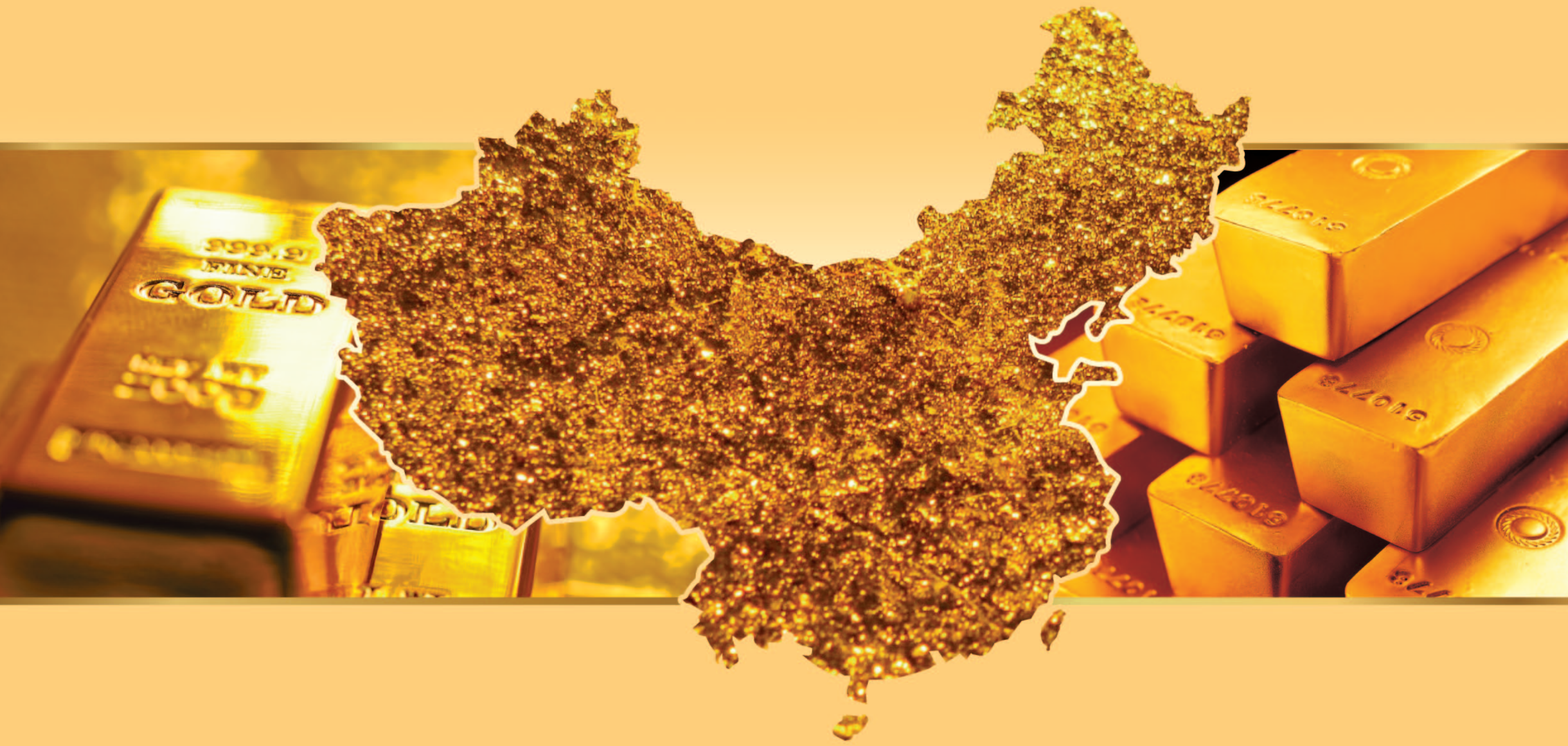
中國礦業資源集團有限公司*

China Mining Resources Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 340



Annual Report **2016**

* For identification purpose only

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Wang Hui
Fang Yi Quan
Yeung Kwok Kuen *(Chief Financial Officer)*
Shi Xing Zhi

Independent Non-executive Directors:

Chong Cha Hwa
Chu Kang Nam
Ngai Sai Chuen

COMPANY SECRETARY

Leung Lai Ming

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

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

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
Industrial and Commercial Bank of China Limited
Shanghai Pudong Development Bank

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 2016.

RESULTS

For the financial year ended 31 December 2016, the Group recorded a revenue of approximately HK$112,372,000 (2015: HK$114,404,000) and gross profit of HK$47,039,000 (2015 (restated): HK$40,743,000), representing a slight decrease of 2% in revenue and an increase of 15% in gross profit respectively as compared with that of last year. The decrease in revenue was mainly due to the decrease in revenue contribution from King Gold Investments Limited ("King Gold") and its subsidiaries (together with King Gold, "King Gold Group").

The loss attributable to owners of the Company amounted to approximately HK$21,130,000 (2015 (restated): HK$75,663,000). Such reduction in loss was mainly attributable to the one-off effect of the impairment losses on property, plant and equipment amounted to approximately HK$21,006,000 and prepaid lease payments amounted to approximately HK$8,333,000 recognised after the impairment assessment on the production and sale of tea products (the "tea business") during the year ended 31 December 2015.

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:

		Year ended 31 December	
	Note	**2016**	2015
Revenue *(HK$'000)*		**112,372**	114,404
Gross profit margin *(%)*	*(i)*	**42%**	36%
Trade receivables turnover (days)	*(ii)*	**75**	74
Net asset value per share *(HK cents)*	*(iii)*	**3.6**	3.7

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 increase in gross profit margin was mainly due to the improvement of product mix. Turnover days of trade receivables remained within normal credit period granted to the customers. The Group's net asset value per share of HK3.7 cents in 2015 and HK3.6 cents in 2016 was not materially changed. Detailed analysis of other KPI is set out in below section.

REVIEW OF OPERATIONS

King Gold Group

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$112,372,000 (2015: HK$114,404,000) and approximately HK$9,860,000 (2015 (restated): HK$48,864,000) to the Group's revenue and loss for the year ended 31 December 2016 respectively. This represented a slight decrease of 2% in revenue when compared with last year. The cost of sales of King Gold Group decreased from approximately HK$73,661,000 in 2015 to approximately HK$65,333,000 in 2016. The average gross profit margin was 42%, representing an increase of 6 percentage points as compared with an average gross profit margin of 36% last year.

The market in the PRC remained to be challenging for discretionary consumer products in 2016. The Group has committed its every effort to improve the product mix and distribution channels during the year in order to improve the operation of the tea business and the improvement is encouraging. The Group recorded an increase in gross profit. Overall the loss for the year from the operation of King Gold Group has significantly reduced in 2016.

Investment in One Champion International Limited

One Champion International Limited ("One Champion") and its subsidiaries (together with One Champion, "One Champion Group") are 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 and the PRC company holds (i) the mining licenses and the exploration license in respect of a gold mine located in Tongguan County, Shaanxi Province in the PRC (the "Gold Mine") and (ii) owns and operates an ore-processing plant.

As at 31 December 2016, the Group held 27% equity interest in One Champion and the carrying value of the investment in One Champion, as included in available-for-sale investments, was HK$140,400,000 (31 December 2015: HK$140,400,000).

On 27 January 2017, the Group completed the acquisition of remaining 73% equity interest in One Champion for a total consideration of HK$360,620,000. 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.

Information of the mineral resources of the gold for the Gold Mine as at 31 December 2016 are as below:

	As at 31 December 2016		As at 31 December 2015	
	Quantity (tonnes)	**Average grade (grams/tonne)**	Quantity (tonnes)	Average grade (grams/tonne)
Indicated mineral resources	**810,900**	**7.0**	622,400	5.3
Inferred mineral resources	**587,600**	**6.2**	150,000	7.0

REVIEW OF OPERATIONS *(CONTINUED)*

Investment in One Champion International Limited *(CONTINUED)*

Subsequent to the completion of the major transaction in regard to the acquisition of the remaining 73% equity interest in One Champion on 27 January 2017, the Company would disclose further information of the Gold Mine as required by the chapter 18 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in 2017 interim report and annual report of the Company.

Investments in Canada listed mining companies and other securities

The Group has invested in several Canada listed mining companies which were held for the purpose of long-term investments and capital gain and dividend income. The investment portfolio of the Group, included in available-for-sale investments, recorded an appreciation during the year ended 31 December 2016 mainly from the appreciation of market price. The net increase in fair value of the investment portfolio during the year 2016 was approximately HK$10,084,000 (2015: net decrease of HK$13,649,000). As at 31 December 2016, the carrying value of the investment portfolio was HK$13,194,000 (31 December 2015: HK$3,551,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2016, the Group had total assets and net assets amounted to approximately HK$757,379,000 (2015 (restated): HK$799,443,000) and approximately HK$607,237,000 (2015 (restated): HK$624,776,000), respectively. The current ratio was 2.45, as compared to 4.54 as of last year end date.

As at 31 December 2016, the Group had bank balances and cash of approximately HK$144,461,000 (2015: HK$447,570,000), and most of which were denominated in Renminbi and Hong Kong dollars. The decrease were mainly due to the loans of HK$199,000,000 made to One Champion and the cash consideration of HK$80,000,000 paid for the acquisition of remaining 73% equity interest in One Champion during the year.

At the end of the reporting period, the Group had bank borrowings of approximately HK$75,357,000 (2015: HK$85,767,000) 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. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 12.3% (2015 (restated): 13.7%).

As at 31 December 2016, the Group has pledged certain buildings, certain prepaid lease payments and a forest use right with carrying values of HK$Nil (2015: HK$Nil), approximately HK$14,321,000 (2015: HK$15,763,000) and approximately HK$5,469,000 (2015: HK$6,153,000) respectively to secure general banking facilities granted to the Group.

FUND RAISING ACTIVITY

During the year ended 31 December 2016, the Company utilised portion of the proceeds from the placing of new ordinary shares of the Company completed on 31 December 2015. The net proceeds from the placing were approximately HK$396,000,000 and have been utilised as intended that (i) approximately HK$199,000,000 was used for funding to One Champion Group for further development of the Gold Mine owned by One Champion Group (including but not limited to the carrying out of further exploration and expansion of the capacity of the ore-processing plant) and the details had been disclosed in heading of "Review on Provision of Financial Assistance and Advances to an Entity" as below; (ii) approximately HK$80,000,000 was used as cash consideration for the acquisition of the remaining 73% equity interest in One Champion which completed on 27 January 2017; and (iii) approximately HK$3,000,000 was used for the payment of legal and professional fee of the acquisition of the remaining 73% equity interest in One Champion. The Company intended to use the unutilised proceeds, which were deposited into interest-bearing accounts with licensed banks in Hong Kong, as originally intended.

