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

(Incorporated in Bermuda with limited liability)

Stock Code: 340

2018
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

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

Independent Non-executive Directors:

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

COMPANY SECRETARY

Leung Lai Ming

REGISTERED OFFICE

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
Shanghai Pudong Development Bank
Industrial and Commercial Bank of China Limited
Industrial Bank Company Limited

STOCK CODE

00340

COMPANY WEBSITE

www.tongguangold.com

I am pleased to present to our shareholders, the annual report of Tongguan Gold Group Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2018.

RESULTS

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

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

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

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

Notes:

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

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

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

The decrease in gross profit margin in Gold mining operation is mainly due to the temporary suspension of production to prepare for the central inspection in Tongguan county and rising cost of production including extraction and labour cost. The Group's net asset value per share increased from HK6.0 cents in 2017 to HK56.7 cents in 2018 as resulted from an acquisition during the year being settled with consideration shares and consolidation of shares of the Company. On 30 April 2018, the Company completed the consolidation of shares in the issued shares of the Company whereby every ten issued and unissued ordinary shares of HK$0.01 each are consolidated into one consolidated ordinary share of HK$0.1 each. Detailed analysis of other KPI is set out in below section.

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

REVIEW OF OPERATIONS

Continuing Operations

Gold Mining Operation

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

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

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

REVIEW OF OPERATIONS *(CONTINUED)*

Continuing Operations *(CONTINUED)*

Gold Mining Operation *(CONTINUED)*

Details of the exploration, development and mining production activities and a summary of expenditure incurred on these activities during the year ended 31 December 2018 are as below:

I Exploration

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

During the year ended 31 December 2018, combination of pit drilling and tunnel exploration methods is used to carry out exploration activities to increase the mineral resources and reserves.

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

During the year ended 31 December 2018, Jinhui Mining is in the process of application of the mining licence and did not carry out any exploration activities. Tongxin Mining is performing exploration activities for the peripheral vein of the mine by surface drilling method and using pit exploration construction method to carry out the mine deep stratigraphic planning project.

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

During the year ended 31 December 2018, combination of pit drilling and tunnel exploration methods is used to carry out deep exploration activities.

Tongguan Tongjin Mining Company Limited ("Tongjin Mining")

During the year ended 31 December 2018, Tongjin Mining is performing deep pit exploration planning and the use of drilling engineering to control the peripheral veins.

REVIEW OF OPERATIONS *(CONTINUED)*

Continuing Operations *(CONTINUED)*

Gold Mining Operation *(CONTINUED)*

II Development

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

During the year ended 31 December 2018, Xiangshun Mining, Tongxin Mining and De Xing Mining have appointed several engineering and technical companies and have completed (i) the surface drilling project of approximately 2,583 meters; (ii) the pit exploration project of approximately 10,413 meters and (iii) the pit drilling project of approximately 7,114 meters.

Jinhui Mining

During the year ended 31 December 2018, Jinhui Mining is in the process of application of the mining licence and did not carry out any development activities.

III Mining Production Activities

Xiangshun Mining

(1) Mining operation

	Year ended 31 December 2018
Underground mining	
Mine production (thousand tonnes)	65.05
Total mine production (thousand tonnes)	65.05
Average gold grade (gram/tonne)	5.66

(2) Ore processing operation — Concentrating

	Year ended 31 December 2018
Concentrate production — Gold (thousand tonnes)	5.714
Average gold grade (gram/tonne)	56.71
Metal in the concentrate (Kilogram)	324.07

REVIEW OF OPERATIONS *(CONTINUED)*

Continuing Operations *(CONTINUED)*

Gold Mining Operation *(CONTINUED)*

III Mining Production Activities *(CONTINUED)*

Jinhui Mining, Tongxin Mining, De Xing Mining and Tongjin Mining

During the year ended 31 December 2018, there was no mining production.

IV Exploration, development and mining production cost of the Group

Expenses of exploration, development and mining production activities of the Group for the year ended 31 December 2018 are set out as below:

	Mine produced Gold *(HK$'000)*
Exploration and Mining activities	
Development	98,333
Mining ore	32,837
Total	131,170

(Concentrating not included)

Information of the mineral resources and reserves of the gold for the gold mines of the Group as at 31 December 2018 are as below:

JORC Mineral Resources Category	**Inventory** (kt)	**Grade** (g/t Au)	**Contained Metal** (t)	**Contained Metal** (koz)
Indicated	4,272.6	7.29	31.1	1,098.2
Inferred	1,248.9	6.77	8.5	298.1

JORC Mineral Reserves Category	**Inventory** (kt)	**Grade** (g/t Au)	**Contained Metal** (kg)	**Contained Metal** (koz)
Probable	68.4	5.12	350	12.3

REVIEW OF OPERATIONS *(CONTINUED)*

Continuing Operations *(CONTINUED)*

Gold Mining Operation *(CONTINUED)*

Notes:

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

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

   i. The mining loss rates of 13.8%.

   ii. The dilution rates of 5.5%

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

   iv. mineral reserves are inclusive of mineral resources.

   v. Gold price of USD1,307.8/oz.

   vi. Rounding might cause some computational discrepancies in totals.

Investments in Canada listed mining company

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

Discontinued Operation

Disposal of Tea Business

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

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

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

SHARE CAPITAL

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

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

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

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

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

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

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

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

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

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 Group is engaged in exploration, mining, processing, and sale of gold and related products in China. The Group is facing the fluctuation in the gold price 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. Decline in gold price may cause pressure on the Company's production and operation. To ensure a stable production, the Company would fully leverage on its technological and managerial strength to raise efficiency and control costs strictly, monitor closely the commodity market and align its production plan and growth strategy.

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 other financial assets, trade and other receivables, bank balances and cash, trade and other payables and bank and other 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 2018 and the policies on how to mitigate these risks are set out in Note 43 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 2018, 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 SUPPLIERS

The Group understands that it is important to maintain good relationship with its customers and suppliers to fulfil its immediate and long-term goals. During the year ended 31 December 2018, there was no material and significant dispute between the Group and its customers. The Group maintains good relationships with its customers and suppliers during the year ended 31 December 2018. The Group never stops perfecting its procurement process and mechanism. It also insists on the business principles of integrity and trustworthiness to enhance communications with suppliers by all available means, with the goal of seeking mutual benefit and prosperity for all.

PROSPECTS

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

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

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

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

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

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

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
Tongguan Gold Group Limited

Yeung Kwok Kuen
Executive Director and Chief Financial Officer

Hong Kong, 19 March 2019

EXECUTIVE DIRECTORS

FANG Yi Quan

Mr. Fang Yi Quan ("Mr. Fang"), aged 69, 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 45, was appointed as an executive director of the Company on 1 December 2014. Mr. Yeung is also the chief financial officer of the Company and a director of several subsidiaries of the Company.

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

EXECUTIVE DIRECTORS *(CONTINUED)*

SHI Xing Zhi

Mr. Shi Xing Zhi ("Mr. Shi"), aged 63, was appointed as an executive director of the Company on 21 February 2017. Mr Shi is also a senior technical consultant of a subsidiary of the Company.

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

SHI Sheng Li

Mr. Shi Sheng Li ("Mr. Shi SL"), aged 55, was appointed as an executive director of the Company on 14 June 2017. Mr. Shi SL is also a head engineer of a subsidiary of the Company.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHU Kang Nam

Mr. Chu Kang Nam ("Mr. Chu"), aged 62, was appointed as an independent non-executive director of the Company on 16 May 2007.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS *(CONTINUED)*

NGAI Sai Chuen

Mr. Ngai Sai Chuen ("Mr. Ngai"), aged 68, was appointed as an independent non-executive director of the Company on 1 March 2014.

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

LIANG Xu Shu

Mr. Liang Xu Shu ("Mr. Liang"), aged 52, was appointed as an independent non-executive director of the Company on 14 June 2017.

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

LEUNG Ka Wo

Mr. Leung Ka Wo ("Mr. Leung"), aged 45, was appointed as an independent non-executive director of the Company on 25 August 2017.

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

SENIOR MANAGEMENT

LEUNG Lai Ming

Ms. Leung Lai Ming ("Ms. Leung"), aged 42, is the company secretary and senior accounting manager of the Company. Ms. Leung graduated from The Hong Kong Polytechnic University with a bachelor degree in Accountancy. Ms. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries. Ms. Leung has 20 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 2018, the Company has applied the principles of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") (the "Code"), and the associated Listing Rules. During the year ended 31 December 2018, the Company has complied with the code provisions of the Code ("Code Provision(s)"), except for certain deviations as specified and explained below with considered reasons for such deviations.

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

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

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

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

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

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

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

Composition

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

Executive Directors:

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

Independent Non-executive Directors:

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

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

BOARD OF DIRECTORS *(CONTINUED)*

Composition *(CONTINUED)*

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

There is no relationship among the members of the Board.

During the year ended 31 December 2018, 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 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
Fang Yi Quan	13/13
Yeung Kwok Kuen	13/13
Shi Xing Zhi	13/13
Shi Sheng Li	13/13
Chu Kang Nam	13/13
Ngai Sai Chuen	13/13
Liang Xu Shu	13/13
Leung Ka Wo	13/13

BOARD OF DIRECTORS *(CONTINUED)*

Board Meetings and General Meetings *(CONTINUED)*

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

Name of Directors	Number of General Meetings Attended/Held
Fang Yi Quan	2/2
Yeung Kwok Kuen	2/2
Shi Xing Zhi	2/2
Shi Sheng Li	2/2
Chu Kang Nam	2/2
Ngai Sai Chuen	0/2
Liang Xu Shu	2/2
Leung Ka Wo	2/2

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:

Chu Kang Nam, *Independent Non-executive Director, Chairman of the Remuneration Committee*
Ngai Sai Chuen, *Independent Non-executive Director*
Liang Xu Shu, *Independent Non-executive Director*
Leung Ka Wo, *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 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, review the special discretionary payments to the independent non-executive directors of the Company and review the share options of the Company granted during the year.

