 December	
Revenue	—
Loss for the year	**(3,331)**
Total comprehensive income	**11,567**
Loss allocated to NCI	**(333)**
Dividends paid to NCI	—
Cash flows from operating activities	**16,824**
Cash flows used in investing activities	**(17,267)**
Cash flows from financing activities	—
Net cash outflows	**(443)**
As at 31 December	
Current assets	**5,701**
Non-current assets	**541,360**
Current liabilities	**(164,421)**
Non-current liabilities	**(90,076)**
Net equity	**292,564**
Accumulated non-controlling interests	**29,256**

35. NON-CONTROLLING INTERESTS *(CONTINUED)*

Tongguan County De Xing Mining LLC ("De Xing")

De Xing, an 90% owned subsidiary of the Company, has NCI. Summarised financial information in relation to the NCI of De Xing before intra-group eliminations is presented below:

	2017 *HK$'000*
For the year ended 31 December	
Revenue	—
Loss for the year	**(982)**
Total comprehensive income	**6,898**
Loss allocated to NCI	**(98)**
Dividends paid to NCI	—
Cash flows from operating activities	**3,271**
Cash flows used in investing activities	**(3,115)**
Cash flows from financing activities	—
Net cash inflows	**156**
As at 31 December	
Current assets	**6,781**
Non-current assets	**743,525**
Current liabilities	**(212,722)**
Non-current liabilities	**(134,476)**
Net equity	**403,108**
Accumulated non-controlling interests	**40,311**

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes bank borrowings disclosed in Note 29 to the consolidated financial statements and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and risks associates with each class of capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of the existing debt.

37. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Bank borrowings *(note 29)* *HK$'000*
At 1 January 2017	75,357
Changes from cash flows:	
Proceeds from new bank loans	98,126
Repayment of bank loans	(42,672)
Total changes from financing cash flows	55,454
Exchange adjustments	7,461
At 31 December 2017	138,272

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2017	2016
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	**28,131**	153,594
Loans and receivables		
Deposit paid for acquisition of a subsidiary	**—**	80,000
Loan and Loans receivable	**—**	203,943
Trade and other receivables	**61,141**	49,736
Bank balances and cash	**179,707**	144,461
	240,848	478,140
	268,979	631,734
Financial liabilities		
Liabilities measured at amortised cost		
Trade and other payables	**529,056**	46,352
Bank borrowings	**138,272**	75,357
	667,328	121,709

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(CONTINUED)*

Some of the Group's financial assets are measured at fair value at the end of each 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 31 December 2017				
Available-for-sale investments				
Listed equity securities	**28,131**	**—**	**—**	**28,131**
At 31 December 2016				
Available-for-sale investments				
Listed equity securities	13,194	—	—	13,194

The listed equity securities of the Group were classified as available-for-sale investments in the 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.

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

The Directors consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair value.

39. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include available-for-sale investments, trade and other receivables, bank balances and cash, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes to the consolidated financial statements. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain trade and other receivables, bank balances, available-for-sale investments and other payables are denominated in foreign currencies, which expose the Company to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**23,717**	124,897	**2,661**	2,196
CAD	**28,133**	13,266	**—**	—

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in HK$ and CAD.

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates.

39. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Market risk *(CONTINUED)*

(i) Currency risk *(CONTINUED)*

A positive number below indicates an increase in post-tax loss where RMB strengthen 5% (2016: 5%) against the relevant currency. For a 5% (2016: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss.

Impact on	**HK$**		**CAD**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Increase in post-tax loss	**1,053**	6,135	**1,407**	663

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. The Group's cash flow interest rate risk relates primarily to variable rate interest bearing bank balances. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

The Group currently does not have an interest rate hedging policy. However, the Directors monitor interest rate exposure and will consider hedging significant interest rate risk should the need arise. The Directors considered the Group's exposure to interest rate risk is not material. Hence, no interest rate sensitively analysis is presented.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments issued by one entity (2016: two entities) listed in TSX for the year ended 31 December 2017. In addition, the Group will monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (2016: 10%) higher/lower, investment valuation reserve would increase/decrease by approximately HK$2,813,000 (2016: HK$1,319,000) as a result of the changes in fair value of available-for-sale investments.

39. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the Directors have reviewed the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers and spread across diverse industries. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2016: 100%) of the total trade receivables as at 31 December 2017.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

	Weighted average interest rate	Carrying amount	Total undiscounted cash flows	Repayable on demand or within 1 year	1-2 years	2-5 years
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2017						
Trade and other payables	**N/A**	**529,056**	**529,056**	**176,363**	**352,693**	**–**
Bank borrowings	**5.13**	**138,272**	**142,709**	**137,311**	**5,398**	**–**
		667,328	**671,765**	**313,674**	**358,091**	**–**
At 31 December 2016						
Trade and other payables	N/A	46,352	46,352	46,352	–	–
Bank borrowings	5.39	75,357	79,415	43,957	30,420	5,038
		121,709	125,767	90,309	30,420	5,038