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 19 February 2016, the Company completed the capital reorganisation ("Capital Reorganisation") as described in the circular of the Company dated 25 January 2016. The Capital Reorganisation involved the following:

(1) the entire amount standing to the credit of the share premium account of the Company was cancelled and the credit arising from such cancellation was transferred to the contributed surplus account, the amount standing to the credit of the contributed surplus account was applied to set off the accumulated losses of the Company; and

(2) the Company's issued share capital was reduced by cancelling the paid-up capital to the extent of HK$0.09 on each of the issued shares (the "Capital Reduction"), every authorised but unissued share (including those arising from the Capital Reduction) was subdivided into 10 new shares with a par value of HK$0.01 each and every authorised but unissued preference share was subdivided into 10 new preference shares with a par value of HK$0.01 each.

Details of the Capital Reorganisation had been disclosed in the Company's announcements dated 8 January 2016 and 18 February 2016 and the Company's circular dated 25 January 2016.

As at 31 December 2016, the Company had 16,914,972,211 ordinary shares in issue with total shareholders' fund of the Group amounting to approximately HK$169,150,000.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2016, the Group has entered into agreements in regard to the acquisition of the remaining 73% equity interest in One Champion which was subsequently completed on 27 January 2017.

Saved as disclosed above, there were no other material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2016.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no contingent liability (2015: Nil).

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.

As announced by the Company on 8 November 2011 and 26 March 2010, the Company has not obtained any interests in Fujian Yuansheng and is seeking legal advice in response to the Writ, in the opinion of the directors, the possible of an outflow of resources embodying economic benefit is remote.

On 22 March 2017, it is adjudged by the High Court that the claims of the plaintiffs in the Writ against the Company are dismissed.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had approximately 9 and 369 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$31,027,000 for the year ended 31 December 2016 (2015: HK$21,079,000). There was no share-based payment for the year ended 31 December 2016 (2015: HK$Nil).

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

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

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

REVIEW ON PROVISION OF FINANCIAL ASSISTANCE AND ADVANCES TO AN ENTITY

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"). Forever Success Investments Limited ("Forever Success") had 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 connection with the First Loan and the Second Loan. 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. The First Loan and the Second Loan remain outstanding as at 31 December 2016. 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.

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.

PRINCIPAL RISKS AND UNCERTAINTIES *(CONTINUED)*

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 2016 and the policies on how to mitigate these risks are set out in Note 37 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 2016, there has been no claim that the Group has breached any law or regulation, or indeed has exceeded its authority.

KEY RELATIONSHIP WITH CUSTOMERS AND FRANCHISEES

The Group understands that it is important to maintain good relationship with its customers and franchisees 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 2016, there was no material and significant dispute between the Group and its franchisees and/or customers.

EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the following event took place:

On 27 January 2017, the Company has completed the acquisition of the remaining 73% equity interests in One Champion. Details of the transaction have been disclosed in the Company's circular dated 31 October 2016 and announcement dated 27 January 2017.

PROSPECTS

Tea business

The poor spending sentiment casts a shadow over the consumer market in the PRC over the past years and undoubtedly presents to the Group a challenging and competitive environment where all market players are struggling in stimulating consumer spending.

The Group continues to cautiously dedicate its effort to the development of the Chinese tea culture. The management of the Group believes the continuous 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 year of 2016 also marked the 15th anniversary of the brand "Wuyi Star" and the Group had launched various innovative anniversary products. The Group will continue to fine-tune the product mix, to optimize our distribution network and extend its coverage to broaden our customer base. Our dedicated hard work is proven into narrowed loss in the past year and we will strive for a sustainable improvement in the near term.

Mining and other businesses

Leveraging on the Group's expertise and experience in the natural resources industry, the Company had further acquired the remaining equity interest in the One Champion Group and the transaction completed in January 2017. The Group believes that further investing into One Champion Group will enhance the financial conditions of the Group. The Group also believes that the future revenue contribution of the One Champion Group would enable the Group to broaden its revenue base and increase its shareholder value.

The primary strategic objective of the Group is to maximize shareholder value over the long term. In such regard, the Group will continue to explore new investment opportunities with strong business potential, particularly on those in the mining sector. The Group will also regularly review its different business streams strategically so as to ensure resources are allocated to maximize the sustainable shareholder value. Different business options will be evaluated to keep up the Group with the ever-changing business environment.

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, 29 March 2017

EXECUTIVE DIRECTORS

WANG Hui

Mr. Wang Hui ("Mr. Wang"), aged 57, was appointed as an executive director of the Company on 5 July 2007 and was subsequently appointed as the chief executive officer of the Company on 29 January 2015 and resigned as the chief executive officer of the Company on 1 June 2016.

Mr. Wang graduated from Harbin Normal University in 1984 and is a senior economist. Mr. Wang has been the chief adviser of Harbin Songjiang Copper (Group) Company Limited ("Harbin Songjiang") since April 2002. Mr. Wang's main responsibilities include assisting Harbin Songjiang in assessing and procuring exploration and mining projects, evaluating scale of mining operations and improving corporate governance of the then state-owned enterprise. In November 2005, Mr. Wang extended his responsibilities in Harbin Songjiang to formulation and execution of Harbin Songjiang's overall business strategies and policies and spearheading the growth of Harbin Songjiang's business. Mr. Wang was a director of Harbin Songjiang for the period from June 2008 to October 2014. Harbin Songjiang was previously a subsidiary of the Company and was disposed of in October 2014.

FANG Yi Quan

Mr. Fang Yi Quan ("Mr. Fang"), aged 67, 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 43, 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. Mr. Yeung resigned as an executive director of the Company on 1 March 2014. 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 61, was appointed as an executive director of the Company on 21 February 2017.

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., a company which became a subsidiary of the Company since 27 January 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHONG Cha Hwa

Mr. Chong Cha Hwa ("Mr. Chong"), aged 50, was appointed as an independent non-executive director of the Company on 23 November 2011.

Mr. Chong is a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. Mr. Chong has obtained a degree of bachelor of management with honours from the University of Science, Malaysia. Mr. Chong has gained more than 20 years of experience in the accounting and finance area servicing private and publicly listed companies in Hong Kong and the Southern Asia region. He is a non-executive director of China Shanshui Cement Group Limited (Stock Code: 691), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and also held the position of executive director of China Shanshui Cement Group Limited during the period from 1 December 2015 to 1 February 2016. During the period from 2 January 2014 to 14 November 2014, Mr. Chong was an executive director of Sing Pao Media Enterprises Limited (Stock Code: 8010), a company listed on The Growth Enterprise Market of the Stock Exchange and also held the position as the chairman and chief executive officer of Sing Pao Media Enterprises Limited during the period from 7 April 2014 to 28 October 2014. Sing Pao Media Enterprises Limited was delisted since 18 August 2015. During the period from 26 February 2014 to 30 October 2014, Mr. Chong was an executive director of Ding He Mining Holdings Limited (Formerly known as CVM Minerals Limited) (Stock Code: 705), a company listed on the Main Board of the Stock Exchange. During the period from 10 May 2012 to 27 October 2014, Mr. Chong was an independent non-executive director of Boshiwa International Holding Limited (Stock Code: 1698), a company listed on the Main Board of the Stock Exchange. During the period from 3 December 2007 to 28 February 2013, Mr. Chong was an independent non-executive director of Rui Kang Pharmaceutical Group Investments Limited (Formerly known as Longlife Group Holdings Limited) (Stock Code: 8037), a company listed on The Growth Enterprise Market of the Stock Exchange. During the period from 1 July 2012 to 13 November 2012, Mr. Chong was an executive director of China e-Wallet Payment Group Limited (Formerly known as RCG Holdings Limited) (Stock Code: 802), a company listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(CONTINUED)*

CHU Kang Nam

Mr. Chu Kang Nam ("Mr. Chu"), aged 60, 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.

NGAI Sai Chuen

Mr. Ngai Sai Chuen ("Mr. Ngai"), aged 66, 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 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 and acts as consultant of Space (Fujian) Information Technology Development 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.

SENIOR MANAGEMENT

LEUNG Lai Ming

Ms. Leung Lai Ming ("Ms. Leung"), aged 40, is the company secretary and the 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 18 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 2016, 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 2016, 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 2016.

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 27 May 2016 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.

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 2016, 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
Fang Yi Quan
Yeung Kwok Kuen, *Chief Financial Officer*
Shi Xing Zhi *(appointed on 21 February 2017)*

Independent Non-executive Directors:

Chong Cha Hwa
Chu Kang Nam
Ngai Sai Chuen

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.

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 2016, 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.

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 OF DIRECTORS *(CONTINUED)*

Board Meetings and General Meetings

During the year, a total of thirteen 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	13/13
Fang Yi Quan	13/13
Yeung Kwok Kuen	13/13
Chong Cha Hwa	13/13
Chu Kang Nam	13/13
Ngai Sai Chuen	13/13

During the year, a total of four general meetings of the Company were held and the attendance records are as follows:

Name of Directors	Number of General Meetings Attended/Held
Wang Hui	4/4
Fang Yi Quan	4/4
Yeung Kwok Kuen	4/4
Chong Cha Hwa	4/4
Chu Kang Nam	4/4
Ngai Sai Chuen	4/4

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*
Chu Kang Nam, *Independent Non-executive Director*
Ngai Sai Chuen, *Independent Non-executive Director*
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 four 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 2016 is set out below:

Name of Members	Number of Remuneration Committee Meetings Attended/Held
Chong Cha Hwa	4/4
Chu Kang Nam	4/4
Ngai Sai Chuen	4/4
Fang Yi Quan	4/4

Details of the emoluments of the directors of the Company for the year ended 31 December 2016 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 2016 fell within the following bands:

Emoluments bands	Number of individuals
HK$0 — HK$1,000,000	5
HK$1,000,001 — HK$2,000,000	2

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*
Chu Kang Nam, *Independent Non-executive Director*
Ngai Sai Chuen, *Independent Non-executive Director*

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 four 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 and approve the nomination and appointment of the member of the Board committee and recommend to the Board for approval.

Individual attendance of each member of the Nomination Committee during the year ended 31 December 2016 is set out below:

Name of Members	**Number of Nomination Committee Meetings Attended/Held**
Chong Cha Hwa	4/4
Chu Kang Nam	4/4
Ngai Sai Chuen	4/4

NOMINATION COMMITTEE *(CONTINUED)*

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;

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*
Chu Kang Nam, *Independent Non-executive Director*
Ngai Sai Chuen, *Independent Non-executive Director*

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 judgements contained in them;

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;

AUDIT COMMITTEE *(CONTINUED)*

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.

The Audit Committee met six 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 2016 is set out below:

Name of Members	**Number of Audit Committee Meetings Attended/Held**
Chong Cha Hwa	6/6
Chu Kang Nam	6/6
Ngai Sai Chuen	6/6

The financial statements for the year ended 31 December 2016 have been reviewed by the Audit Committee.

AUDITOR'S REMUNERATION

During the year ended 31 December 2016, the Group engaged BDO Limited ("BDO"), auditors of the Company and Asian Alliance (HK) CPA Limited ("Asian Alliance") (Formerly known as ZHONGLEI (HK) CPA Company Limited) to perform audit services and non-audit services. The fees were as follows:

Nature of services	Name of auditors	Amount *HK$'000*
Audit services in relation to annual results	BDO	950
Audit services in relation to acquisition transaction	Asian Alliance	547
Review of interim results	Asian Alliance	353
Others	Asian Alliance	64
		1,914

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 2016.