Individual attendance of each member of the Remuneration Committee during the year ended 31 December 2018 is set out below:

Name of Members	Number of Remuneration Committee Meetings Attended/Held
Chu Kang Nam	4/4
Ngai Sai Chuen	4/4
Liang Xu Shu	4/4
Leung Ka Wo	3/4
Fang Yi Quan	4/4

Details of the emoluments of the directors of the Company for the year ended 31 December 2018 are set out in note 14 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 2018 fell within the following bands:

Emoluments bands *(Note)*	Number of individuals
HK$0 — HK$1,000,000	4
HK$1,000,001 — HK$2,000,000	2
HK$3,000,001 — HK$4,000,000	3

Note: The emoluments comprised share-based payment

NOMINATION COMMITTEE

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

Chu Kang Nam, *Independent Non-executive Director, Chairman of the Nomination Committee*
Ngai Sai Chuen, *Independent Non-executive Director*
Liang Xu Shu, *Independent Non-executive Director*
Leung Ka Wo, *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 three 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 and review the suitability of the directors of the Company proposed for re-election at the annual general meeting.

NOMINATION COMMITTEE *(CONTINUED)*

Individual attendance of each member of the Nomination Committee during the year ended 31 December 2018 is set out below:

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

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

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

Summary of the Board Diversity Policy

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

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

CORPORATE GOVERNANCE FUNCTIONS *(CONTINUED)*

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

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

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

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

AUDIT COMMITTEE

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

Leung Ka Wo, *Independent Non-executive Director, Chairman of the Audit Committee*
Chu Kang Nam, *Independent Non-executive Director*
Ngai Sai Chuen, *Independent Non-executive Director*
Liang Xu Shu, *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 judgments contained in them;

AUDIT COMMITTEE *(CONTINUED)*

5. regarding No. (4) above:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AUDIT COMMITTEE *(CONTINUED)*

The Audit Committee met five 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 2018 is set out below:

Name of Members	Number of Audit Committee Meetings Attended/Held
Leung Ka Wo	5/5
Chu Kang Nam	5/5
Ngai Sai Chuen	5/5
Liang Xu Shu	5/5

The financial statements for the year ended 31 December 2018 have been reviewed by the Audit Committee.

AUDITOR'S REMUNERATION

During the year ended 31 December 2018, the Group engaged BDO Limited, auditors of the Company to perform audit services. The fees were as follows:

Nature of services	Amount *HK$'000*
Audit services in relation to annual results	1,450
Review of interim results	350
Others – outlays	135
	1,935

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 2018.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

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

Putting forward proposals at shareholders' meetings

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

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

Enquiries to the Board

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

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

There had been no change in the Company's constitutional documents during the year ended 31 December 2018.

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@tongguangold.com.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS
(CONTINUED)

Dividend Policy

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company (the "Shareholders"), provided that the Group records a profit after tax and that the declaration and distribution of dividends does not affect the normal operations of the Group.

The Dividend Policy which aims to provide the Shareholders with a target annual dividend payout of approximately 20% of the net profit attributable to the Shareholders in any financial year, whether as interim and/or final dividends, the declaration and payment of dividends being determined at the sole discretion of the Board. The total dividend recommended, declared or paid in any financial year shall not exceed 30% of the total net profit attributable to the Shareholders, unless otherwise approved by the Board.

In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board shall also take into account, inter alia:—

(i) the actual and expected financial performance and financial conditions of the Group;

(ii) retained earnings and distributable reserves;

(iii) results of operation and cash flow;

(iv) the level of the Company's debts to equity ratio and return on equity;

(v) the ability of the Company's subsidiaries to make dividend payments to the Company;

(vi) restrictions on payment of dividends that may be imposed on the Company by any of its financing arrangements;

(vii) the Group's expected working capital requirements, the Group's expected capital expenditure, future expansion, other investment plans and other funding requirements;

(viii) general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group, including such legal or contractual restrictions as may apply from time to time or which the Directors may consider appropriate in the interest of the Company; and

(ix) such other factors that the Directors deem appropriate.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

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 2018, which covered all material controls, including financial, operational and compliance controls and risk management of the Group and considered that they are effective and adequate. The Board is also of the opinion that the resources for and qualifications of staff of the Company's accounting, internal audit and financial reporting functions are adequate and sufficient.

The Company does not have internal audit department and the company secretary of the Company are responsible to perform the internal audit function during the year ended 31 December 2018 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 2018 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 inside information policy provide the guidelines to the directors, management and relevant staff (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The procedures include, among others, regularly remind the directors, management and relevant staff about the compliance with the securities dealing restrictions as set out in the Model Code (Appendix 10 of the Listing Rules) and the notification of the regular "Blackout Period".

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

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

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

On behalf of the Board
Tongguan Gold Group Limited

Yeung Kwok Kuen
Executive Director and Chief Financial Officer

Hong Kong, 19 March 2019

The directors of the Company submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 December 2018.

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 45 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.

CHANGE OF COMPANY NAME

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 and the Group's affairs as at that date are set out in the consolidated financial statements on pages 69 to 171.

The directors of the Company do not recommend the payment of a dividend in respect of the year ended 31 December 2018.

RESERVES

Movement in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 73 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution to shareholders, comprising contributed surplus and retained earnings, amounted to approximately HK$324,589,000 (2017: HK$266,223,000).

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

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year ended 31 December 2018 are set out in note 17 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

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

Independent Non-executive Directors

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

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. Accordingly, Mr. Fang Yi Quan, Mr. Yeung Kwok Kuen and Mr. Shi Xing Zhi will retire by rotation at the forthcoming annual general meeting of the Company. Mr. Fang Yi Quan, Mr. Yeung Kwok Kuen and Mr. Shi Xing Zhi, being eligible, have offered themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

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

As at 31 December 2018, the interests or short positions of the directors and chief executives of the Company or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company were as follow:

Interests in underlying shares of the Company — share options

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

Save as disclosed above, as at 31 December 2018, none of the directors and chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 2018, 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)*
Huang Aidong	Interest in controlled corporation	Ordinary	508,334,000 *(Note 2)*	14.99%
Hu Jianzhong	Interest in controlled corporation	Ordinary	470,000,000 *(Note 3)*	13.86%
Lin Eddie Chang	Interest in controlled corporation	Ordinary	330,000,000 *(Note 4)*	9.73%
Lin Yuhua	Interest in controlled corporation	Ordinary	185,250,000 *(Note 5)*	5.46%
Ho Ping Tanya	Beneficial owner	Ordinary	330,000,000	9.73%

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2018, which was 3,392,272,221.

2. These ordinary shares are held by Profit Linkage Enterprises Limited which is 100% beneficially owned by Ms. Huang Aidong. Pursuant to a sale and purchase agreement dated 4 December 2018 entered into between Combined Success Investments Limited, a wholly-owned subsidiary of the Company, Harvest Master Limited, Profit Linkage Enterprises Limited, Mr. Choi Kwok Fung Arthur and Ms. Huang Aidong, in relation to the acquisition of 100% of the total issued share capital of Max Paramount Holdings Limited and Best Income Limited, the Company would issue 508,334,000 ordinary shares of the Company to Profit Linkage Enterprises Limited. 508,334,000 ordinary shares were allotted and issued to Profit Linkage Enterprises Limited on 20 December 2018.

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

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

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

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 38 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 19 March 2019, the total number of ordinary shares of HK$0.1 each in the capital of the Company ("Shares") available for issue under the New Share Option Scheme was 234,227,222 representing approximately 6.9% 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)*

Details of movements in the share options held by directors, chief executives, employees and other parties of the Company under the New Share Option Scheme for the year ended 31 December 2018 are as follows:

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

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

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

Note:

1. Exercisable from 7 December 2018 to 6 December 2023.

Information on the accounting policy for share options granted and the weighted average value per option is provided in notes 4 and 38 to the consolidated financial statements respectively.

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 CONTRACT

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

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors of the Company and officers of the Group throughout the year ended 31 December 2018.

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 2018. 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 49 to the financial statements for the year ended 31 December 2018 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

During the year ended 31 December 2018, the Group's single largest customer accounted for 100% of the total sales and the Group's five largest customers accounted for 100% of the total sales for the year. The Group's five largest suppliers accounted for less than 30% of the total cost of sales for the year.

Sales to the largest customer of the Company accounted for 100% of the Company's sales and related to the sale of gold concentrates. Due to the fact that pricing for the Company's gold concentrates products is based on prevailing market prices in accordance with the contract with the customer(s), the Company does not consider there to be any risks associated with reliance on major customer. The Company considers that its pricing structure based on prevailing gold prices mitigates against any adverse effects from concentration to only one customer. The Company would continue explore business opportunities with other potential customers.

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 2018 are set out in note 31 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 172 of this annual report.

RETIREMENT SCHEMES

Details of the retirement benefit schemes operated by the Group are set out in note 48 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

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

CORPORATE GOVERNANCE

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

AUDITORS

BDO Limited ("BDO") acted as the auditors of the Company for the financial years ended 31 December 2016, 2017 and 2018. The consolidated financial statements of the Company for the year ended 31 December 2018 have been audited by BDO. BDO were appointed as auditors of the Company on 19 December 2016 for the financial year ended 31 December 2016 upon the resignation of Asian Alliance (HK) CPA Limited, who have acted as auditors of the Company for the preceding five financial years.

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

On behalf of the Board
Tongguan Gold Group Limited

Yeung Kwok Kuen
Executive Director and Chief Financial Officer

Hong Kong, 19 March 2019

I. ABOUT THIS REPORT

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

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

The Group is pleased to present its fifth ESG Report to further demonstrate the Group's approach and performance in terms of sustainable development for the year ended on 31 December 2018 ("FY2018"). This ESG report is prepared in compliance with the ESG Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited's website.

II. MESSAGES FROM THE BOARD

Apparently, climate change has gradually become one of the biggest challenges ahead of the entire human race in recent decades and is crucial to the long-term stability of the Group's mining business. The Board constantly reviews how the businesses, especially the mining business, can be leveraged for positive impacts on the environment, society and local communities. ESG, a powerful tool to guide companies in seeking the sustainable development in the competitive market today, has long been regarded as one indispensable aspect in the business decision-making process. As such, the Board keeps adjusting the practice and policies by building an effective communication channel between employees handling the frontline tasks and the management. Specifically, an internal team that assumes responsibility for corporate ESG mattes, an audit committee and a professional third-party agency have been assigned with well-defined duties to help the Board accomplish the sustainability/ESG targets of the Company, including the annual and long-team ESG targets establishment, energy conservation initiatives and technology innovation in mining and other business operations. The Board deeply knows that only though the collective effort can the entire Group transform into a genuinely sustainable and environmentally friendly enterprise. Thus, the transparency of corporate ESG performance appears to be quite important. To access the latest ESG news and corporate information, and resolve the problem accordingly, the Board normally requires the responsible groups to do either an oral presentation or written report.