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current assets		
Investments in subsidiaries	**83,200**	83,200
Property, plant and equipment	**34**	38
Loans receivable	—	203,943
	83,234	287,181
Current assets		
Amounts due from subsidiaries	**1,443,797**	130,408
Other receivables	**2,383**	1,995
Bank balances and cash	**9,693**	99,125
	1,455,873	231,528
Current liabilities		
Amount due to subsidiaries	**52,562**	47,607
Other payables	**2,189**	1,903
	54,751	49,510
Net current assets	**1,401,122**	182,018
Total assets less current liabilities and NET ASSETS	**1,484,356**	469,199
Capital and reserves		
Share capital	**284,227**	169,150
Reserves *(Note)*	**1,200,129**	300,049
TOTAL EQUITY	**1,484,356**	469,199

On behalf of the board of directors

Fang Yi Quan
Director

Yeung Kwok Kuen
Director

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(CONTINUED)*

Note:

Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
At 1 January 2016	3,548,588	–	35,509	(4,783,439)	(1,199,342)
Loss and total comprehensive income for the year	–	–	–	(22,956)	(22,956)
Capital reorganisation *(Note 33(a))*	(3,548,588)	287,496	–	4,783,439	1,522,347
At 31 December 2016 and 1 January 2017	–	287,496	35,509	(22,956)	300,049
Profit and total comprehensive income for the year	–	–	–	1,683	1,683
Issuance of shares for acquisition of subsidiaries *(Note 23)*	898,397	–	–	–	898,397
At 31 December 2017	**898,397**	**287,496**	**35,509**	**(21,273)**	**1,200,129**

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE GROUP

The following are the details of the Group's principal subsidiaries at 31 December 2017 that would affect the results for the reporting period or formed a substantial portion of the net assets of the Group. In the opinion of the directors, to give details of the other subsidiaries would result in excessive length.

Name	Place of incorporation/ establishment	Issued/registered and paid-up share capital	Attributable equity interests held by the Company		Principal activities and place of operation
			Directly	Indirectly	
New Legend International Group Limited	Hong Kong	Ordinary share of HK$1	100%	–	Provision of administrative support to group companies in Hong Kong
Will Win Group Limited	Hong Kong	Ordinary share of HK$1	100%	–	Investment holding in Hong Kong
Best Tone Holdings Limited	The British Virgin Islands ("BVI")	Ordinary share of US$1	100%	–	Investment holding in Hong Kong
King Gold Investments Limited	BVI	Ordinary share of US$100	80%	–	Investment holding in Hong Kong
Desire Star Hong Kong Limited	Hong Kong	Ordinary share of HK$100	–	80%	Investment holding in Hong Kong
Wuyi Star Tea Industrial Co., Ltd.（武夷星茶業有限公司） *(Note a)*	The PRC	Registered capital of RMB109,000,000	–	80%	Production and sales of tea products in the PRC
Fortune Sharp Limited	BVI	Ordinary share of US$1	–	80%	Trading of tea products in Hong Kong
Famous Class Limited	BVI	Ordinary share of US$50,000	100%	–	Investment holding in Hong Kong
Year Joy Investments Limited	BVI	Ordinary share of US$100	–	70%	Investment holding in Hong Kong
Top Delight Investments Limited	Hong Kong	Ordinary share of HK$1	–	70%	Investment holding in Hong Kong
China iTV Network Co., Ltd.（九州時代數碼科技有限公司） *(Note a)*	The PRC	Registered capital of RMB50,000,000	–	*Note (b)*	*Note (b)*
Combined Success Investment Limited	BVI	Ordinary share of of US$10	100%	–	Investment holding in Hong Kong
One Champion International Limited（一冠國際有限公司）	BVI	Ordinary share of US$ 50,000	–	100%	Investment holding in Hong Kong

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE GROUP *(CONTINUED)*

Name	Place of incorporation/ establishment	Issued/registered and paid-up share capital	Attributable equity interests held by the Company Directly	Attributable equity interests held by the Company Indirectly	Principal activities and place of operation
Champion Lucky Limited (福瑞有限公司)	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding in Hong Kong
Shaanxi Furui Rongcheng Mining Co., Ltd. (陝西福瑞永成礦業有限公司) *(Note a)*	The PRC	Registered capital of RMB33,643,100	–	100%	Production and sales of gold products in the PRC
Weinan Jindong Mining Co., Ltd. (渭南金東礦業有限公司) *(Note a)*	The PRC	Registered capital of RMB35,000,000	–	100%	Investment holding in Hong Kong
Tongguan County Xiangshun Mining Development Co., Ltd. (潼關縣祥順礦業發展有限公司) *(Note a)*	The PRC	Registered capital of RMB27,500,000	–	90%	Production and sales of gold products in the PRC
Perfect Major Holdings Limited (美晶控股有限公司)	BVI	Ordinary share of US$ 50,000	–	100%	Investment holding in Hong Kong
World Light Holdings Limited (光華集團有限公司)	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding in Hong Kong
Shaanxi Guang Hua Mei Jing Mining Industry Co., Ltd. (陝西光華美晶礦業有限公司) *(Note a)*	The PRC	Registered capital of RMB43,152,300	–	100%	Investment holding in Hong Kong
Luonan Jinhui Mining Co. Ltd. (洛南縣金輝礦業有限公司) *(Note a)*	The PRC	Registered capital of RMB5,000,000	–	100%	Production and sales of gold products in the PRC
Shaanxi Tongxin Mining Co. Ltd. (陝西潼鑫礦業有限公司) *(Note a)*	The PRC	Registered capital of RMB 50,000,000	–	90%	Production and sales of gold products in the PRC
Pride Success Investment Limited (榮成投資有限公司)	BVI	Ordinary share of US$ 50,000	–	100%	Investment holding in Hong Kong
Ocean Faith Limited (洋實有限公司)	Hong Kong	Ordinary share of HK$ 1	–	100%	Investment holding in Hong Kong
Shaanxi Xing Xiang Mining Technology Co., Ltd. (陝西星祥礦業科技有限公司) *(Note a)*	The PRC	Registered capital of RMB 2,493,600	–	100%	Investment holding in Hong Kong
Tongguan County De Xing Mining LLC (潼關縣德興礦業有限責任公司) *(Note a)*	The PRC	Registered capital of RMB7,000,000	–	90%	Production and sales of gold products in the PRC