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.

SHAREHOLDERS' RIGHTS *(CONTINUED)*

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 2016.

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 2016, 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.

RISK MANAGEMENT AND INTERNAL CONTROLS *(CONTINUED)*

The Company does not have internal audit department and the chief executive officer and the company secretary of the Company are responsible to perform the internal audit function during the year ended 31 December 2016 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 2016 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; judgements 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, 29 March 2017

The directors of the Company submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 December 2016.

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 39 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 2016 and the Group's affairs as at that date are set out in the consolidated financial statements on pages 43 to 99.

The directors of the Company do not recommend the payment of a dividend in respect of the year ended 31 December 2016.

RESERVES

Movement in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 46 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution to shareholders, comprising contributed surplus and retained earnings, amounted to approximately HK$264,540,000 (2015: HK$Nil).

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 2016 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
Fang Yi Quan
Yeung Kwok Kuen *(Chief Financial Officer)*
Shi Xing Zhi *(appointed on 21 February 2017)*

Independent Non-executive Directors

Chong Cha Hwa
Chu Kang Nam
Ngai Sai Chuen

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 Xing Zhi who was appointed as director 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 Xing Zhi, being eligible, has offered himself for re-election as director 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. Wang Hui and Mr. Yeung Kwok Kuen will retire by rotation at the forthcoming annual general meeting of the Company. Mr. Yeung Kwok Kuen, being eligible, has offered himself for re-election. Mr. Wang Hui has indicated that he will not offer himself for re-election due to his other business commitments.

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 2016, 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 2016, 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	19.51%
Zhang Wen	Interest in controlled corporation	Ordinary	910,000,000 *(Note 2)*	5.38%
Ma Dongsheng	Interest in controlled corporation	Ordinary	1,655,250,000 *(Note 3)*	9.79%
Lin Yuhua	Interest in controlled corporation	Ordinary	1,852,500,000 *(Note 4)*	10.95%

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2016, which was 16,914,972,211.

2. These ordinary shares are held by Purple Luck Limited which is 100% beneficially owned by Ms. Zhang Wen.

3. These ordinary shares are held by Forever Success Investments Limited which is 100% beneficially owned by Mr. Ma Dongsheng. Pursuant to a sale and purchase agreement dated 4 August 2016 and a supplemental agreement dated 26 October 2016 entered into between Combined Success Investments Limited, a wholly-owned subsidiary of the Company, Forever Success Investments Limited, Supreme Success Group Limited, Mr. Ma Dongsheng and Ms. Lin Yuhua, in relation to the acquisition of 73% of the total issued share capital of One Champion International Limited (the "Agreement"), the Company would issue 1,655,250,000 ordinary shares of the Company to Forever Success Investments Limited. 1,655,250,000 ordinary shares were allotted and issued to Forever Success Investments Limited on 27 January 2017.

4. These ordinary shares are held by Supreme Success Group Limited which is 100% beneficially owned by Ms. Lin Yuhua. Pursuant to the Agreement, the Company would issue 1,852,500,000 ordinary shares of the Company to Supreme Success Group Limited. 1,852,500,000 ordinary shares were allotted and issued to Supreme Success Group Limited on 27 January 2017.

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 43 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 29 March 2017, 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 1,691,497,221 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 2016, 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 2016, there is no option granted by the Company under the New Share Option Scheme that remains outstanding as at 31 December 2016.

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 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 2016.

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 2016. 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 44 to the financial statements for the year ended 31 December 2016 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	30%	
Five largest customers in aggregate	67%	
The largest supplier		9%
Five largest suppliers in aggregate		31%

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 2016 are set out in note 28 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 100 of this annual report.

RETIREMENT SCHEMES

Details of the retirement benefit schemes operated by the Group are set out in note 42 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

The consolidated financial statements of the Company for the year ended 31 December 2016 have been audited by BDO Limited ("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 (Formerly known as ZHONGLEI (HK) CPA Company 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, 29 March 2017

This Environmental, Social and Governance Report (the "ESG Report") is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in the Appendix 27 of the Listing Rules (the "ESG Reporting Guide") and the Company has complied with the "comply or explain" provisions set out in the ESG Reporting Guide for the year ended 31 December 2016.

The ESG Report described the Group's environmental, social and governance management approach, strategy, priorities and objectives. The ESG Report focused on certain aspects of the head office of the Company and its subsidiaries (collectively, the "Group") in Hong Kong and tea business operation in the PRC for the year ended 31 December 2016. The Group is not aware of any material non-compliance with applicable standards, rules and regulations relating to the aspects discussed in the ESG report for the year ended 31 December 2016.

The Group is mainly engaged in investment holding and tea business. The tea business is mainly operated by Wuyi Star Tea Industrial Co., Ltd.（武夷星茶業有限公司）("Wuyi Star"), a subsidiary in the PRC. Wuyi Star is principally engaged in cultivation, research, production and sale of Chinese tea products, and its products are 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. The production site of the tea products is located in Wuyishan.

Wuyi Star has been first awarded ISO 9001 (GB/T19001-2000) — Quality Management, ISO 14001 (GB/T24001-2004) — Environmental Management, OHSAS 18001 (GB/T28001-2011) — Occupational Health and Safety Management and GB/T 27341-2009 and GB14881-1994 — HACCP (Hazard Analysis and Critical Control Points) certifications since 2005, 2012, 2012 and 2005 respectively. The existing awarded ISO 14001: 2004 and OHSAS 18001:2007 certifications issued from the China Quality Certification Centre, which are valid for 3 years until December 2018. The existing awarded ISO 9001: 2008, GB/T 27341-2009 and GB14881-2013 — HACCP certifications issued from the China Quality Certification Centre, which are valid for 3 years until December 2019.

Wuyi Star has established a set of "Quality, Food Safety and Environmental Safety Comprehensive Management Handbook", "Quality, Food Safety and Environmental Safety Management Procedural Document" and "Quality, Food Safety and Environmental Safety HACCP Document", which cover many different aspects including but not limited to environmental aspects, social aspects – employment and labour practices, operating practices, and production of safety food, etc.

ENVIRONMENTAL

As a part of its social responsibility, the Group is committed to environmental-friendly development through rational resource utilization and practices of environmental protection, seeking to contribute to the improvement of ecological environment and sustainable development.

1. Emission

Emissions from the tea products' production process mainly include gas, noise and solid waste. Wuyi Star has established relevant control procedures in "Quality, Food Safety and Environmental Safety Management Procedural Document" which state clearly the procedures of the management of the emission of wastewater, gas, noise and solid waste.

In order to maintain a green production environment, it is the Group's obligation to monitor the waste emissions and to appoint metrological accredited environmental assessment department to provide inspection on a regular basis.

During the year ended 31 December 2016, Wuyi Star engaged an independent accredited environmental assessment organization (third-party inspectors) to carry out a detection of wastewater, gas and noise, and all detections met the relevant standards and requirements. i.e. "Integrated wastewater discharge standard" — GB8978-1996, "Integrated emission standard of air pollutants" — GB16297-1996, "Emission standard of air pollutants for coal-burning oil-burning gas-fired boiler" — GB13271-2001 and "Emission standard for industrial enterprises noise at boundary" — GB12348-2008.

ENVIRONMENTAL *(CONTINUED)*

1. Emission *(CONTINUED)*

The Group strictly complied with the above said relevant standards, rules and regulations throughout the year ended 31 December 2016.

2. Use of Resources

"Quality, Food Safety and Environmental Safety Management Procedural Document" has been established by Wuyi Star to control the use of energy and resources in the production and business operation activities, and to improve the energy and resource utilization to achieve economic benefits, and to minimize pollution. This policy is applicable for the management on resources such as water, electricity and energy usage.

Major areas of control of energy and resources including:

1) Water Resources Control

   A. The Group educates the employee to save water and avoid wastage.

2) Electricity Control

   A. Lights and electronic appliances in living area or workplace must be turned off when not in use.

   B. Every member of staff and management must turn off the power for each department's computers, photocopy machines, printers and facsimile machines when they are off duty or on leave.

   C. To ensure no unnecessary use of resources at production lines.

3) Office Consumables Consumption Management

   A. Other than formal documents materials that require the use of papers, each department is advised to handle documents electronically. When the use of paper is required, each paper is recommended to be printed double-sided.

   B. No printing and photocopying of materials unrelated to work.

The major resources that used in productions, in storage, in buildings, electronic equipment, etc is electricity.

The major packaging materials used for finished goods of tea products are paper, aluminum bags, plastic bags, aluminum boxes, iron boxes, etc.

ENVIRONMENTAL *(CONTINUED)*

2. Use of Resources *(CONTINUED)*

The Group is also in light of the "Green" production concept, achieving the purpose of energy conservation, consumption reduction and pollution reduction. Wuyi Star already used water-film dust removal device to reduce emissions arise from production. Wuyi Star seeks to improve production process and upgrade its technical expertise during the course of production and an array of measures, including carry on progressively installing energy-saving LED lighting in part of the production area and using solar lightning in outdoor area during the year ended 31 December 2016.

3. The Environment and Natural Resources

Wuyi Star has established "Environmental Factors, Hazards Identified and Evaluation Procedures" of "Quality, Food Safety and Environmental Safety Management Procedural Document" that provide an effective way to identify, evaluate the scope and the methods that the company can control, and expect to exert environmental impacts and the hazard factors, and to determine, update major environmental factors and major risk factors in order to implement the necessary control measures. The relevant employees of each department identify environmental factors through methods such as site inspection, site observation, cross reference to law and regulations. Applicable area included the activities of tea research and development, processing and marketing services that have implication on the environment and occupational safety.

Wuyi Star's tea plants are different from the traditional tea plants which have only tea trees. There are Taxus（紅豆杉）, Podocarpus Macrophyllus（羅漢松）, Osmanthus Fragrans trees（桂花樹）and other kind of landscape green trees planted on both sides of the road and between the lines of tea plants/trees of portion of Wuyi Star's tea plants, which improving the tea plants' ecological environment and ensure harmonious co-existence between planting trees and tea trees. Wuyi Star also introduced advanced sprinkler watering system in portion of tea plants, while reducing the production costs, water conservation, in response to the sustainable development strategy.

SOCIAL

I. Employment and Labour Practices

1. Employment

The Group established and implemented their respective "*Staff handbook*" which contains the policies relating to human resources, covering areas such as compensation and dismissal, recruitment and promotion, working hours, rest periods, diversity and other benefits and welfare. Basically, the rules in the handbook is set in accordance with all relevant laws and regulations that applied in Hong Kong or in PRC. The Group strictly complied with the above said relevant standards, rules and regulations throughout the year ended 31 December 2016.

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.

As at 31 December 2016, the Group had a total of 9 and 369 employees in Hong Kong and Mainland China respectively. All of them are worked full-time on either a permanent or a fixed term basis.