III. REPORTING PERIOD AND SCOPE OF THE REPORT

The ESG report covers the operational boundary of the Group's key income drivers of business segments, namely the Gold Mining Operation. As compared to last year, the Tea business is not included in this year's report because it was discontinued in April 2018. Meanwhile, in December 2018, the Group acquired Best Income Limited and Max Paramount Holdings Limited, which were engaged in gold mining business. Given the short period since its acquisition in FY2018, the Group chooses not to include the ESG data under either environmental or social aspects in this report, but commits to disclose the ESG data of this new subsidiary completely next year. The geographical locations where the principle businesses of the Group engaged during the year under review were the People's Republic of China (the "PRC") and Hong Kong.

For corporate governance section, please refer to the section headed "Corporate Governance Report" of this annual report. The reporting period of this ESG report is for the financial year 2018, from 1 January 2018 to 31 December 2018, unless specifically stated otherwise. If there is any conflict or inconsistency, the English version shall prevail.

IV. STAKEHOLDER ENGAGEMENT

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

Table 1 Communication with Stakeholders

Stakeholders	Expectations and concerns	Communication Channels
Government and regulatory authorities	— Compliance with laws and regulations — Anti-corruption policies — Occupational health and safety	— Supervision on complying with local laws and regulations — Routine reports and taxes paid
Shareholders	— Return on investments — Corporate governance — Business compliance	— Regular reports and announcements — Regular general meetings — Official website
Employees	— Employees' compensation and benefits — Career development — Health and safety in the workplace	— Performance reviews — Regular meetings and trainings — Emails, notice boards, hotline, caring activities with management
Customers	— Production quality assurance — Protect the rights of customers	— Customer satisfaction survey — Face-to-face meetings and on-site visits
Suppliers	— Fair and open procurement — Win-win cooperation — Environmental protection — Protection of intellectual property rights	— Open tendering — Suppliers' satisfactory assessment — Face-to-face meetings and on-site visits — Industry seminars
General public	— Involvement in communities — Business compliance — Environmental protection awareness — Consumption of packaging materials	— Media conferences and responses to enquiries — Public welfare activities

Materiality Assessment

The Group undertook an annual review in identifying and understanding its stakeholders' main concerns and material interests for the ESG Report. With respect to this ESG Report, the Group identified 'Air and greenhouse gas ('GHG') emissions', 'Sewage treatment', 'Land use, pollution and restoration', 'Solid waste treatment', 'Energy use', 'Water use', 'Mitigation measures to protect natural resources', 'Employee remuneration and benefits', and 'Occupational health and safety' as issues of the highest importance to both the Group and its stakeholders. This review helped the Group in prioritising its sustainability issues and highlighting the material and relevant aspects, so as to align them with stakeholders' expectations.

IV. STAKEHOLDER ENGAGEMENT *(CONTINUED)*

Stakeholders Feedback

The Group welcomes stakeholders' feedback and advice on the improvement of corporate ESG approach and performance, especially related to topics listed as the highest importance in the materiality assessment. Readers are also welcomed to share their views with the Group and send 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.

V. ENVIRONMENTAL SUSTAINABILITY

To seek the long-term sustainability of the environment and the community where it operates, the Group is prudent in controlling its emissions and consumption of resources, and has complied with relevant environmental laws and regulations in Hong Kong and the PRC during its daily operations, including but not limited to the:

- *Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法);*
- *Environmental Impact Assessment Law of the People's Republic of China (中華人民共和國環境影響評價法);*
- *Environmental Protection Tax Law of the People's Republic of China (中華人民共和國環境保護稅法);*
- *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法);*
- *Law of the People's Republic of China on Prevention and Control of Water Pollution (中華人民共和國水污染防治法);*
- *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法);*
- *Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法);*
- *Law of the People's Republic of China on Conserving Energy (中華人民共和國節約能源法);*
- *Regulations of the Management of Economical Use of Urban Water (城市節約用水管理規定);*
- *Emission standards for industrial enterprises noise at boundary (GB12348-2008) (工業企業廠界環境噪聲排放標準); and*
- *Standards for pollution control on the storage and disposal site for general industrial solid wastes (GB18599-2001) (一般工業固體廢物貯存、處置場污染控制標準).*

This section mainly discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in FY2018.

V. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.1. Emissions

The Group has complied with relevant national and local environmental laws in terms of industrial emissions set out in the operating regions during mining operations. In FY2018, the Group found no disregard to influential laws relevant to air and greenhouse gas ("GHG") emissions, discharges into water and land, generation of hazardous and non-hazardous waste, and noise. Adhering to the concept of 'lucid waters and lush mountains are invaluable assets', the Group has implemented various measures to mitigate its negative impact on the environment and most importantly, preserve local biological diversity as much as possible. In particular, the Group has focused on the smart control of natural resources consumption during mining operations and the upgrade of outdated equipment that has poor performance in energy efficiency.

During the year under review, key air pollutants from the mining process were sulphur oxides ("SO_X"), nitrogen oxides ("NO_X") and particulate matter ("PM"). The air emissions of the Group mainly came from fuel combustion for machineries, vehicles, and other operating processes. In FY2018, the air emissions of sulphur oxides ("SO_X"), nitrogen oxides ("NO_X") and particulate matter ("PM") amounted to 0.2, 8.7 and 0.6 kg, respectively. Greenhouse gases ("GHGs") are a major contributor to climate change and have been rigorously governed by the United Nations (UN) 'Framework Convention on Climate Change' and the subsequent UN 'Kyoto Protocol'. GHG emissions from the Group were primarily due to the burning of fossil fuels and electricity consumption during industrial operations. Specifically, the Group's total GHG emissions were 6,885.0 tonnes CO2e, with an intensity of 58.3 tonnes CO2e/employee being calculated during the year under review. The Group also generated certain amounts of solid wastes and wastewater from its mining sites and administration offices, including but not limited to waste by-products in the form of tailings and sludge during gold mining and processing. Precisely, a total of 12 tonnes of non-hazardous general and industrial wastes, and 112,001 tonnes of non-hazardous wastewater were generated during the Group's operations, which were recycled and reused internally after scientific treatment. In FY2018, it was found that the Group did not discharge significant amount of hazardous wastes to the environment during its operations. The Group's total emissions in FY2018 are summarised in Table 1 below.

V. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.1. Emissions *(CONTINUED)*

Table 1 The Group's Total Emissions by Category in FY2018 and FY2017

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in FY2018	Intensity* (Per Employee) in FY2018
Air Emissions	SOx	Kg	0.2	–
	NOx	Kg	8.7	–
	PM	Kg	0.6	–
GHG Emissions	Scope 1 (Direct Emissions)	Tonnes CO_2e	32	–
	Scope 2 (Energy Indirect Emissions)	Tonnes CO_2e	6,852	–
	Scope 3** (Other Indirect Emissions)	Tonnes CO_2e	1	–
	Total (Scope 1 & 2 & 3)	Tonnes CO_2e	6,885	58.3
Non-hazardous Waste	Solid Wastes	Tonnes	12	0.1
	Wastewater	Tonnes	112,001	949.2

* Intensity was calculated by dividing the amount of air, GHG and other emissions by the total workforce of the Group in FY2018, which was 118;

** The Group's Scope 3 (Other Indirect Emissions) included only paper waste disposed of at landfills;

*** The methodology adopted for reporting on GHG emissions set out above was based on the "How to Prepare an ESG Report ? — Appendix 2: Reporting Guidance on Environmental KPIs" issued by Hong Kong Exchanges and Clearing Limited.

Hong Kong Headquarter Office

The major emissions for the Hong Kong office were municipal solid waste, wastewater and indirect GHG emissions from the purchase of electricity. During the year under review, no hazardous waste was found at the Group's Hong Kong office.

V. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.1. Emissions *(CONTINUED)*

Hong Kong Headquarter Office *(CONTINUED)*

Solid Wastes

Solid waste in this business segment was mainly commercial solid waste from staffs at the office. To efficiently manage the waste, the Group has adopted various measures, such as centralised garbage can, for the collection of waste. Also, the Group has applied solid waste classification system into practice. The sorted municipal solid waste from offices was handled by the property management of the building, and then disposed of at landfills by the government department.

Given the commitment of the Group to sustainable waste management, effective actions have been taken in the office to reduce, reuse and recycle materials as highlighted below in particular:

- Recycle as much solid waste as possible through waste classification;
- Educate all employees on reducing the use of disposable items such as plastic tableware;
- Purchase microwaves in the office to encourage employees to take lunch boxes to work instead of ordering take-away food;
- Advocate the reuse of office stationeries; and
- Provide glass cups to clients and guests instead of disposable ones.

Wastewater

Wastewater generated from administration offices of the Group was mainly commercial wastewater from buildings. The wastewater was directly discharged into the building sewerage network and handled by the property management. Since the amount of wastewater highly depends on the amount of water used, the Group has adopted specific measures, further described in the next subsection under **Water**, to reduce its water consumption in the office.

GHG emissions

Electricity production generates the second largest share of greenhouse gas emissions and approximately 68 percent of our electricity comes from burning fossil fuels according to 'Inventory of U.S. Greenhouse Gas Emissions and Sinks' published by United States Environmental Protection Agency. Therefore, controlling the consumption of electricity in the office turns out to be a fundamental step for all enterprises to address the risks of climate change. Moreover, the management of cost budget on transportation is another important way enterprises, especially those which seem not to have industrial operations, minimise its carbon footprint due to the role fossil fuel combustion plays in the rising level of diverse kinds of greenhouse gases, including CO_2, CH_4 and N_2O. The Hong Kong office of the Group, therefore, has put great attention to the conservation of electricity through the effective implementation of corporate policies, which are further detailed in the next subsection under **Electricity** and **Other energy resources**.

V. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.1. Emissions *(CONTINUED)*

Gold Mining Business

The principal emissions in Gold Mining Business of the Group included GHG emissions from electricity consumption and fuels combustion for machinery operation, sulphur dioxide, nitrogen oxide, smoke, slag, noise, wastewater, tailings, mine waste, rock waste and domestic waste from workers during mining process. To make sure that emissions from mining sites could be effectively managed, especially the key elements that might pose potentially detrimental threat to the environment, the Group not just implemented environmental impact assessments that are strictly required by the government prior to construction and mining process, an Environmental Monitoring Team comprised of professional internal inspectors was commissioned to record and control the emissions as well. Such monitoring system has been proven to be a useful way to keep the Group consistent with the best practice in environmental stewardship.