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE GROUP *(CONTINUED)*

None of the subsidiaries had issued any debt securities at the end of the year.

Notes:

(a) These companies are limited liability companies established in the PRC. The English translation of the company names is for reference only.

(b) The Group holds 70% of controlling interest in this subsidiary through special arrangements. China iTV Network Co., Ltd. held a network video platform, representing the design and application of the network video platform for providing online video services. The network video platform has been fully impaired in prior years.

42. OPERATING LEASE COMMITMENTS

The Group leases office premises and tea plantation under operating leases. Each of the leases runs for initial periods of one to seven years (2016: 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:

	2017	2016
	HK$'000	*HK$'000*
Not later than one year	**11,827**	9,022
Later than one year but not later than five years	**14,733**	5,668
Later than five years	**188**	—
	26,748	14,690

43. CAPITAL COMMITMENTS

	2017	2016
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**284,664**	2,790

44. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying Hong Kong employees. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees.

The PRC employees of the Group are members of state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits.

The contributions paid/payable to the scheme by the Group at rates specified in the rules of the schemes are included in staff costs and disclosed in Notes 11 and 13 to the consolidated financial statements for employees and the Directors respectively.

45. SHARE OPTION SCHEME

2012 Option Scheme

The Company has a share option scheme which was adopted on 25 May 2012 (the "2012 Option Scheme") whereby the Directors might, at their discretion, invite directors and employees of the Company or its subsidiaries to subscribe for shares in the Company subject to terms and conditions stipulated therein. The options granted were vested immediately at the date of grant and were exercisable within a period of five years. Each option gave the holder the right to subscribe for one ordinary share in the Company. All unexpired share options granted under the 2012 Option Scheme had been cancelled during the year ended 31 December 2014.

No share options were granted during the year ended 31 December 2017 and 2016.

46. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The key management of the Group comprises all the Directors, details of their remuneration is determined by the Remuneration Committee having regard to the financial performance of the Group, performance of individuals and market trends. Details of their remuneration are disclosed in Note 13 to the consolidated financial statements.

47. MATERIAL INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in Note 46 to the consolidated financial statements, no contracts of significance to which the Company's subsidiary or joint venture was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

48. LITIGATION

As disclosed in the announcement of the Company dated 8 November 2011, the Company has received a writ of summons issued by the High Court of Hong Kong Special Administrative Region (the "High Court") on 8 November 2011 (the "Writ") pursuant to which Mr. Lin Min and Fujian Yuansheng Foods Industry Co. Ltd. ("Fujian Yuansheng") (named as the plaintiffs in the Writ) alleged that, amongst other things, the Company and 27 other co-defendants and/or certain PRC government officials had acted in conspiracy in obtaining ownership and control of certain assets of the plaintiffs and they were claiming for, amongst other things, damages from all 28 defendants jointly and severally in the total amount of RMB1,589,000,000. On 28 March 2017, the High Court has dismissed the claims against the Company.

49. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 28 February 2018.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)		
RESULTS					
Revenue	**387,475**	112,372	114,404	184,400	186,585
(Loss)/profit for the year attributable to:					
Owners of the Company	**(74,068)**	(21,130)	(75,663)	630,412	(311,048)
Non-controlling interests	**(5,106)**	(2,007)	(9,878)	(10,637)	(33,852)
	(79,174)	(23,137)	(85,541)	619,775	(344,900)

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)		
ASSETS AND LIABILITIES					
Total assets	**2,712,101**	757,379	799,443	498,117	741,600
Total liabilities	**(1,015,991)**	(150,142)	(174,667)	(225,808)	(733,580)
	1,696,110	607,237	624,776	272,309	8,020
Represented by:					
Equity attributable to owners of the Company	**1,605,928**	611,237	625,870	262,265	(148,884)
Non-controlling interests	**90,182**	(4,000)	(1,094)	10,044	156,904
	1,696,110	607,237	624,776	272,309	8,020