SOCIAL *(CONTINUED)*

I. Employment and Labour Practices *(CONTINUED)*

1. *Employment* *(CONTINUED)*

As at 31 December 2016, total workforce in HK office and PRC subsidiary by age group are as below:

By Age Group	HK office	PRC subsidiary	Total
Aged below 31	1	183	184
Aged 31-50	5	149	154
Aged over 50	3	37	40
Total	9	369	378

During the year ended 31 December 2016, employee turnover rate in HK office and PRC subsidiary by age group are as below:

Number of employees resigned – By Age Group	HK office	PRC subsidiary	Total
Aged below 31	0	23	23
Aged 31-50	0	12	12
Aged over 50	0	2	2
Total	0	37	37
Turnover rate	0%	10.3%	10.1%

Note: Employee turnover rate = Number of employees resigned (net)/((Total headcount at the beginning of the year + Total headcount at the end of the year)/2)

SOCIAL *(CONTINUED)*

I. Employment and Labour Practices *(CONTINUED)*

2. Health and Safety

It is the Group's policy to carry out production in accordance with the principle of "Safety First", and supervisors at each level in the Group must adhere to the principle of "Production Management Must Encompass Management of Safety", production must take into account the needs for safety, in order to achieve safe and scientific production.

Wuyi Star has established a series of policies according to the ISO 14000 and ISO 18000 for safe working environment and protecting employees from occupational hazards, which lists out a series of occupational health and safety measures that have to be adopted such as providing a safe working environment and protecting employees from occupational hazards by provision of staff trainings and proper operation of equipments, etc.

The Group implemented the above said relevant procedures, rules and regulations and no incident of serious work injury occurred throughout the year ended 31 December 2016.

The Group endeavors to provide pleasant and comfortable working environment for employees. During the year ended 31 December 2016, Wuyi Star carried on arranged physical examination for all first-line production employees, and no occupational disease was found. Employees in Hong Kong office are provided of physical examination under the Company's medical scheme.

3. Development and Training

The Group draws up training plans in accordance with the Group's training needs. Each department is responsible for determining its training needs for staff in its department and designing a unique training plan, which shall be submitted to the management for approval. The Group ensures that members of staff who are under the comprehensive management system can fulfill the relevant requirements in terms of education, training, technical and work experience.

Training activities provided to staff include:

— New employees orientation;

— Technical training for existing employees of different level or internally transferred employees;

— Technical and professional skill enhancement training; and

— Enrolment in externally organized classes in relation to legal and other professional knowledge, management knowledge and important position professional training.

During the year ended 31 December 2016, the percentage of employees trained by employee category are as below:

Category	Number of employees attended training	Percentage of employees trained
Senior management	15	94%
Middle-level management	17	100%
General staff	342	99%
Total	374	99%

SOCIAL *(CONTINUED)*

I. Employment and Labour Practices *(CONTINUED)*

4. *Labour Standards*

Employment of staff by the Group must comply with the relevant labour rules and regulations that are applicable in Hong Kong, PRC or relevant national area. Preventing child or forced labour is one of these rules. The Group strictly complied with the above said principle, relevant rules and regulations throughout the year ended 31 December 2016.

The Group regularly reviews the overall employment practices to avoid child or forced labour and other potential irregularities. Staff is required to fill in a "Staff Information Sheet" upon joining the Group. Should the staff provide false identity or false personal particulars, the said staff would be considered to have committed serious breach of the Group's rules and regulations, his/her employment would be terminated immediately.

II. Operating Practices

1. *Supply Chain Management*

The Group is mainly engaged in tea business and investment holding. The raw materials of the tea products, being tea leaves, mainly from the fresh tea leaves picking from the Group's owned tea plants and purchased the tea leaves from the suppliers located in Wuyishan according to the production plan.

Based on the nature of the businesses of the Group, the significant suppliers are the suppliers of the raw materials and the packaging materials of tea products. For the year ended 31 December 2016, the Group sourced its raw materials and packaging materials from more than 30 suppliers and mainly located in the PRC.

Supply chain management is one of the key links in the Group's quality control system. With a focus on product quality risk management, the Group keeps a close eye on quality and safety crisis signals of its tea products. Attaching great importance to product compliance, the Group organizes self-inspections and rectifications in a timely manner to ensure product quality.

The Group's relationships with its suppliers are stable and the Group did not experience any major difficulty in obtaining adequate supplies of raw materials and packing materials to meet its production requirements in the past. Since the raw materials and packing materials sourced are common and can be easily purchased from the market, it is believed that even if any of the suppliers fail to meet the Group's demand, there are sufficient alternative suppliers to supply the principal raw materials and packing materials to allow the Group to find suitable substitutes if necessary.

According to the "Purchasing Control Procedures" of "Quality, Food Safety and Environmental Safety Management Procedural Document" established by Wuyi Star, suppliers are chosen based on the supplier's continuous ability to guarantee satisfactory product quantity and quality, reasonable price, timely delivery and good services. When selecting suppliers, the Group requires potential suppliers to provide relevant quality certifications, arrange for site visits, request for samples of materials to be supplied to ensure that the materials meet the required specifications.

SOCIAL *(CONTINUED)*

II. Operating Practices *(CONTINUED)*

2. *Product responsibility*

Product Safety/Quality assurance

The Group is committed to ensuring product safety.

Wuyi Star passed HACCP international food safety certification, GAP certification from the Ministry of Agriculture, strict compliance with ISO 9001 management practices, develop the product quality and safety and health management system which can be traced back, established the quality policy of "From tea plant to a cup of tea, full quality tracking, high standards strict management, everyone concerned quality" to ensure the stability of the product's excellent quality and health safety.

Wuyi Star has formulated a complete set of quality inspection management standards covering raw materials, auxiliary ingredients, packaging materials and finished products, which detail the requirements on various objects, methods and coverage of tests.

For the year ended 31 December 2016, no product sold or shipped was subject to recall for safety and health reasons.

Wuyi Star carried out advertisement promotion of its tea products in accordance with and strictly complied with the applicable laws and regulations such as Advertising Law of the People's Republic of China and safeguarded the brand names image of "武夷" and "武夷星". Wuyi Star has also protected its intellectual property rights and arranged trademark registration in the PRC of its existing trademark. In addition, Wuyi Star has actively and progressively applying for different types of patent application such as "appearance patent", "utility model patent", "invention patent" of its products and technologies.

Consumer Services

Wuyi Star has established standard procedures and preventive measures which are strictly implemented for handling tea products' enquires and complaints. Wuyi Star has established customer services hotline, on-line services and several branch offices within the PRC for handling the customers' enquiries and complaints.

3. *Anti-corruption*

In the Group's staff handbook, one of the most important rules that require all members of our staff to observe is that they must maintain honesty, refuse corruption, refuse to accept kickbacks, and they must not misappropriate the Group's funds and properties, must not abuse power for own interests.

There was no any concluded legal cases regarding corrupt practices brought against the Group or its employees during the year ended 31 December 2016.

III. Community

Community Investment

The Group actively undertakes the responsibility for poverty relief and development of philanthropy to help disadvantaged groups in society. The Group also encourages employees to actively participate in volunteer activities and social services as advocated, aiming to promote the public welfare culture and spirit incorporating interaction, cares and understanding.

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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 43 to 99, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016, 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 judgement, 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.

Investment in a 27% owned investee company

Refer to note (5)(a)(i) and note 21(b) to the consolidated financial statements and accounting policies on note (4)(h)(i).

As at 31 December 2016, the Group has an investment in an investee company, namely One Champion International Limited ("One Champion"), in which the Group held 27% of its equity interest. The directors consider that the Group has neither control nor significant influence over One Champion and its subsidiaries (collectively the "One Champion Group") as they have not actively participated in the operation and policy-making process of the One Champion Group. Therefore, the investment is accounted for as available-for-sale investment. The determination that the Group has neither control nor significant influence over the One Champion Group is a key audit matter due to the judgement involved and the potential financial impact is significant to the presentation of the consolidated financial statements.

How our audit addressed the key audit matter:

Our audit procedures in relation to assessment of appropriateness of the accounting treatment for the One Champion Group included:

- reviewed the relevant terms in the shareholders agreement and memorandum and articles of association of the investee company; and

- discussed with management of the Group concerning the accounting treatment for the One Champion Group as available-for-sale investment in the consolidated financial statements.

Recoverability of advances to suppliers

Refer to note (5)(b)(ii) and note 25 to the consolidated financial statements and accounting policies on note (4)(h)(ii).

As at 31 December 2016, the Group's advances to suppliers amounted to approximately HK$32,000,000. The recoverability and the valuation of the impairment of the Group's advances to suppliers is a key audit matter due to the judgement 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.

OTHER INFORMATION IN THE ANNUAL REPORT

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 judgement 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 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 financial statements, including the disclosures, and whether the 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, 29 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
Revenue	7	**112,372**	114,404
Cost of sales		**(65,333)**	(73,661)
Gross profit		**47,039**	40,743
Other income	8	**13,363**	8,996
Other gains and losses	9	**73**	(5,977)
Selling and distribution expenses		**(36,321)**	(37,866)
Administrative expenses		**(42,731)**	(41,155)
Finance costs	10	**(4,560)**	(7,805)
Impairment loss recognised in respect of available-for-sale investments	21	**–**	(8,130)
Impairment loss recognised in respect of property, plant and equipment	16	**–**	(21,006)
Impairment loss recognised in respect of prepaid lease payments	17	**–**	(8,333)
Impairment loss recognised in respect of other intangible assets	19	**–**	(5,008)
Loss before tax		**(23,137)**	(85,541)
Income tax expense	12	**–**	–
Loss for the year	11	**(23,137)**	(85,541)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(4,486)**	(6,092)
Fair value changes in available-for-sale investments	21	**10,084**	(5,519)
Other comprehensive income for the year, net of income tax		**5,598**	(11,611)
Total comprehensive income for the year		**(17,539)**	(97,152)
Loss for the year attributable to:			
Owners of the Company		**(21,130)**	(75,663)
Non-controlling interests		**(2,007)**	(9,878)
		(23,137)	(85,541)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(14,633)**	(86,014)
Non-controlling interests		**(2,906)**	(11,138)
		(17,539)	(97,152)
Loss per share			
Basic and diluted	15	**HK (0.12) cents**	HK (0.62) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	Notes	**As at 31 December 2016 HK$'000**	As at 31 December 2015 HK$'000 (Restated)	As at 1 January 2015 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	*16*	**21,591**	10,716	31,317
Prepaid lease payments — non-current portion	*17*	**13,900**	15,313	25,945
Goodwill	*18*	**—**	—	—
Other intangible assets	*19*	**5,469**	6,153	11,484
Available-for-sale investments	*21*	**153,594**	143,951	20,537
Deposit paid for acquisition of a subsidiary	*22*	**80,000**	—	—
Loans receivable	*23*	**203,943**	—	—
		478,497	176,133	89,283
Current assets				
Inventories	*24*	**74,026**	96,278	106,789
Trade and other receivables	*25*	**59,974**	79,012	87,527
Prepaid lease payments	*17*	**421**	450	348
Bank balances and cash	*26*	**144,461**	447,570	214,170
		278,882	623,310	408,834
Current liabilities				
Trade and other payables	*27*	**56,500**	70,226	63,440
Income tax payable		**15,929**	16,001	16,065
Bank borrowings	*28*	**41,307**	51,150	90,770
		113,736	137,377	170,275
Net current assets		**165,146**	485,933	238,559
Total assets less current liabilities		**643,643**	662,066	327,842