Air & GHG Emissions

Air and GHG emissions from Gold Mining Business mainly came from the use of electricity, consumption of gasoline, and dust during mining operations. For instance, a significant fleet of heavy machineries for mining and transporting ore and other solid waste could produce certain amounts of exhaust fumes, while the transportation of light vehicles for workers commuting backwards and forwards between dormitories and mining sites is also a primary contributor to air emissions. As such, the Group has strictly abided by relevant laws in controlling its exhaust gas emissions and implemented policies by taking specific measures to abate the impact of air emissions on the surrounding areas. What is more, since dust during operations is an unavoidable type of emission on site, bag-house dust collectors and closed hoods, along with high-pressure sprays have been adopted to ensure that the air quality in the workplace meets both the national standards and internal corporate requirements.

To further lower the air & GHG emissions from mining operations, it goes without saying that controlling the consumption of fossil fuels is vital. Thus, the Group has set up internal policies, which are further described in the **A.2.Use of Resources**, to reduce energy use through advancing energy management programs and energy efficiency initiatives.

Wastewater

The wastewater from this business segment fell into industrial sewage during mining operations and domestic wastewater from workers. Laying great emphasis on the development of circular economy, the Group has set 'Zero Water Discharge' target for the mining business and successfully realised zero discharge of both domestic and industrial sewage on site. Specifically, the domestic wastewater was discharged into internal domestic wastewater treatment system before being used for planting and irrigation. The industrial wastewater, however, was treated in a more sophisticated manner and varied widely in terms of the treatment method according to pre-treated water quality. The floating mud during the treatment process was collected and transported to the certified external environmental organisations. The normal operation of such facilities would make sure that both domestic and industrial wastewater meets the standard of 'Integrated waste discharge standard (GB 8978-1996)（污水綜合排放標準）after treatment. Notably, the mining sites have been installed with Industrial Sewage Recycling Facilities for wastewater treatment, which are regularly checked and accepted by the environmental department of local government.

V. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.1. Emissions *(CONTINUED)*

Gold Mining Business *(CONTINUED)*

Solid Wastes

The solid wastes in this business segment included domestic solid wastes from employees and industrial solid wastes including tailings, waste rock, as well as other hazardous and non-hazardous materials. The domestic waste was well-sorted, recycled and handled by certified municipal department. For example, domestic wastes from this business segment were mainly paper, glass and plastic products, which were normally stacked at the rubbish bins altogether and transported by the waste recycling department on a regular basis. Hazardous wastes were carefully stored in special containers or warehouses equipped. To prevent any penetration and leakage to the environment, the Group has equipped special facilities and assigned staffs to manage the warehouse in accordance with the requirements of the Regulations on the Safety Management of Hazardous Chemicals(危險化學品安全管理條例). Besides, certified environmental protection companies were the organisations responsible for the recycling and handling of wasted hazardous materials. By and large, the hazardous waste needs to be strictly separated from the general waste. Normally, the dangerous waste was temporarily stored at special warehouse installed with monitoring systems, while the domestic waste should be separately collected for centralised treatment.

It is worth mentioning that tailings and waste rock were two key materials that came from the gold mining and processing. Tailings were piled up at internal tailing warehouse. The Group has strictly enforced the design and operational requirements of tailings facilities and warehouse in regard to their repair and maintenance, operation and monitoring. The waste rock was collected by stone manufacturers for processing and production.

To keep a sound management of tailings, waste rock and other valuable solid waste, the Group established Solid Waste Stewardship Strategy to ensure good practices in construction, operation, maintenance, monitoring and, ultimately, disposal of waste. For instance, the facilities for waste transportation, storage and re-processing must meet or exceed regulatory standard so that they would not jeopardise people's health or the environment.

Noise

Noise emissions generated by the Group mainly came from the operation of machineries and equipment during mining processes. The commitment of the Group to the reconciliation and growing relationships with indigenous peoples could be reflected in the actions of its noise control approach. In strict compliance with national and local regulations in terms of noise emissions such as Emission standards for industrial enterprises noise at boundary (GB12348-2008), the Group has adopted many noise-reducing facilities and measures to mitigate the impact of noise on the surroundings. Specifically, shock pads on crushing and real-time sound monitoring equipment were some of the examples of noise control practice on site in FY2018. More importantly, the Group hopes to lower the impact of noise at source and therefore commits to bring forth more practical innovation and purchase brand-new equipment that is notably quieter, more environmentally friendly and more efficient compared with the outmoded machineries of which the noise pollution might reach a high decibel level.

The Group endeavours to reach a higher level in reducing emissions to the environment during mining operations and has been committed to accomplishing the goal of 'Zero Discharge of Solid Waste' in the near future. To do that, the Group has put its main focus on the supervision and management of operational process, where the Group resolves to root out any practice of covert discharge and leakage. In recent years, the Group has already achieved solid progress toward its goal and passed the milestones including successful restoration of local environment and project acceptance by local government with swift and steady stride. During the year under review, the Group was not in violation of any relevant laws and regulations in relation to emissions, which have a significant impact on the Group.

V. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.2. Use of Resources

In FY2018, the main resources consumed by the Group were electricity, gasoline, water and paper. Due to the suspension of tea business, no diesel fuels or packaging material were consumed by the Group during the year under review. Table 2 illustrates the amount of different resources used by the Group in FY2018 and FY2017.

Table 2 Group's Total Use of Resources by Category in FY2018 and FY2017

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount in FY2018	Intensity* (Per Employee) in FY2018	Amount in FY2017	Intensity* (Per Employee) in FY2017
Energy	Electricity	kWh'000	10,269	87	10,308	21
	Gasoline	L	13,557	115	54,766	112
	Diesel	L	–	–	2,926	6
Water	Water	m^3	112,001	950	65,077	133
Paper	Paper	Kg	280	2.4	800	1.6
Packaging Materials	By paper	Tonnes	–	–	47	0.1
	By plastic	Tonnes	–	–	1,239	2.5
	By metal	Tonnes	–	–	210	0.4

* Intensity was calculated by dividing the amount of consumed resources by the total workforce of the Group in FY2018 and FY2017, which was 118 and 490, respectively;

Electricity

Electricity was purchased from utilities by the Group and consumed for regular operations in the office and during mining operations. Both offices and mining sites of the Group have stringently complied with relevant regulations and the Group's policy of saving electricity. To mitigate the consumption of electricity so as to diminish its GHG emissions, the Group has embedded the slogan of 'Saving Electricity' into its business strategy and in particular implemented the following practices:

- Switch off all idle lights and air conditioners (e.g. most electrical equipment will be turned off during lunch time);
- Place 'Save electricity and turn off the light when you leave please' posters to encourage workers and employees to conserve energy;
- Maintain the electrical equipment in offices (such as air conditioner and paper shredder) regularly to keep their high efficiency;
- Adjust the set temperature of air conditioners at offices based on the season;
- Educate workers and staffs working in the office on the importance of energy conservation;
- Purchase and install new electric generators and transformers with high energy efficiency on site;

V. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.2. Use of Resources *(CONTINUED)*

Electricity *(CONTINUED)*

- Use more efficient LED bulbs for office lighting instead of energy-intensive lamps in both offices and mining sites; and
- Encourage all employees to open curtains and utilise the natural sunlight for lighting in the office when possible.

Other energy resources

The consumption of other energy resources in the operating sites also drew the Group's attention, which was primarily in the form of gasoline. Fossil fuels were mainly consumed in the digging, loading and transportation of ore and waste rock, comminution process, and for heating from time to time. As energy is essential for the mining business, optimising the mining operations and ensuring the access to secure and reliable energy sources are key to the long-term stability of the Group's business.

In addition to the promotion of energy conservation among employees and the adoption of innovative technologies to save energy resources, the Group has incorporated environmental protection into its business strategy, thereby establishing an energy policy that quantifies the amount of different energy resources consumed during mining operations. Meanwhile, the Group keeps choosing environmentally-friendly vehicles for transportation and operation, redesigning the machineries to be more eco-efficient, and initiating a competitive mechanism to incentivise subsidiaries to pursue a 'low carbon and low consumption' operating process.

Water

Notwithstanding that the recycling of domestic and industrial wastewater has helped the Group save a considerable quantity of water, as an enterprise that is fully aware of the importance of systematic water management to the company, the Group takes into account the effective use of precious water resources as the sure way to minimise the amount of wastewater. Therefore, the Group prioritises water conservation measures among a growing number of environmental issues and strictly follows the '3R rules – Reduce, Reuse and Recycle' in its daily operations. By applying the robust water resource protection and monitoring measures such as the application of flow metres on the control of the withdrawal of water resources, the Group did not face any problem in sourcing water during the year under review. Furthermore, not only has the management of the Group put great emphasis on water preservation, both offices and mining sites also have taken effective steps to save water very well. In FY2018, seminars and informal discussions regarding more advanced and innovative ways of saving water were held. Mining sites, where water could be largely consumed, were encouraged to reuse the wastewater as much as possible, which was the main driver of the mining business realising the goal of 'Zero Water Discharge'. The Group believes that education in the office is also another part that could influence the annual consumption of water within the Group. In FY2018, employees at offices were highly motivated to reduce the amount of flushing water in a proper way. The Group strives to gradually instil the principle of 'Saving Water' to every employee during their daily lives and work. To improve the utilisation efficiency of water resources, the Group has further adopted the following practices:

- Fix dripping taps immediately to avoid further leakage of the water supply system;
- Strengthen the inspection and maintenance on water tap, water pipelines and water storage;
- Run regular leakage test on water taps, joint rings and other components in the water suppler system; and
- Advocate the importance of saving water among employees through trainings.

V. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.2. Use of Resources *(CONTINUED)*

Paper

Quantification Management approach has long been adopted by the Group to control the consumption of paper at offices. In addition to communicating via digital means such as emails, which is what vast majorities of companies tend to do nowadays, a multitude of Office Automation ('OA') solutions have been put into practice from document transfer, information communication, all the way to the review, approval and signing of relevant decisions. To minimise the use of paper, the Group has implemented the following policies in order to promote a paperless office as well:

- Choose suppliers with more environmentally-friendly paper source, so as to reduce the amount of tree losses while consuming the same amount of paper indirectly;
- Set duplex printing as the default mode for most network printers when printouts are needed;
- Spread the idea of "Think before print" by using posters and stickers in offices to remind the staff of avoiding unnecessary printings;
- Reconsider boxes and trays as containers beside photocopiers to collect single-sided paper for reuse;
- Use the back of old single-sided documents for printing or draft paper; and
- Recycle used stationery whenever possible.