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	Notes	**As at 31 December 2016 HK$'000**	As at 31 December 2015 HK$'000 (Restated)	As at 1 January 2015 HK$'000 (Restated)
Non-current liabilities				
Bank borrowings	28	**34,050**	34,617	—
Deferred income	29	**2,356**	2,673	1,914
Non-redeemable convertible preference shares		**—**	—	53,619
		36,406	37,290	55,533
Net assets		**607,237**	624,776	272,309
Capital and reserves				
Share capital	31	**169,150**	1,691,497	913,878
Share premium and reserves		**442,087**	(1,065,627)	(651,613)
Equity attributable to owners of the Company		**611,237**	625,870	262,265
Non-controlling interests		**(4,000)**	(1,094)	10,044
Total equity		**607,237**	624,776	272,309

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 2016

	Attributable to owners of the Company										
	Share capital HK$'000 *(Note 31)*	Share premium HK$'000 *(Note 32(a))*	Non-redeemable convertible preference shares HK$'000 *(Note 31(a))*	Statutory surplus reserve HK$'000 *(Note 32(b))*	Contributed surplus HK$'000 *(Note 32(c))*	Investment revaluation reserve HK$'000 *(Note 32(d))*	Translation reserve HK$'000 *(Note 32(e))*	(Accumulated losses)/ retained earnings HK$'000 *(Note 32(f))*	Total HK$'000	Non-controlling interests HK$'000 *(Note 33)*	Total HK$'000
At 1 January 2015 (restated)	913,878	3,192,267	684,321	10,067	–	6,444	53,757	(4,598,469)	262,265	10,044	272,309
Loss for the year (restated)	–	–	–	–	–	–	–	(75,663)	(75,663)	(9,878)	(85,541)
Exchange differences arising on translation of financial statements of foreign operations (restated)	–	–	–	–	–	–	(4,832)	–	(4,832)	(1,260)	(6,092)
Fair value changes in available-for-sale investments	–	–	–	–	–	(5,519)	–	–	(5,519)	–	(5,519)
Other comprehensive income for the year (restated)	–	–	–	–	–	(5,519)	(4,832)	–	(10,351)	(1,260)	(11,611)
Total comprehensive income for the year (restated)	–	–	–	–	–	(5,519)	(4,832)	(75,663)	(86,014)	(11,138)	(97,152)
Issuance of shares upon conversion of convertible preference shares *(Note 31(a))*	377,619	360,321	(684,321)	–	–	–	–	–	53,619	–	53,619
Issuance of new shares *(Note 31(b))*	400,000	–	–	–	–	–	–	–	400,000	–	400,000
Placing expenses in relation to the issuance of shares	–	(4,000)	–	–	–	–	–	–	(4,000)	–	(4,000)
At 31 December 2015 and 1 January 2016 (restated)	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 reorganization *(Note 31(c))*	**(1,522,347)**	**(3,548,588)**	–	–	**287,496**	–	–	**4,783,439**	–	–	–
At 31 December 2016	**169,150**	–	–	**10,067**	**287,496**	**11,009**	**45,338**	**88,177**	**611,237**	**(4,000)**	**607,237**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 HK$'000	2015 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(23,137)**	(85,541)
Adjustments for:		
Interest income	**(10,698)**	(6,905)
Interest expenses	**4,560**	7,805
Depreciation of property, plant and equipment	**758**	5,108
Amortisation of prepaid lease payments	**441**	970
Amortisation of other intangible assets	**298**	317
Gain on changes in fair value less costs-to-sell for agricultural produces	**(509)**	(508)
(Gain)/loss on disposal of property, plant and equipment	**(5)**	25
Impairment loss recognised in respect of available-for-sale investments	**—**	8,130
Government grants recognised	**(2,126)**	(1,957)
Impairment loss recognised in respect of trade and other receivables	**1,201**	5,215
Impairment loss recognised in respect of other intangible assets	**—**	5,008
Impairment loss recognised in respect of property, plant and equipment	**—**	21,006
Impairment loss recognised in respect of prepaid lease payments	**—**	8,333
Written-down of inventories	**2,299**	227
Written-off of property, plant and equipment	**—**	6
Reversal of impairment loss recognised in respect of trade and other receivables	**(614)**	(2,850)
Operating loss before working capital changes	**(27,532)**	(35,611)
Decrease in inventories	**14,975**	10,792
Decrease in trade and other receivables	**15,002**	6,150
(Decrease)/increase in trade and other payables	**(9,751)**	6,786
Cash used in operations	**(7,306)**	(11,883)
Income tax expenses paid	**—**	—
NET CASH USED IN OPERATING ACTIVITIES	**(7,306)**	(11,883)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 HK$'000	2015 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchase of property, plant and equipment	**(12,855)**	(7,423)
Payments for purchase of other intangible assets	—	(371)
Proceeds from disposal of property, plant and equipment	**5**	60
Payment for purchase of available-for-sale investments	—	(140,400)
Deposit paid for acquisition of a subsidiary	**(80,000)**	—
Increase in loans receivable	**(199,000)**	—
Interest received	**4,891**	6,905
Government grants received	**1,975**	2,853
NET CASH USED IN INVESTING ACTIVITIES	**(284,984)**	(138,376)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	**(50,655)**	(89,482)
New bank borrowings raised	**45,572**	89,295
Net proceeds from issuance of shares	—	396,000
Interest paid	**(4,560)**	(7,805)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	**(9,643)**	388,008
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(301,933)**	237,749
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**447,570**	214,170
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(1,176)**	(4,349)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**144,461**	447,570

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 and the Group is principally engaged in the production and sale of tea products. The Group's production and sale of tea products 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 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

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

Amendments to HKAS 16 and HKAS 41 — Agriculture: Bearer Plants

The Group has applied the amendments to HKAS 16 and HKAS 41 "Agriculture: Bearer Plants" for the first time in the current reporting period. The amendments to HKAS 16 "Property, Plant and Equipment" and HKAS 41 "Agriculture" define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

In prior periods, the bearer plants, including the produce growing on the bearer plants, are measured at fair value less costs-to-sell at initial recognition and at the end of each reporting period, with any change therein recognised in profit or loss in accordance with HKAS 41. Following the adoption of the Amendments to HKAS 16 and HKAS 41 "Agriculture: Bearer Plants", the Group's tea plantation, which meets the definition of bearer plants, is measured using cost model set out in HKAS 16 and stated at cost less accumulated depreciation and accumulated impairment losses, if any. The produce growing on the bearer plants continues to be accounted for in accordance with HKAS 41. This change in accounting policy has been applied retrospectively.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2016 *(CONTINUED)*

Summary of the effect of the above changes in accounting policy

The effect of the changes in the Group's accounting policy described above on the results for the preceding reporting period by line items presented in the consolidated statement of profit or loss and other comprehensive income is as follows:

Impacts on total comprehensive income for the preceding reporting period:

	2015 *HK$'000*
Decrease in loss on changes in fair value less costs-to-sell for bearer plants included in other gains and losses	1,072
Increase in gain on changes in fair value less costs-to-sell for agricultural produces included in other gains and losses	508
Increase in depreciation of property, plant and equipment included in cost of sales	(546)
Net decrease in loss for the year	1,034
Decrease in exchange difference arising on translation of financial statements of foreign of operations	(40)
Net increase in total comprehensive income	994

Increase in loss and total comprehensive income for the preceding reporting period attributable to:

	2015 *HK$'000*
Owners of the Company	795
Non-controlling interests	199
	994

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2016 *(CONTINUED)*

Summary of the effect of the above changes in accounting policy *(CONTINUED)*

The effect of the changes in the Group's accounting policy described above on the consolidated financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31 December 2015, are as follows:

	As at 31 December 2015 *HK$'000* (Originally stated)	Adjustments *HK$'000*	As at 31 December 2015 *HK$'000* (Restated)
Non-current assets:			
Property, plant and equipment	119	10,597	10,716
Biological assets	9,603	(9,603)	—
	9,722	994	10,716
Capital and reserves:			
Accumulated losses	(4,674,959)	827	(4,674,132)
Translation reserve	48,957	(32)	48,925
Non-controlling interests	(1,293)	199	(1,094)
	(4,627,295)	994	(4,626,301)

The effect of the changes in the Group's accounting policy described above on the financial positions of the Group as at the beginning of the comparative period, i.e. 1 January 2015, are as follows:

	As at 1 January 2015 *HK$'000* (Originally stated)	Adjustments *HK$'000*	As at 1 January 2015 *HK$'000* (Restated)
Property, plant and equipment	19,572	11,745	31,317
Biological assets	11,745	(11,745)	—
	31,317	—	31,317

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2016 *(CONTINUED)*

Summary of the effect of the above changes in accounting policy *(CONTINUED)*

Impact on basic and diluted loss per share

	2015 *HK cents*
Basic and diluted (loss) per share before adjustments	(0.63)
Adjustments arising from change in accounting policy in relation to	
— Amendments to HKAS 16 and HKAS 41 "Agriculture: Bearer Plants"	0.01
Restated basic and diluted (loss) per share	(0.62)

(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.

Amendments to HKAS 7	Statement of Cash Flows[1]
Amendments to HKAS 12	Income Taxes[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 7 – Statement of Cash Flows

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

Amendments to HKAS 12 – Income Taxes

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

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 valur 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.

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.

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.

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

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

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.

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.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

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 Company and its subsidiaries (hereinafter collectively referred to as the "Group") is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of investors as the Company's shares are listed on the Hong Kong 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.

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 interest's 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(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 re-assessed 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.

(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 in profit or loss as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

A bearer plant is a living plant that:

- is used in the production or supply of agricultural produce;
- is expected to bear produce for more than one period; and
- has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by the management.

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 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

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalized during the periods of construction and installation. Capitalization 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) Payments for leasehold land held for own use under operating 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) 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 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 useful lives as follows. 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 expenses. The useful lives are as follows:

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

(g) Impairment of intangible assets (other than goodwill)

Intangible assets with finite 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Financial Instruments *(CONTINUED)*

(ii) Impairment loss on financial assets *(CONTINUED)*

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.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and bank borrowings issued by the Group 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Financial Instruments *(CONTINUED)*

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(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 grant is recognised at their 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 the 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 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(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. Hong Kong dollars) 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 (and 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(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 as an expense 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;
- 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(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.

(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.

(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 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, 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.

(a) Critical judgements in applying accounting policies

(i) Power to exercise significant influence

Where the Group holds more than 20% (but not more than 50%) of voting rights in an investment and the Group does not have significant influence, such an investment is treated as available-for-sale investment. More information is disclosed in Note 21(b).

(ii) 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 judgement. In making this judgement, 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.

(iii) 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, judgement 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.

(iv) 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.

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

(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 value in use of the CGUs to which goodwill has been allocated. 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 judgements. 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.

(iii) Fair value measurement

A number of assets and liabilities included in the Group's 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 20) and certain of the Group's available-for-sale investments (Note 21) are measured at fair value.

6. SEGMENT REPORTING

Information reported 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.

The Group has only one reportable segment, production and sale of tea products, for the years ended 31 December 2016 and 2015. Since this is the only reportable and operating segment of the Group, no further analysis thereof is presented. All the revenue of the Group is generated from production and sale of tea products for the years ended 31 December 2016 and 2015.

Geographical information

The Group's operations are mainly located in the PRC, the country of domicile, and Hong Kong. Information about the Group's revenue from continuing operation from external customers is presented based on the geographical location of customers. Information about the Group's non-current assets (excluding financial instruments) is presented based on the geographical location of the assets.

For the year ended 31 December 2016

	The PRC ***HK$'000***	**Hong Kong** ***HK$'000***	**Others** ***HK$'000***	**Total** ***HK$'000***
Revenue from external customers	**111,808**	**—**	**564**	**112,372**
Non-current assets excluding financial instruments	**40,859**	**101**	**—**	**40,960**

For the year ended 31 December 2015

	The PRC *HK$'000*	Hong Kong *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from external customers	114,233	—	171	114,404
Non-current assets excluding financial instruments (restated)	32,063	119	—	32,182

6. SEGMENT REPORTING *(CONTINUED)*

Information about major customers

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

	2016	2015
	HK$'000	*HK$'000*
Customer A	**33,367**	39,329
Customer B	**32,852**	N/A*

* Less than 10% of Group's revenue

7. REVENUE

Revenue represents turnover arising on sales of tea products during the year.

8. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Interest on bank deposits	**580**	1,569
Interest from loans receivable *(Note 23)*	**4,943**	—
Interest from advances to suppliers *(Note 25(c))*	**5,175**	5,336
Government grants *(Note 29)*	**2,126**	1,957
Rental income	**—**	15
Others	**539**	119
	13,363	8,996

9. OTHER GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Net foreign exchange losses	**(441)**	(6,460)
Gain on changes in fair value less costs-to-sell for agricultural produces	**509**	508
Gain/(loss) on disposal of property, plant and equipment	5	(25)
	73	(5,977)

10. FINANCE COSTS

	2016	2015
	HK$'000	HK$'000
Interest on bank borrowings	**4,560**	5,793
Interest on non-redeemable convertible preference shares	**—**	2,012
	4,560	7,805

11. LOSS FOR THE YEAR

Loss for the year is arrived at after charging/(crediting):

	2016	2015
	HK$'000	HK$'000
		(Restated)
Directors' emoluments *(Note 13)*	**4,039**	4,042
Other staff's salaries, bonus and allowances	**24,978**	16,228
Other staff's contribution to retirement benefits schemes	**2,010**	809
Total staff costs	**31,027**	21,079
Impairment loss recognised in respect of trade and other receivables	**1,201**	5,215
Reversal of impairment loss recognised in respect of trade and other receivables	**(614)**	(2,850)
Amortisation of other intangible assets	**298**	317
Amortisation of prepaid lease payments	**441**	970
Auditor's remuneration		
— audit services	**1,561**	1,823
— non-audit services	**353**	350
Costs of inventories recognised as an expense	**64,344**	72,083
Written-off of inventories	**2,299**	227
Written-off of property, plant and equipment	**—**	6
Depreciation of property, plant and equipment	**758**	5,108
Minimum leases payments under operating lease in respect of office premises and tea plantation	**14,297**	18,203

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 2016 and 2015.

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%.

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

	2016	2015
	HK$'000	*HK$'000*
PRC Enterprise Income Tax	—	—
Deferred tax	—	—
	—	—

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:

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Loss before tax	**(23,137)**	(85,541)
Tax on loss before tax, calculated at 25% (2015: 25%)	**(5,785)**	(21,385)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,133**	3,099
Tax effect of expenses not deductible for tax purposes	**4,514**	15,543
Tax effect of revenue not taxable for tax purposes	**(1,564)**	(652)
Tax effect of tax losses not recognised	**1,702**	3,393
Tax effect of deductible temporary differences not recognised	—	2
Income tax expense	—	—

13. DIRECTORS' EMOLUMENTS

	2016	2015
	HK$'000	*HK$'000*
Fees	**600**	600
Other emoluments		
Salaries and other benefits	**2,860**	2,860
Performance related incentive payments *(Note (a))*	**460**	460
Contributions to retirement benefits schemes	**119**	122
	4,039	4,042

Directors' emoluments are disclosed as follows:

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$'000*** *(Note (a))*	***HK$'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	**240**	**40**	–	–	**280**
Ngai Sai Chuen	**180**	**30**	–	–	**210**
	600	**2,860**	**460**	**119**	**4,039**

13. DIRECTORS' EMOLUMENTS *(CONTINUED)*

Year ended 31 December 2015

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Performance related incentive payments *HK$'000* *(Note (a))*	Contributions to retirement benefits schemes *HK$'000*	Total *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	3	843
Independent non-executive directors					
Chu Kang Nam	180	30	–	–	210
Chong Cha Hwa	240	40	–	–	280
Ngai Sai Chuen	180	30	–	–	210
	600	2,860	460	122	4,042

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 due to other business commitment, with effect from 1 June 2016 but remained as an executive director of the Company.

The directors' 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 2016 and 2015.

Five highest paid employees

The five highest paid employees of the Group during the year included three directors (2015: three directors), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining two (2015: two) highest paid employees who are not a director of the Company are as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Salaries and other benefits	**1,149**	1,008
Performance related incentive payments *(Note (a))*	**192**	95
Contributions to retirement benefits schemes	**67**	55
	1,408	1,158

13. DIRECTORS' EMOLUMENTS *(CONTINUED)*

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

During the two years ended 31 December 2016 and 31 December 2015, 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 2016, nor has any dividend been proposed since the end of the reporting period (2015: 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$21,130,000 (2015 (restated): HK$75,663,000) and the weighted average number of ordinary shares of approximately 16,914,972,000 (2015: 12,099,786,000) 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 2016 and 2015.

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	Total HK$'000
COST							
At 1 January 2015 (restated)	86,028	13,715	10,200	7,084	11,745	15,025	143,797
Exchange adjustments	(5,002)	(812)	(554)	(377)	(623)	(593)	(7,961)
Additions	3,755	2,339	427	–	–	902	7,423
Transfer	6,104	–	–	–	–	(6,104)	–
Written-off	–	(14)	(37)	–	–	–	(51)
Disposals	–	(245)	–	–	–	–	(245)
At 31 December 2015 and 1 January 2016 (restated)	90,885	14,983	10,036	6,707	11,122	9,230	142,963
Exchange adjustments	(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	**92,690**	**18,671**	**9,699**	**7,157**	**10,402**	**7,251**	**145,870**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2015 (restated)	73,575	11,783	10,000	6,876	–	10,246	112,480
Exchange adjustments	(4,098)	(665)	(531)	(373)	(21)	(454)	(6,142)
Charge for the year	2,726	1,160	515	161	546	–	5,108
Transfers	3,520	–	–	–	–	(3,520)	–
Eliminated on written-off	–	(8)	(37)	–	–	–	(45)
Eliminated on disposals	–	(160)	–	–	–	–	(160)
Impairment loss recognised	15,162	2,873	13	–	–	2,958	21,006
At 31 December 2015 and 1 January 2016 (restated)	90,885	14,983	9,960	6,664	525	9,230	132,247
Exchange adjustments	(6,174)	(977)	(638)	(432)	(58)	(359)	(8,638)
Charge for the year	8	189	48	–	513	–	758
Transfers	5,347	–	–	–	–	(5,347)	–
Eliminated on disposals	–	(51)	(37)	–	–	–	(88)
At 31 December 2016	**90,066**	**14,144**	**9,333**	**6,232**	**980**	**3,524**	**124,279**
NET BOOK VALUE							
At 31 December 2016	**2,624**	**4,527**	**366**	**925**	**9,422**	**3,727**	**21,591**
At 31 December 2015 (restated)	–	–	76	43	10,597	–	10,716

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 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$Nil (2015: HK$Nil) to secure the general banking facilities granted to the Group as details disclosed in Note 28 to the consolidated financial statements.

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

At 31 December 2015, the Directors conducted a review of the Group's property, plant and equipment attributable to the production and sale of tea products in regard to the recurring losses of the relevant operations. These assets are used in the Group's reportable and operating segment of production and sale of tea products. Accordingly, an impairment loss of approximately HK$21,006,000 had been recognised in respect of certain property, plant and equipment of the Group to the extent that the carrying amounts exceeded their recoverable amounts based on the best estimate by the Directors with reference to the valuation performed by an independent professional valuer, BMI Appraisals Limited. The impairment loss had been recognised and included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

17. PREPAID LEASE PAYMENTS

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**15,763**	26,293
Exchange adjustments	**(1,001)**	(1,227)
Amortisation for the year	**(441)**	(970)
Impairment loss recognised	**—**	(8,333)
At 31 December	**14,321**	15,763
Analysed for reporting purposes as:		
— Current portion	**421**	450
— Non-current portion	**13,900**	15,313
	14,321	15,763

The Group has pledged certain prepaid lease payments with carrying value of approximately HK$14,321,000 (2015: HK$15,763,000) to secure general banking facilities granted to the Group as details disclosed in Note 28 to the consolidated financial statements.

At 31 December 2015, the Directors conducted a review of the Group's prepaid lease payments attributable to the production and sale of tea products in regard to the recurring losses of the relevant operations. These assets are used in the Group's reportable and operating segment of production and sale of tea products. Accordingly, an impairment loss of approximately HK$8,333,000 had been recognised in respect of certain prepaid lease payments of the Group to the extent that the carrying amounts exceeded their recoverable amounts based on the best estimate by the Directors with reference to the valuation performed by an independent professional valuer, BMI Appraisals Limited. The impairment loss had been recognised and included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

18. GOODWILL

	2016	2015
	HK$'000	*HK$'000*
COST		
At 1 January and 31 December	**511,381**	511,381
ACCUMULATED IMPAIRMENT		
At 1 January and 31 December	**511,381**	511,381
CARRYING AMOUNT		
At 31 December	**—**	—

Impairment testing

The Group's goodwill and brand name relating to its production and sale of tea products were grouped to the Group's CGU, production and sale of tea products 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.

(a) The Group's goodwill had been fully impaired in prior years.

(b) During the year ended 31 December 2015, the Directors conducted a review of the Group's recoverable amount of the brand name and appointed an independent professional valuer, BMI Appraisals Limited, to assist them.