Packaging Materials

Given the suspension of tea business that would consume certain amounts of packaging materials during operations, the Group did not purchase and use any packaging material in FY2018.

A.3. The Environment and Natural Resources

Through a series of measures to save electricity, water, fossil fuels and all other raw materials during operations as well as the introduction of a systemic waste management system that was introduced above, the Group has made a significant progress toward the building of a reliable, resilient and sustainable corporation that pioneers in the mining industry. As climate-related risks and implications have been infiltrating into an increasing number of companies in recent years, there is no denying the fact that learning how to identify and fathom the inner relation between the macro-environment and self-development is imperative to the enterprise. As such, the Group insisted on robust and consistent analyses of the potential financial impacts of climate change in the past and has found that transitioning to a lower-carbon economy and integrating circular economy into its entire business strategy are two critical tasks ahead of the Group. Despite that the Group's environmental impact was lower in FY2018, especially in GHG emissions as compared to last year due to its unremitting efforts to create a resource-saving and environmentally-friendly enterprise, the Group is still committed to innovating and building an all-electric underground mine that will rely on digital and smart controls. Besides, the Group considers renewable energy such as biomass for heating as the potential opportunity for mining companies to better adapt to the ever-changing environment in the next 5-10 years, and thus has made huge investment in the exploration and research in this realm.

V. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.3. The Environment and Natural Resources *(CONTINUED)*

Under the such strategic transformation, the Group will focus on the following three main areas in its daily operations to further eliminate its possible repercussions on the environment. First, the Group is dedicated to seizing every opportunity to innovate, design and utilise eco-efficient machineries for daily operations in terms of their energy consumption, environmental pollution, and most importantly, compliance with relevant environmental regulations such as the Provisions on the Protection of the Geologic Environment of Mines（礦山地質環境保護規定）. Second, the Group values the education and advocacy of low-carbon operation and lifestyle and therefore endeavours to cultivate the good habits of diligence and frugality in terms of the use of natural resources among its employees. Third, to align with the international standard in preserving energy resources and protecting the planet, a series of efficacious, adaptable and globally compatible policies have been widely considered the fundamental asset to keep the enterprise going with the tide of world development by the Group. Since the Sustainable Development Goals (SDGs) came into force on 1 January 2016 and laid out a roadmap to tackle 17 vital sustainability issues around the world, the Group has made some progress in the participation in multi-stakeholder involvement and will keep gathering the feedback from those who expect the integration of SDGs into corporate policies and decision-making process.

Moving forward, the Group will be in constant pursuit of the application of renewable energy and environmentally sound solutions to a variety of pollution-related problems, which is critical to the present and future of the sustainable development of both the mining industry and our planet.

VI. SOCIAL SUSTAINABILITY

Employment and Labour Practices

B.1. Employment

The Group treasures employee's talent and sees it as the key in driving the success and maintaining the sustainable development of the Group. As such, the Group have bent all its efforts for providing its employees with a secure and suitable platform for gaining professional knowledge and developing vocational career.

Table 3 Total Workforce by Gender Group and Geographical Region in FY2018

By Gender Group	Number of employees in HK Office	Number of employees in the PRC Subsidiaries	Total
Male	6	91	97
Female	4	17	21
Total	10	108	118

VI. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.1. Employment *(CONTINUED)*

Table 4 Total Workforce by Age Group and Geographical Region in FY2018

By Age Group	Number of employees in HK Office	Number of employees in the PRC Subsidiaries	Total
Aged below 31	2	15	17
Aged 31-50	4	62	66
Aged over 50	4	31	35
Total	10	108	118

The workforce in FY2018 dramatically declined due to the disposal of tea business of the Group in April 2018.

Law compliance

The human resources policies of the Group have abided by applicable employment laws and regulations in Hong Kong and the PRC that are material to the Group's businesses, including but not limited to the:

- *Employment Ordinance (Cap. 57 of the Laws of Hong Kong);*
- *Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong);*
- *Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong);*
- *Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong);*
- *Labour Law of the People's Republic of China（中華人民共和國勞動法）;*
- *Insurance Law of the People's Republic of China（中華人民共和國社會保險法）;*
- *Labour Contract Law of the People's Republic of China（中華人民共和國勞動合同法）;*
- *Minimum Wage Regulations（最低工資規定）; and*
- *Regulations on the Supervision of Labour Security（勞動保障監察條例）.*

The Human Resources Department of the Group is the one that assumes responsibility for the reviewing and updating of relevant company policies on a regular basis in accordance with the latest laws and regulations.

VI. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.1. Employment *(CONTINUED)*

Recruitment and promotion

The Group has adopted a set of transparent and clear procedures to conduct its annual recruitment plan, such as 'Personnel Recruitment Plan', aiming to live up to 'Openness, Fairness, Transparency, Standardisation'(公開、公平、透明、規範). To attract high-calibre candidates, the Group offers fair, competitive remuneration and benefits in the light of applicants' past performance, personal attributes, job experiences and career aspirations. The Group also references market benchmarks in determining remuneration and benefit policies. As talent retention is significant to the Group's business development in the long run, the Group periodically reviews its compensation packages and performs probationary and regular evaluations on the employee's capability and performance in the past. This ensures that all employees can be recognised by the Group appropriately with respect to their efforts and contributions.

Compensation and dismissal

Any appointment, promotion or termination of recruitment contract are based on reasonable, lawful grounds and internal policies such as Staff Handbook(員工手冊)of the Group, which provides specific instructions and guidelines for the Group to manage the employment. The Group strictly prohibits any kind of unfair or illegitimate dismissals. For those who violate the Group's employment policies, the Group would warn verbally before issuing a warning letter. For those who remain untamed despite making the same mistakes repeatedly, the Group would dismiss the person according to relevant laws in Hong Kong and the PRC.

Working hours and rest periods

The Group has formulated its Staff Handbook(員工手冊)in which the terms and policies were based on local employment laws including Provisions of the State Council on Employees' Working Hours(國務院關於職工工作時間的規定)to determine working hours and rest periods for employees. The Group has also installed the attendance management system that could keep monitoring its employee's working hours, and compensate those who work overtime with extra pay or additional days off. In addition to basic paid annual leave and statutory holidays, employees are also entitled to additional leave benefits such as marriage leave, maternity leave, sick leave and compassionate leave.

Equal opportunity and anti-discrimination

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

VI. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.1. Employment *(CONTINUED)*

Other benefits and welfare

The Group cares about the wellbeing of its employees and therefore provides employment injury insurance for its employees. In addition, travelling packages are arranged for its employees, which the Group believes are significant to ensure their physical and mental health. The Group values its employees and believes that employees are the creators, practitioners and trailblazers of the fulfilment of corporate values. In FY2018, a number of full-time employees of the Group were recognised eligible for incentives and rewards, which enabled them to share in the success beyond fixed salary. The Group believes that the regular review of employees' performance and the provision of appropriate benefits to employees can align the Group's practice with its compensation philosophy and support the long-term sustainability of the entire organization as well. What is more, the Group organised a plethora of meaningful events for all employees such as annual dinner and monthly birthday parties during the year under review.

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

B.2. Health and Safety

The Group and its stakeholders all believe that health and safety is crucial to the Group's sustainable development given the significant role it plays in the mining business. It is the phrase of 'Safety first, Prevention first'（安全第一，預防第一）that captures one of core strengths of the Group and standardises the mining operations of the Group to ensure the safety and health of employees at work. To provide and maintain a safe, clean and environmentally-friendly working condition for employees, the Group has established strict internal safety and health policies, which are in line with relevant laws and regulations in Hong Kong and the PRC, including the:

- *Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong);*
- *Law of the People's Republic of China on Prevention and Control of Occupational Diseases（中華人民共和國職業病防治法）;*
- *Regulation on Work-Related Injury Insurance（工傷保險條例）;*
- *Notice of the State Administration of Work Safety on the strengthening of dust hazard control work in the gold mining enterprises（國家安全監管總局關於加強金礦開採企業粉塵危害治理工作的通知）; and*
- *Warning Signs for Occupational Hazards in the Workplace（工作場所職業病危害警示標識）.*

VI. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.2. Health and Safety *(CONTINUED)*

Striving for zero accidents of all persons, the Group has focused on the implementation of the effective measures in following three areas for management:

Emergency preparedness programs

- Train and equip mine rescue team
- Real-time monitoring and alerting system

Management of hazardous materials

- Lifecycle management of purchase, use, storage, transportation and disposal

Technical safety trainings

- Machine safeguarding training
- Simulator training
- Equipment operation training

To ensure an infallibly healthy and safe working environment where risks of occupational hazard could be to large extent minimised, the Group has set up special onsite workforce for emergency relief. Suitable protective gears and rescue plans for emergency have been provided to the mining rescue team as well. On top of that, professional emergency facilities and sufficient supplies are all in reserve for unpredicted circumstances, which are guarded and managed by designated staffs to make sure that the contingency plan could be perfectly carried out during the outbreak of unwanted environmental and operational incidents that might threaten the health and safety of workers. With a strong ambition to constantly lower the rate of operational accidents while enhancing the capability of the Group to deal with emergency, the Group commits to optimise its countermeasures to emergency according to the National Emergency Plans in Response to the Outbreak of Environmental Incidents（國家突發環境事件應急預案）and to intensify emergency drills in both frequency and quality in the near future.

A sound management of hazardous materials not only contributes to good environmental management, but also could significantly prevent the occupational hazard that onsite workers are exposed to. The Group has accordingly formulated strict and comprehensive policies for the handling of hazardous materials, in order to keep the procurement from suppliers, operation in the mining sites, storage in warehouses, transportation to another place, and disposal practice under surveillance.

The training regarding occupational health and safety has been seen as one of the most critical training topics in the Group. The safety training plan for each financial year is always drafted, discussed and approved at the beginning of the year. Technical safety training is majorly provided at the operational level, which requires all frontline workers in the mining sites to attend.