The recoverable amount of brand name had been determined on the basis of its fair value by applying the relief-from-royalty method. In applying the method, an estimate of a reasonable royalty rate was made assuming that the brand name was licensed at a fair rate as a result of arm's length negotiations. A royalty rate of 0% was adopted in the valuation of brand name with reference to the business performance in the recent years.

Based on the above basis and assumptions, impairment loss of approximately HK$4,471,000 had been recognised in respect of brand name to the extent that the carrying amount exceeded its recoverable amount based on the best estimate by the Directors, with reference to the valuation report issued by BMI Appraisals Limited and thus, and the impairment loss had been recognised in profit or loss for the year ended 31 December 2015.

19. OTHER INTANGIBLE ASSETS

	Brand name HK$'000 (Note (a))	Network video platform HK$'000 (Note (b))	Forest use right HK$'000 (Note (c))	Total HK$'000
COST				
At 1 January 2015	80,140	8,617	9,963	98,720
Exchange adjustments	—	(458)	(842)	(1,300)
Additions	371	—	—	371
At 31 December 2015 and 1 January 2016	80,511	8,159	9,121	97,791
Exchange adjustments	—	(528)	(591)	(1,119)
At 31 December 2016	**80,511**	**7,631**	**8,530**	**96,672**
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 January 2015	76,040	8,617	2,579	87,236
Exchange adjustments	—	(458)	(465)	(923)
Charge for the year	—	—	317	317
Impairment loss recognised	4,471	—	537	5,008
At 31 December 2015 and 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	**80,511**	**7,631**	**3,061**	**91,203**
CARRYING AMOUNT				
At 31 December 2016	**—**	**—**	**5,469**	**5,469**
At 31 December 2015	—	—	6,153	6,153

19. OTHER INTANGIBLE ASSETS *(CONTINUED)*

Notes:

(a) Brand name (included in the CGU of production and sale of tea products)

At the time of acquisition, 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 during the year ended 31 December 2015. Particulars of the impairment testing are disclosed in Note 18(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 production and sale of tea products)

The forest use right entitles the Group to 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 fair value of forest use right as at 31 December 2015 had been determined based on the valuation report prepared by an independent professional valuer, Greater China Appraisal Limited, using discount cash flows method at 31 December 2015 and the estimated present value of payments to be due. Based on the above assumptions, impairment loss of approximately HK$537,000 had been recognised in respect of forest use right had been recognised in profit or loss for the year ended 31 December 2015.

The Group has pledged the forest use right with carrying values of approximately HK$5,469,000 (2015: HK$6,153,000) to secure general banking facilities granted to the Group as details disclosed in Note 28 to the consolidated financial statements.

20. AGRICULTURAL PRODUCE

At 31 December 2016 and 2015, any tea leaves growing on tea trees are not expected to be harvested to provide room for growing to fresh leaves in spring, which would be the period for highest quality tea leaves to be harvested.

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:

	2016 ***HK$'000***	2015 *HK$'000*
Estimated fair value less costs-to-sell	**509**	508
Estimated quantity (kg)	**21,248**	20,027

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.

21. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	2016 HK$'000	2015 HK$'000
Available-for-sale investments			
Equity securities listed in overseas stock exchange	(a)	**13,194**	3,551
Unlisted equity securities	(b)	**140,400**	140,400
		153,594	143,951

Notes:

(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$'000	Credit/(debit) to investment revaluation reserve HK$'000	Impairment loss recognised HK$'000	Equity interest attributable to the Group
At 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**	**–**	
At 31 December 2015					
ScoZinc Mining Ltd.	Canada	1,839	(5,519)	–	11.14%
Fortune Minerals Ltd.	Canada	1,712	–	(8,130)	6.90%
		3,551	(5,519)	(8,130)	

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 2016, fair value gain of approximately HK$10,084,000 (2015: fair value loss of HK$5,519,000) 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 (2015: approximately HK$8,130,000).

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

	2016 CAD'000	2015 CAD'000
Available-for-sale investments	**2,288**	636

21. AVAILABLE-FOR-SALE INVESTMENTS *(CONTINUED)*

(b) On 7 December 2015, Combined Success Investments Limited ("Combined Success"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Forever Success Investments Limited ("Forever Success") to acquire 27% of the issued share capital of One Champion International Limited ("One Champion"), a limited company incorporated in British Virgin Islands, at a consideration of HK$140,400,000, in cash (collectively known as the "Acquisition"). The Acquisition was completed on 22 December 2015.

One Champion indirectly held 90% equity interest of 潼關縣祥順礦業發展有限公司 (transliterated as "Tongguan County Xiangshun Mining Development Co., Ltd."), a company established in the PRC with limited liabilities. One Champion and its subsidiaries (the "One Champion Group") are principally engaged in the exploration, mining, processing and sale of gold and related products.

The Directors consider that the Group has neither control nor significant influence over the One Champion Group as they have not actively participated in the operation and policy-making process of the One Champion Group. Therefore, the investment is accounted for as available-for-sale investment.

The investment in the unlisted equity securities is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

The Directors consider that no impairment is considered necessary as the recoverable amount exceeded the carrying amount based on the best estimate by the Directors.

22. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

At 31 December 2016, the Group has made a deposit of HK$80,000,000 to Forever Success, one of the shareholders of One Champion, for the acquisition of the remaining 73% equity interest in One Champion. The transaction is completed on 27 January 2017 and particulars of the transaction are disclosed in Note 47 to the consolidated financial statements.

23. 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.

24. INVENTORIES

	2016	2015
	HK$'000	*HK$'000*
Raw materials	**14,625**	17,172
Work in progress	**45,850**	64,722
Finished goods	**13,551**	14,384
	74,026	96,278

25. TRADE AND OTHER RECEIVABLES

	Notes	2016 HK$'000	2015 HK$'000
Trade receivables	(a)	**22,338**	23,617
Less: provision for impairment		**(11,897)**	(12,051)
		10,441	11,566
Other receivables	(b)	**7,831**	10,305
Less: provision for impairment		**(3,003)**	(3,280)
		4,828	7,025
Deposits and prepayments		**12,705**	9,670
Advances to suppliers	(c)	**32,000**	50,751
		59,974	79,012

Notes:

(a) Trade receivables

The Group normally allows credit period of 90 days to its trade customers. The aged analysis of trade receivables net of provision for impairment of 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:

	2016 HK$'000	2015 HK$'000
0 — 30 days	**7,060**	6,518
31 — 60 days	**715**	899
61 — 90 days	**156**	1,178
Over 90 days	**2,510**	2,971
	10,441	11,566

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 2016, approximately 11% (2015: 13%) of the trade receivables are neither past due nor impaired.

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

	2016 HK$'000	2015 HK$'000
Over 90 days	**2,510**	2,971

Included in the Group's trade receivables balance at 31 December 2016 are debtors with aggregate carrying amount of approximately HK$2,510,000 (2015: HK$2,971,000) 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.

25. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

(a) Trade receivables *(CONTINUED)*

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

	2016 *HK$'000*	2015 *HK$'000*
At 1 January	**12,051**	10,127
Exchange adjustment	**(810)**	(640)
Reversal of impairment loss previously recognised	**(370)**	(2,651)
Impairment loss recognised	**1,026**	5,215
At 31 December	**11,897**	12,051

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

(b) Other receivables

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

	2016 *HK$'000*	2015 *HK$'000*
At 1 January	**3,280**	3,666
Exchange adjustment	**(208)**	(187)
Reversal of impairment loss previously recognised	**(244)**	(199)
Impairment loss recognised	**175**	—
At 31 December	**3,003**	3,280

Included in the Group's provision for impairment of doubtful debts are individually impaired other receivables in which the Directors consider that it is unlikely to recover these 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$30,805,000 (equivalent to RMB27,593,000) (2015: HK$47,748,000 (equivalent to RMB40,000,000)) represented the sourcing of teas from several suppliers in which the goods shall be delivered during the year ending 31 December 2017 (2015: during the year ending 31 December 2016). Prior to the delivery of teas to the Group, these suppliers will pay an interest at the rate of 11.152% (2015: 11.152%) per annum on the outstanding balances to the Group. During the year ended 31 December 2016, interest income from these suppliers of approximately HK$5,175,000 (equivalent to RMB4,429,000) (2015: HK$5,336,000 (equivalent to RMB4,294,000)) was recognised as other income in the consolidated statement of profit or loss and other comprehensive income (Note 8).

26. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates ranging from 0.01% to 0.35% per annum (2015: 0.01% to 0.35% per annum).

At 31 December 2016, bank balances of the Group included the amounts deposited in the financial institutions in the PRC denominated in RMB of approximately HK$21,640,000 (2015: HK$28,007,000). Remittance of funds out of the PRC is subject to foreign exchange control.

27. TRADE AND OTHER PAYABLES

	Note	2016 HK$'000	2015 HK$'000
Trade payables	(a)	**19,687**	17,945
Other payables and accruals		**36,813**	52,281
		56,500	70,226

(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:

	2016 HK$'000	2015 HK$'000
0 — 90 days	**8,817**	6,475
91 — 180 days	**9,209**	8,203
181 — 365 days	**17**	1,037
Over 1 year	**1,644**	2,230
	19,687	17,945

The average credit period on purchases of goods is 90 days (2015: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timetable.

28. BANK BORROWINGS

	2016 HK$'000	2015 HK$'000
Secured bank borrowings repayable*:		
Within one year	**41,307**	51,150
More than one year but not more than two years	**29,026**	34,617
More than two years but not more than five years	**5,024**	—
	75,357	85,767

* 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$Nil (2015: HK$Nil), HK$14,321,000 (2015: HK$15,763,000) and HK$5,469,000 (2015: HK$6,153,000), 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 5.0025%-5.4625% (2015: fixed rate ranged from 5.4625%-6.44%).

29. 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:

	2016 HK$'000	2015 HK$'000
At 1 January	**2,673**	1,914
Exchange adjustment	**(166)**	(137)
Received during the year	**1,975**	2,853
Recognised in profit or loss	**(2,126)**	(1,957)
At 31 December	**2,356**	2,673

30. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation	Other intangible assets	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	242	3,618	(3,860)	—
Charge for the year *(Note 12)*	(242)	(3,618)	3,860	—
At 31 December 2015, 1 January 2016 and 31 December 2016	—	—	—	—

At the end of the reporting period, the Group has unused tax losses of approximately HK$69,850,000 (2015: HK$58,005,000) 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.

31. SHARE CAPITAL

		Number of ordinary shares at HK$0.1 each	Number of ordinary shares at HK$0.01 each	
	Notes	*'000*	*'000*	*HK$'000*
Authorised:				
At 1 January 2015, 31 December 2015 and 1 January 2016		46,223,810	—	4,622,381
Capital reorganisation	*(c)*	(46,223,810)	462,238,100	—
At 31 December 2016		**—**	**462,238,100**	**4,622,381**
Issued and fully paid:				
At 1 January 2015		9,138,782	—	913,878
Issuance of shares upon conversion of convertible preference shares	*(a)*	3,776,190	—	377,619
Placing of new shares	*(b)*	4,000,000	—	400,000
At 31 December 2015 and 1 January 2016		16,914,972	—	1,691,497
Capital reorganisation	*(c)*	(16,914,972)	16,914,972	(1,522,347)
At 31 December 2016		**—**	**16,914,972**	**169,150**

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

Notes:

(a) During the year ended 31 December 2015, all holders of the non-redeemable convertible preference shares ("CPS"), allocated and issued at HK$0.195 per CPS on 14 December 2010 as part of the consideration for the acquisition of Year Joy Investments Limited, converted 3,776,190,000 CPSs held by them into 3,776,190,000 new ordinary shares at the conversion ratio of 1 CPS into 1 ordinary share.

(b) On 11 August 2015, 11 November 2015 and 7 December 2015, the Company entered into a placing agreement and two supplemental agreements with a placing agent, respectively, to place 4,000,000,000 placing shares to not less than six placees at the placing price of HK$0.10 per placing share. Net proceeds of HK$396,000,000 were raised and used for funding any future business development and/or potential investment opportunities and for general working capital of the Company. The placing of shares was completed on 31 December 2015.

(c) 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 "Share Premium Cancellation"), the capital reduction (the "Capital Reduction"), the share subdivision (the "Share Subdivision") and the accumulated losses offset (the "Accumulated Losses Offset") (collectively referred to as the "Capital Reorganisation") were approved by the shareholders of the Company and the details are as follows:

    (i) Share Premium Cancellation

    The entire amount standing to the credit of the share premium account of the Company was cancelled and the credit arising from such cancellation had been transferred to the contributed surplus account (the "Contributed Surplus Account"). As at the completion date of the Capital Reorganisation, the Company had a credit balance of approximately HK$3,548,588,000 standing in its share premium account.

31. SHARE CAPITAL *(CONTINUED)*

Notes: (Continued)

(c) (Continued)

(ii) Capital Reduction

The issued share capital of the Company was reduced by cancelling the paid-up capital to the extent of HK$0.09 on each of the issued shares. On the basis of 16,914,972,211 shares currently in issue, a credit of approximately HK$1,522,347,000 to the share capital arose from the Capital Reduction, and the credit arising from the Capital Reduction had been transferred to the Contributed Surplus Account.

(iii) Share Subdivision

Forthwith upon the Capital Reduction taking effect, every authorised but unissued share (including those arising from the Capital Reduction) was subdivided into 10 new shares with a par value of HK$0.01 each and every authorised but unissued preference share was subdivided into 10 new preference shares with a par value of HK$0.01 each.

(iv) Accumulated Losses Offset

The amount standing to the credit of the Contributed Surplus Account is applied to set off the accumulated losses of the Company as at 31 December 2015 of approximately HK$4,783,439,000 as permitted by the bye-laws of the Company and all applicable laws in Bermuda.

32. 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 PRC, subsidiaries of the Group 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 18 February 2016 (Note 31(c)).

32. RESERVES *(CONTINUED)*

(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 earning

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

33. NON-CONTROLLING INTERESTS

King Gold Investments Limited, an 80% owned subsidiary of the Company, has material non-controlling interests (NCI). The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the NCI of King Gold Investments Limited and its subsidiaries before intra-group eliminations is presented below:

	2016 ***HK$'000***	2015 *HK$'000* *(Restated)*
For the year ended 31 December		
Revenue	**112,372**	114,404
Loss for the year	**(9,860)**	(48,864)
Total comprehensive income	**(14,336)**	(55,149)
Loss allocated to NCI	**(1,972)**	(9,773)
Dividends paid to NCI	**—**	—
Cash flows from operating activities	**10,575**	20,083
Cash flows (used in)/from investing activities	**(6,494)**	525
Cash flows (used in)/from financing activities	**(9,643)**	14,628
Net cash (outflows)/inflows	**(5,562)**	35,236
As at 31 December		
Current assets	**205,693**	252,114
Non-current assets	**40,860**	32,899
Current liabilities	**(229,455)**	(252,693)
Non-current liabilities	**(36,406)**	(37,290)
Net deficits	**(19,308)**	(4,970)
Accumulated non-controlling interests	**(3,862)**	(994)

34. 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 28 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.

35. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2015, the Group had settled the license fee of approximately HK$1,243,000 (equivalent to RMB1,000,000) to a licensor by transferring inventories with equivalent ex-factory price.

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2016	2015
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	**153,594**	143,951
Loans and receivables		
Deposit paid for acquisition of a subsidiary	**80,000**	—
Loans receivable	**203,943**	—
Trade and other receivables	**49,736**	19,977
Bank balances and cash	**144,461**	447,570
	478,140	467,547
	631,734	611,498
Financial liabilities		
Liabilities measured at amortised cost		
Trade and other payables	**46,352**	52,947
Bank borrowings	**75,357**	85,767
	121,709	138,714

36. 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 2016				
Available-for-sale investments				
Listed equity securities	**13,194**	**–**	**–**	**13,194**

	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2015				
Available-for-sale investments				
Listed equity securities	3,551	–	–	3,551

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.

37. 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	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**124,897**	422,016	**2,196**	2,504
CAD	**13,266**	3,623	**—**	—

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% (2015: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2015: 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% (2015: 5%) change in foreign currency rates.

37. 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% (2015: 5%) against the relevant currency. For a 5% (2015: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss.

Impact	**HK$**		**CAD**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Increase in post-tax loss	**6,135**	20,976	**663**	181

(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 two (2015: two) entities listed in TSX for the year ended 31 December 2016.

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% (2015: 10%) higher/lower, investment valuation reserve would increase/decrease by approximately HK$1,319,000 (2015: HK$355,000) as a result of the changes in fair value of available-for-sale investments.

37. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Credit risk

As at 31 December 2016, 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% (2015: 100%) of the total trade receivables as at 31 December 2016.

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 *HK$'000*	Total undiscounted cash flows *HK$'000*	Repayable on demand or within 1 year *HK$'000*	1-2 years *HK$'000*	2-5 years *HK$'000*
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**
At 31 December 2015						
Trade and other payables	N/A	52,947	52,947	52,947	–	–
Bank borrowings	5.12	85,767	90,156	53,922	36,234	–
		138,714	143,103	106,869	36,234	–

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016	2015
	HK$'000	*HK$'000*
Non-current assets		
Investments in subsidiaries	**83,200**	83,200
Property, plant and equipment	**38**	38
Loans receivable	**203,943**	—
	287,181	83,238
Current assets		
Amounts due from subsidiaries	**130,408**	50,409
Other receivables	**1,995**	2,393
Bank balances and cash	**99,125**	405,986
	231,528	458,788
Current liabilities		
Amount due to subsidiaries	**47,607**	47,607
Other payables	**1,903**	2,264
	49,510	49,871
Net current assets	**182,018**	408,917
Total assets less current liabilities and net assets	**469,199**	492,155
Capital and reserves		
Share capital	**169,150**	1,691,497
Reserves *(Note)*	**300,049**	(1,199,342)
TOTAL EQUITY	**469,199**	492,155

On behalf of the board of directors

Fang Yi Quan
Director

Yeung Kwok Kuen
Director

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(CONTINUED)

Note:

Reserves

	Share premium *HK$'000*	Non-redeemable convertible preference shares *HK$'000*	Contributed surplus *HK$'000*	Translation reserve *HK$'000*	Accumulated loss *HK$'000*	Total *HK$'000*
At 1 January 2015	3,192,267	684,321	–	35,509	(4,642,117)	(730,020)
Loss and total comprehensive income for the year	–	–	–	–	(141,322)	(141,322)
Issuance of shares upon conversion of convertible preference shares *(Note 31(a))*	360,321	(684,321)	–	–	–	(324,000)
Placing expenses in relation to the issuance of shares *(Note 31(b))*	(4,000)	–	–	–	–	(4,000)
At 31 December 2015 and 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 31(c))*	(3,548,588)	–	287,496	–	4,783,439	1,522,347
At 31 December 2016	**–**	**–**	**287,496**	**35,509**	**(22,956)**	**300,049**

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE GROUP

The following are the details of the Group's principal subsidiaries at 31 December 2016 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 of company	Place of incorporation/ establishment and operation	Issued/registered and paid-up share capital	Attributable equity interests held by the Company		Principal activities
			Directly	Indirectly	
New Legend International Group Limited	Hong Kong	1 ordinary share of HK$1	100%	–	Provision of administrative support to group companies
Best Tone Holdings Limited	British Virgin Islands ("BVI") and Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
King Gold Investments Limited	BVI and Hong Kong	100 ordinary shares of US$100	80%	–	Investment holding
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 sale of tea products
Famous Class Limited	BVI and Hong Kong	50,000 ordinary shares of US$50,000	100%	–	Investment holding
Year Joy Investments Limited	BVI and Hong Kong	100 ordinary shares of US$100	–	70%	Investment holding
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 Investments Limited	BVI and Hong Kong	10 ordinary shares of US$10	100%	–	Investment holding

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.

40. 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 fifteen years (2015: 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:

	2016	2015
	HK$'000	*HK$'000*
Not later than one year	**9,022**	15,273
Later than one year but not later than five years	**5,668**	24,409
Later than five years	**—**	3,445
	14,690	43,127

41. CAPITAL COMMITMENTS

	2016	2015
	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	**2,790**	2,533

42. 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.

43. 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 2016 and 2015.

44. 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.

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

Except as disclosed in Note 44 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.

46. 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. As the Company has not obtained any interests in Fujian Yuansheng and is seeking legal advice in response to the Writ, in the opinion of the Directors, the possible of an outflow of resources embodying economic benefit is remote.

On 22 March 2017, it is adjudged by the High Court that the claims of the plaintiffs in the Writ against the Company are dismissed.

47. EVENT AFTER THE REPORTING DATE

On 27 January 2017, the Company has completed the acquisition of the remaining 73% equity interests in One Champion. Details of the transaction have been disclosed in the Company's circular dated 31 October 2016 and announcement dated 27 January 2017. The assessment of the financial impact is in the process.

48. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 29 March 2017.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)			
RESULTS					
Revenue	**112,372**	114,404	184,400	186,585	221,646
(Loss) profit for the year attributable to:					
Owners of the Company	**(21,130)**	(75,663)	630,412	(311,048)	(110,858)
Non-controlling interests	**(2,007)**	(9,878)	(10,637)	(33,852)	(9,375)
	(23,137)	(85,541)	619,775	(344,900)	(120,233)

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)			
ASSETS AND LIABILITIES					
Total assets	**757,379**	799,443	498,117	741,600	997,022
Total liabilities	**(150,142)**	(174,667)	(225,808)	(733,580)	(669,391)
	607,237	624,776	272,309	8,020	327,631
Represented by:					
Equity attributable to owners of the Company	**611,237**	625,870	262,265	(148,884)	139,713
Non-controlling interests	**(4,000)**	(1,094)	10,044	156,904	187,918
	607,237	624,776	272,309	8,020	327,631