VI. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.2. Health and Safety *(CONTINUED)*

In addition, the Group has conducted the following measures for its safety and health management in offices and other workplaces as well:

- Emergency response drills for employees at offices
- Safety inspections in offices and warehouses
- Cleaning of air-conditioning systems in offices
- Disinfection of carpets in offices
- Prohibition of smoking and drinking liquor in the workplace
- Education through bulletins and warning posters
- Provision of suitable Personal Protective Equipment ("PPE", such as helmets, safety ropes, gloves, etc.) to onsite workers

In FY2018, the Group found no work-related fatalities during its operations and was not in any violation of relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that may have a significant impact on the Group.

B.3. Development and Training

Development and training of employees are believed to be the foundation of corporate long-term success, which have been demonstrated in the following areas.

- Corporate trainings act as catalyst for progressive and continuous learning.
- Employees' weakness and deficiency of knowledge can be pinpointed and addressed.
- Self and inter-personal trust, support and collaboration within the enterprise can be cultivated effectively.
- Higher productivity and revenue can be achieved rapidly once individual goals are integrated with the organisational targets through communications and trainings.
- With a high level of discipline and consistency with corporate vision, solidarity among employees and leadership can play important roles in innovation and creativity.

Hence, the Group has formulated a set of internal regulations and policies for strengthening the skills and knowledge of its employees. Other than specific safety training programs provided to onsite workers, a complete training package is normally designed and given to all new hires, which covers the history of company, corporate governance structure, corporate culture, business processes, and management system. In FY2018, a multitude of trainings were held to employees of the Group, including basic saftey management geological design, electricity supply security and so on. For experienced employees, profession-oriented courses are offered according to the corporate demands and employees' expectations. Through different types of trainings, the Group strives to make sure that all employees are capable of delivering high-quality work in their positions.

VI. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.3. Development and Training *(CONTINUED)*

To further enhance the professional skills of its employees and meet the Group's development goal, signing up for professional qualification examinations and external trainings is highly encouraged. Employees who take the external qualification examinations and obtain vocational qualification certificates could receive a reimbursement from the Group. Meanwhile, the Group also invites external organisations and experts to provide trainings from a broad range of topics to its employees on a regular basis.

B.4. Labour Standards

Gold mining is a very dangerous work for children. Nowadays, however, tens of thousands are still found in the small-scale gold mines of Africa, Asia and South America according to International Labour Standard. To prohibit any child and forced labour employment during its mining operations, the Group has abided by the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Labour Law of the People's Republic of China（中華人民共和國勞動法）and other related labour laws and regulations in Hong Kong and the PRC. Combatting against illegal employment on child labour, underage workers and forced labour, the Group's human resources policy requires all job applicants to provide valid identity documents to ensure that they are lawfully employable prior to confirmation of any employment. The Human Resources Department is also responsible to monitor and guarantee the compliance of corporate policies and practice with latest laws that prohibit child labour and forced labour. Once the Group found any case against labour standards, the employment contract would be immediately terminated.

In FY2018, the Group was not in violation of any relevant laws and regulations, in relation to the prevention of child and forced labour that have a significant impact on the Group.

Operating Practices

B.5. Supply Chain Management

As a socially responsible enterprise, it is crucial for the Group to maintain and manage a sustainable and reliable supply chain that brings positive impact to the environment and society. The Group majorly relies on electricity supply for its mining business and office operations. To ensure that all suppliers and sub-contractors operate in strict compliance with relevant commercial regulations and in an environmentally-friendly manner, the Group keeps monitoring their performance and its supply chain practice on a continuous basis.

The Group has formulated its internal policies such as 'Supplier Management Procedure（供應商管理辦法）' to manage and evaluate its suppliers before, during and after tender procedures. Supply Chain Management's ability to source high-quality goods at the lowest price is vital to competitiveness. However, to an ethically responsible enterprise, the Group's task does not end at price. Every purchase is evaluated against a long list of criteria, such as suppliers'/subcontractors' reputation, service/product quality, environmental management system, production and technical capacity, business track record for past 3 years, economic disputes history with the Group, and regulation compliance. Each supplier/subcontractor is also reviewed for its compliance with labour practices, human rights, ethics, anti-corruption, and safety standards.

VI. SOCIAL SUSTAINABILITY *(CONTINUED)*

Operating Practices *(CONTINUED)*

B.5. Supply Chain Management *(CONTINUED)*

The Group commits to control the social and environmental risks that might arise from its supply chain and has formulated its internal supplier management policies by classifying the suppliers into different groups, in order to implement differentiated managerial strategies towards suppliers. Cooperation surveys are conducted regularly to minimise the potential risks and address any problem that may come along. To make sure a solid and steady relationships with suppliers, the Group strictly sticks to the terms of contract and proactively engages its suppliers in the discussion of the optimisation of supply chain management through various channels, such as online conference, onsite visit, physical meetings and phone calls. During the year under review, the Group did not experience any material delays, conflict or other significant accidents with its suppliers. The Group believes that a mutual understanding and sense of responsibility toward each other is essential to maintaining a sustainable and sound relationship with selected suppliers. As such, the Group commits to explore more advanced and efficient ways in its collaboration through continuous consultation and negotiations with the labour unions and suppliers. Moreover, as climate-related challenges are potentially influencing the future pattern of business given the analysis in accordance with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Group is currently undertaking a more in-depth evaluation on the forecasted resource shortages with its suppliers, whose supply of products required for mining activities would probably be changed in the near future.

B.6. Product Responsibility

With regard to the health and safety, advertising, labelling and privacy matters of its products, the Group has always been in compliance with the relevant rules, regulations and standards in the PRC and Hong Kong, including but not limited to the:

- *Product Quality Law of the People's Republic of China（中華人民共和國產品質量法）;*
- *Mineral Resources Law of the People's Republic of China（中華人民共和國礦產資源法）; and*
- *Ambient air quality standards（環境空氣質量標準）.*

Product responsibility is a major concern for the Group, and the product quality, health and safety affairs and privacy matters are considered material to the Group's business. The major product of the Group belongs to the category of Gold Concentrate. To produce top-notch products that satisfy customers' needs, the Group insists on producing high quality Gold Concentrate, which is 'No Impurity and Uniform Colour'.

In compliance with relevant international and national standards in the mining industry, the Group has acted in accordance with YS/T 3004-2011 Gold Concentrate（金精礦行業標準）in quality classification in order to deliver reliable and trustable products. Also, the internal policy provides specific details and guidance to the internal quality and technique control station, which is responsible for the sampling, testing and issuing certification on the quality of gold. Meanwhile, the Group has cooperated with certified external laboratories for external inspection as well.

Service centre of the Group is mainly for the collection of customers' complaints as the Group values clients' feedback. During the year under review, the Group did not receive any complaint regarding its product quality.

VI. SOCIAL SUSTAINABILITY *(CONTINUED)*

Operating Practices *(CONTINUED)*

B.6. Product Responsibility *(CONTINUED)*

The Group has abided by laws in relation to customer privacy and ensures that its customers' rights are strictly protected according to the confidentiality terms in the contract. Information collected by the Group from its customers would be used only for the purpose for which it has been collected. During the reporting year, there were no substantiated complaints received concerning breaches of customer privacy and losses of customer data.

Considering the business nature, the labelling-, advertising- and recall-related matters are relatively insignificant or not applicable to the Group, which is the reason why the report chooses not to disclose certain issues. In FY2018, the Group was not in any violation of relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters of its products and services that have a significant impact on the Group.

B.7. Anti-corruption

To maintain a fair, ethical and efficient working environment, the Group has complied with laws and regulations relating to anti-corruption and bribery in the PRC and Hong Kong, including the Anti-corruption Law of the People's Republic of China（中華人民共和國反腐敗法）, the Law of the People's Republic of China on Anti-money Laundering（中華人民共和國反洗錢法）, the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong), and the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong).

The Group has formulated and strictly enforced its anti-corruption policies as stipulated in its 'Anti-fraud and Reporting Policy'（反舞弊與舉報制度）and Staff Handbook（員工手冊）to manage any fraudulent practices. For instance, the Staff Handbook describes in detail the circumstances under which employees' practice violates the corporate regulation, the value of gifts above which the practice can be deemed as bribe, and the standard procedures by which any employee who receives the 'benefit' from clients need to report to the leadership. The Group prohibits all forms of bribery and corruption, and requires all employees to strictly stick to the codes of professional ethics. All employees are expected to discharge their duties with integrity, to act fairly and professionally, and to abstain from engaging in bribery activities or any activities which might exploit their positions against the Group's interests. During the year under review, no concluded legal cases regarding corrupt practices were brought against the Group or its employees.

Whistle-blowers can report verbally or in writing to the supervisor or directly to the management of the Group for any suspicious misconduct with full details and supporting evidence. The Audit Committee is responsible for investigations to protect the Group's interests. The Group promotes an effective grievance mechanism to protect the whistle-blowers from unfair dismissal or victimisation. Where criminality is suspected, a report will be made promptly to relevant regulators or law enforcement authorities when the management considers it necessary.

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

VI. SOCIAL SUSTAINABILITY *(CONTINUED)*

Community

B.8. Community Investment

Being a leading mining enterprise in the PRC, the Group has successfully established a systematic set of standards, policies and a group of executers for its environmental and operational management. Nonetheless, the Group realises that it would be erroneous if its role of being a corporate citizen and being a socially responsible company cannot be played well. As such, the Group keeps disseminating the idea of 'Helping Those in Need' across the company and strengthening its internal education on the importance of making a positive contribution to the communities where the Group operates among its employees. Meanwhile, the Group has strategically implemented 'Community Development Scheme', aiming to work with community groups collectively to combat poverty, raise local employment rate, improve the community health, and coordinate with local government to make the region thrive.

The Group believes that enterprise is an indispensable part of local community groups. To better fulfil its social responsibilities, the Group is committed to playing the pivotal role in leading the industry to make contributions to the society in the future:

- Actively engage local community groups in determining the best approach to enhancing net positive impacts on biodiversity through the sharing of information, technology and infrastructure;

- Keep developing local capacity through training and various forms of dialogue for a better understanding of the needs of community groups as well as raising local employment rate; and

- Incessantly implement the idea of 'Helping Those in Need' locally and link the Group's mining business to local community's sustainable development.

VII. REPORT DISCLOSURE INDEX

Aspects	ESG Indicators	Description	Page
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	43
	KPI A1.1	The types of emissions and respective emission data.	43
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	43
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	43
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	43
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	45
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	45
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	48
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	48
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	48
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	48
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	49
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	50
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	50
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	50

VII. REPORT DISCLOSURE INDEX *(CONTINUED)*

Aspects	ESG Indicators	Description	Page
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	51
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	51
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	—
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	54
	KPI B2.1	Number and rate of work-related fatalities.	56
	KPI B2.2	Lost days due to work injury.	—
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	54
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	56
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	—
	KPI B3.2	The average training hours completed per employee by gender and employee category.	—
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	57
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	57
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	57

VII. REPORT DISCLOSURE INDEX *(CONTINUED)*

Aspects	ESG Indicators	Description	Page
Operating Practices			
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	57
	KPI B5.1	Number of suppliers by geographical region.	—
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	—
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	58
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	—
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	58
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	—
	KPI B6.4	Description of quality assurance process and recall procedures.	58
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	59
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	59
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	59
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	59

VII. REPORT DISCLOSURE INDEX *(CONTINUED)*

Aspects	ESG Indicators	Description	Page
Community			
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	60
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	60
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	—

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TO THE SHAREHOLDERS OF TONGGUAN GOLD GROUP LIMITED 潼關黃金集團有限公司
(FORMERLY KNOWN AS CHINA MINING RESOURCES GROUP LIMITED)
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Tongguan Gold Group Limited (formerly known as China Mining Resources Group Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 69 to 171, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment assessment of exploration and evaluation assets and goodwill

Refer to Notes 5(b)(iv) and 5(b)(i) and Notes 19 and 20 to the consolidated financial statements and accounting policies on Note (4)(g) and (4)(d).

As at 31 December 2018, the Group had exploration and evaluation assets and goodwill relating to gold mining operation which amounted to HK$1,281,633,000 and HK$636,409,000 respectively, which were allocated to the cash generating units of gold mining operation. The impairment assessment of exploration and evaluation assets and goodwill is a key audit matter due to its significance and judgment involved.

How our audit addressed the key audit matter:

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

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

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

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

OTHER INFORMATION 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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Chan Wing Fai
Practising Certificate Number P05443

Hong Kong, 19 March, 2019

	Notes	2018 HK$'000	2017 HK$'000 (restated)
CONTINUING OPERATIONS			
Revenue	7	**105,975**	295,787
Cost of sales		**(102,073)**	(227,830)
Gross profit		**3,902**	67,957
Other income	8	**3,972**	1,403
Other net gains and losses	9	**(1,954)**	4,329
Administrative and other expenses		**(64,967)**	(48,638)
Finance cost	10	**—**	—
Impairment loss recognised in respect of goodwill		**—**	(52,202)
Share of losses of an associate		**(1)**	—
Loss before tax from continuing operations	11	**(59,048)**	(27,151)
Income tax credit/(expense)	12	**4,363**	(5,084)
Loss for the year from continuing operations		**(54,685)**	(32,235)
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	13	**106,994**	(46,939)
Profit/(loss) for the year		**52,309**	(79,174)
Other comprehensive income, net of tax			
Item that will not be reclassified to profit or loss:			
Fair value changes of equity investments at fair value through other comprehensive income		**(20,343)**	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(46,184)**	46,060
Release of investment revaluation reserve upon disposal of available-for-sale investment		**—**	(2,999)
Fair value changes income for the year, net of tax		**—**	17,610
Other comprehensive income for the year, net of tax		**(66,527)**	60,671
Total comprehensive income for the year		**(14,218)**	(18,503)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000 (restated)
(Loss)/profit for the year attributable to owners of the Company:			
— Continuing operations		**(51,601)**	(36,276)
— Discontinued operation		**109,127**	(37,792)
		57,526	(74,068)
(Loss)/profit for the year attributable to non-controlling interests:			
— Continuing operations		**(3,084)**	4,041
— Discontinued operation		**(2,133)**	(9,147)
		(5,217)	(5,106)
Total comprehensive income for the year attributable to:			
— Owners of the Company		**(4,743)**	(18,783)
— Non-controlling interests		**(9,475)**	280
		(14,218)	(18,503)
(Loss)/earnings per share – Basic and diluted	*16*		
— Continuing operations		**HK(1.71) cents**	HK (1.56) cents
— Discontinued operation		**HK 3.61 cents**	HK (1.63) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	*17*	**1,118,995**	606,205
Prepaid lease payments – non-current portion	*18*	**31,531**	48,362
Exploration and evaluation assets	*19*	**1,281,633**	952,872
Goodwill	*20*	**636,409**	552,180
Other intangible assets	*21*	**142,677**	124,739
Other financial assets	*23*	**6,600**	28,131
Interest in an associate	*24*	**3,383**	—
		3,221,228	2,312,489
Current assets			
Inventories	*26*	**19,469**	86,125
Trade and other receivables	*27*	**62,450**	132,480
Prepaid lease payments — current portion	*18*	**810**	1,300
Amount due from an associate	*24*	**1,712**	—
Bank balances and cash	*28*	**109,550**	179,707
		193,991	399,612
Current liabilities			
Trade and other payables	*29*	**363,889**	216,760
Contract liabilities	*30*	**3,383**	—
Income tax payable		**154,172**	42,000
Bank and other borrowings	*31*	**92,046**	132,889
		613,490	391,649
Net current (liabilities)/assets		**(419,499)**	7,963
Total assets less current liabilities		**2,801,729**	2,320,452

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Bank and other borrowings	31	—	5,383
Financial liabilities measured at fair value through profit or loss	32	**68,161**	—
Deferred income	33	—	3,328
Other payables	29	**473,966**	352,693
Provision for restoration and environmental costs	35	**8,368**	8,560
Deferred tax liabilities	34	**329,350**	254,378
		879,845	624,342
Net assets		**1,921,884**	1,696,110
Capital and reserves			
Share capital	36	**339,227**	284,227
Share premium and reserves		**1,461,391**	1,321,701
Equity attributable to owners of the Company		**1,800,618**	1,605,928
Non-controlling interests	39	**121,266**	90,182
Total equity		**1,921,884**	1,696,110

On behalf of the board of directors

Fang Yi Quan
Director

Yeung Kwok Kuen
Director

	Attributable to owners of the Company										
	Share capital *HK$'000* *(Note 36)*	**Share premium** *HK$'000* *(Note 37(a))*	**Statutory surplus reserve** *HK$'000* *(Note 37(b))*	**Contributed surplus** *HK$'000* *(Note 37(c))*	**Share option reserve** *HK$'000* *(Note 37(d))*	**Investment revaluation reserve** *HK$'000* *(Note 37(e))*	**Translation reserve** *HK$'000* *(Note 37(f))*	**Retained earnings/ (accumulated losses)** *HK$'000* *(Note 37(g))*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000* *(Note 39)*	**Total** *HK$'000*
At 1 January 2017	169,150	–	10,067	287,496	–	11,009	45,338	88,177	611,237	(4,000)	607,237
Loss for the year	–	–	–	–	–	–	–	(74,068)	(74,068)	(5,106)	(79,174)
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	–	40,674	–	40,674	5,386	46,060
Release of investment revaluation reserve upon disposal of available-for-sale investment	–	–	–	–	–	(2,999)	–	–	(2,999)	–	(2,999)
Fair value changes in available- for-sale investments	–	–	–	–	–	17,610	–	–	17,610	–	17,610
Other comprehensive income for the year	–	–	–	–	–	14,611	40,674	–	55,285	5,386	60,671
Total comprehensive income for the year	–	–	–	–	–	14,611	40,674	(74,068)	(18,783)	280	(18,503)
Issuance of shares for acquisitions of subsidiaries *(Note 25)*	115,077	898,397	–	–	–	–	–	–	1,013,474	93,902	1,107,376
At 31 December 2017	284,227	898,397	10,067	287,496	–	25,620	86,012	14,109	1,605,928	90,182	1,696,110
At 31 December 2017 and 1 January 2018	284,227	898,397	10,067	287,496	–	25,620	86,012	14,109	1,605,928	90,182	1,696,110
Impact of adopting HKFRS 9 *(Note 2)*	–	–	–	–	–	(54,344)	–	54,344	–	–	–
At 31 December 2017 and 1 January 2018 (restated)	284,227	898,397	10,067	287,496	–	(28,724)	86,012	68,453	1,605,928	90,182	1,696,110
Profit/(Loss) for the year	–	–	–	–	–	–	–	57,526	57,526	(5,217)	52,309
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	–	(41,926)	–	(41,926)	(4,258)	(46,184)
Fair value changes in other financial assets	–	–	–	–	–	(20,343)	–	–	(20,343)	–	(20,343)
Other comprehensive income for the year	–	–	–	–	–	(20,343)	(41,926)	–	(62,269)	(4,258)	(66,527)
Total comprehensive income for the year	–	–	–	–	–	(20,343)	(41,926)	57,526	(4,743)	(9,475)	(14,218)
Release of reserves upon disposal of subsidiaries	–	–	(10,067)	–	–	–	(47,298)	–	(57,365)	14,844	(42,521)
Issuance of shares for acquisition of subsidiaries	55,000	192,500	–	–	–	–	–	–	247,500	25,715	273,215
Shares issued under share option scheme	–	–	–	–	10,235	–	–	–	10,235	–	10,235
Appropriation to statutory reserve	–	–	(937)	–	–	–	–	–	(937)	–	(937)
At 31 December 2018	339,227	1,090,897	(937)	287,496	10,235	(49,067)	(3,212)	125,979	1,800,618	121,266	1,921,884

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 HK$'000	2017 HK$'000
Cash flows from operating activities		
Loss before tax from continuing operations	**(59,048)**	(27,151)
Profit/(loss) before tax from discontinued operations	**106,994**	(46,939)
	47,946	(74,090)
Adjustments for:		
Interest income	**(4,048)**	(3,925)
Interest expenses	**1,341**	4,580
Depreciation of property, plant and equipment	**17,938**	16,834
Amortisation of prepaid lease payments	**1,021**	1,084
Amortisation of other intangible assets	**11,023**	11,045
Gain on changes in fair value less cost-to-sell for agricultural produces	**—**	(510)
Gain on disposal of subsidiaries	**(117,661)**	
Loss on disposal of property, plant and equipment	**4**	—
Government grants recognised	**(2,970)**	(3,035)
Gain on disposal of other financial assets	**—**	(2,999)
Impairment loss recognised in respect of trade and other receivables	**3,284**	5,853
Impairment loss recognised in respect of goodwill	**—**	52,202
Written-down of inventories	**—**	745
Provision for restoration and environment costs	**(708)**	1,706
Reversal of impairment loss recognised in respect of trade and other receivables	**(175)**	(3,343)
Share of losses of an associate	**1**	—
Share-based payment expense	**10,235**	—
	(32,769)	6,147
Decrease in inventories	**5,972**	5,119
Decrease /(increase) in trade and other receivables	**11,784**	(8,221)
Increase in amount due from an associate	**(1,712)**	—
Increase in trade and other payables	**16,530**	1,241
Cash (used in)/generated from operations	**(195)**	4,286
Income tax expenses paid	**(345)**	(2,957)
Net cash (used in)/generated from operating activities	**(540)**	1,329

	2018	2017
	HK$'000	*HK$'000*
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	**(174,224)**	(51,977)
Repayment for purchase of prepaid lease payments	**—**	(29,668)
Expenditure paid on exploration and evaluation assets	**(7,930)**	(11,220)
Proceeds from disposal of other financial assets	**—**	4,073
Proceeds from disposal of property, plant and equipment	**5**	—
Acquisition of subsidiaries, net of cash acquired	**2,846**	61,584
Disposal of subsidiaries, net of cash disposed	**39,462**	—
Interest received	**4,078**	3,947
Government grants received	**1,946**	3,810
Net cash used in investing activities	**(133,817)**	(19,451)
Cash flows from financing activities		
Repayment of bank borrowings	**(44,537)**	(42,672)
New bank borrowings raised	**103,124**	98,126
Interest paid	**(11,694)**	(4,580)
Net cash generated from financing activities	**46,893**	50,874
Net (decrease)/increase in cash and cash equivalents	**(87,464)**	32,752
Cash and cash equivalents at beginning of the year	**179,707**	144,461
Effect of exchange rate changes on cash and cash equivalents	**17,307**	2,494
Cash and cash equivalents at end of the year, represented by bank balances and cash	**109,550**	179,707

1. GENERAL INFORMATION

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

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

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

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

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

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

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

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

A. HKFRS 9 — Financial instruments

(i) Classification and measurement of financial instruments

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

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

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

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

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

A. HKFRS 9 — Financial instruments (CONTINUED)

(i) Classification and measurement of financial instruments (CONTINUED)

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

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

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

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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

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

A. HKFRS 9 — Financial instruments (CONTINUED)

(i) Classification and measurement of financial instruments (CONTINUED)

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

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

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

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

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

A. HKFRS 9 — Financial instruments (CONTINUED)

(i) Classification and measurement of financial instruments (CONTINUED)

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

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

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

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

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

A. HKFRS 9 — Financial instruments *(CONTINUED)*

(ii) Credit losses

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

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

Measurement of ECLs

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

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

A. HKFRS 9 — Financial instruments *(CONTINUED)*

(ii) Credit losses (CONTINUED)

Measurement of ECLs *(CONTINUED)*

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

Significant increases in credit risk

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

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

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

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

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

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

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

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

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

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

A. HKFRS 9 — Financial instruments *(CONTINUED)*

(ii) Credit losses (CONTINUED)

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

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

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

— significant financial difficulties of the debtor;

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

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

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

Write-off policy

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

Impact of ECL model

(1) Impact on trade receivables and contract assets

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

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

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

A. HKFRS 9 — Financial instruments *(CONTINUED)*

(ii) Credit losses (CONTINUED)

Impact of ECL model *(CONTINUED)*

(1) Impact on trade receivables and contract assets *(CONTINUED)*

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

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

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

(iii) Transition

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

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

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

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

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

A. HKFRS 9 — Financial instruments (CONTINUED)

(iii) Transition (CONTINUED)

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

B. HKFRS 15 Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

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

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

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

HKFRS 16 – Leases

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

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

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

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

3. 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 Stock Exchange of Hong Kong Limited (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.

During the year, the Group's current liabilities exceeded its current assets by HK$419,499,000. The directors of the Group has given consideration on the future liquidity of the Group in light of the fact that their current liabilities exceeded their current assets at 31 December 2018. Notwithstanding these, the going concern basis has been adopted, taking into account the following measures: the directors of the Company are of the opinion that, taking into account the presently available banking and credit facilities and internal financial resources of the Group, the Group have sufficient working capital to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the historical financial information has been prepared on a going concern basis.

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

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

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

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

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

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 reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) 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(q)), 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.

(e) Property, plant and equipment

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

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

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

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

Buildings	Shorter of lease term of land or 10-40 years
Plant and machinery	3-10 years
Furniture, fixtures and equipment	5-10 years
Motor vehicles	4-10 years
Bearer plants	Over the lease term of land or 25 years

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

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

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

(f) 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.

(g) Exploration and evaluation assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Intangible assets (other than goodwill)

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

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

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

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

(i) Impairment

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

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) (A) Financial Instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) (A) Financial Instruments (accounting policies applied from 1 January 2018) *(CONTINUED)*

(i) Financial assets *(CONTINUED)*

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECL on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) (A) Financial Instruments (accounting policies applied from 1 January 2018) *(CONTINUED)*

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) (A) Financial Instruments (accounting policies applied from 1 January 2018) *(CONTINUED)*

(iii) Financial liabilities *(CONTINUED)*

Financial liabilities at fair value through profit or loss (CONTINUED)

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

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

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

(iv) Effective interest method

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

(v) Equity instruments

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

The Hong Kong Companies Ordinance, Cap. 622, came into operation on 3 March 2014. Under the Ordinance shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares on or after 3 March 2014 is credited to share capital. Commissions and expenses are allowed to be deducted from share capital under s. 148 and s. 149 of the Ordinance.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) (A) Financial Instruments (accounting policies applied from 1 January 2018) *(CONTINUED)*

(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 HKFRS 9.

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

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the period.

(B) Financial instruments (accounting policies applied until 31 December 2017)

The group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the group's previous accounting policy.

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other 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.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) (B) Financial instruments (accounting policies applied until 31 December 2017) *(CONTINUED)*

(i) Financial assets *(CONTINUED)*

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 asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, 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)*

(i) (B) Financial instruments (accounting policies applied until 31 December 2017) *(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. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance 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.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment 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 fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) (B) Financial instruments (accounting policies applied until 31 December 2017) *(CONTINUED)*

(iii) Financial liabilities (CONTINUED)

Financial liabilities at fair value through profit or loss (CONTINUED)

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are initially measured at fair value, net of directly attributable costs incurred. Financial liabilities at amortised cost, including accruals and other payables, amounts due to immediate holding company and non-controlling interest and bank borrowing, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

(iv) Effective interest method

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

(v) Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) (B) Financial instruments (accounting policies applied until 31 December 2017) *(CONTINUED)*

(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.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the period.

(j) 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.

(k) 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)*

(l) (A) Revenue recognition (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Under HKFRS 15, the Group recognise revenue from sales of goods at a point in time.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) (A) Revenue recognition (accounting policies applied from 1 January 2018) *(CONTINUED)*

(i) Other income

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

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

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

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

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

(ii) Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract asset is recognised when (i) the Group completes the infrastructure construction works under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) (A) Revenue recognition (accounting policies applied from 1 January 2018) *(CONTINUED)*

(iii) Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

(B) Revenue recognition (accounting policies applied until 31 December 2017)

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. Processing income is recognised when services are provided. Commission income is recognised when the goods on which the commission is calculated are delivered. Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease. Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate. Dividend income is recognised when the right to receive the dividend is established. Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with . When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Income taxes

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

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

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.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 “Investment Property”. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

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.

(n) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Foreign currency *(CONTINUED)*

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 foreign exchange reserve (attributed to minority 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 foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange 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 foreign exchange reserve.

(o) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution retirement plan

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

(iii) Termination benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(p) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

Value in use is based on the estimated future cash flows expected to be derived from the asset or CGU (see Note 4(d)), 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.

(r) Provisions and contingent liabilities

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

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

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

(s) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(s) Related parties *(CONTINUED)*

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

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

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

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

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

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

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

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

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

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

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

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

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

(t) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Critical judgments in applying accounting policies

(i) Determination of functional currency

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

(ii) Power to exercise significant influence

Where the Group holds over 20% of voting rights in an investment and the Group has the power to exercise significant influence, such an investment is treated as an associate. More information is disclosed in Note 24.

(b) Key sources of estimation uncertainty

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

(i) Impairment of goodwill

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

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

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

(ii) Impairment of trade and other receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers/borrowers to make the required payments. The impairment allowances are based on assumptions about risk of default and expected credit loss rates. The Group makes its estimates based on the ageing of its loan balances, customers/borrowers' creditworthiness, historical write-off experience and existing market condition including forward-looking estimates as at the reporting date. If the financial condition of its borrowers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

(iii) Impairment of non-financial assets

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

(iv) Impairment of exploration and evaluation assets

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

(v) Fair value measurement

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

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

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

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

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

(v) Fair value measurement *(CONTINUED)*

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.

Certain of the Group's financial assets measured at fair value through other comprehensive income (Note 23) are measured at fair value.

6. SEGMENT REPORTING

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

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

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

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

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

6. SEGMENT REPORTING *(CONTINUED)*

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

(a) Segment revenue and results

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

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

The tea business operating segment has been disposed of and re-classified as discontinued operation and the related information has been set out in Note 13. The segment information set out below has been restated and does not include any amounts nor balances for the discontinued operation.

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

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

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

6. SEGMENT REPORTING *(CONTINUED)*

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

For the year ended 31 December 2018

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

6. SEGMENT REPORTING *(CONTINUED)*

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

For the year ended 31 December 2017

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

6. SEGMENT REPORTING *(CONTINUED)*

(b) Geographical information

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

Information about major customers

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

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

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

7. REVENUE

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

8. OTHER INCOME

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

9. OTHER NET GAINS AND LOSSES

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

10. FINANCE COSTS

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

Note:

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

11. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

Loss before tax is arrived at after charging:

	2018 HK$'000	2017 HK$'000
Continuing operations		
Director's emoluments *(Note 14)*	**13,147**	4,401
Other staff's salaries, bonus and allowances	**12,786**	6,298
Other staff's contribution to retirement benefits schemes	**1,724**	242
Total staff costs	**27,657**	10,941
Impairment loss recognised in respect of goodwill	—	52,202
Impairment loss recognised in respect of trade and other receivables	**1,387**	—
Amortisation of other intangible assets	**10,945**	10,898
Amortisation of prepaid lease payments	**891**	866
Auditor's remuneration	**1,935**	2,004
Costs of inventories recognised as an expense	**100,339**	223,002
Depreciation of property, plant and equipment	**17,544**	11,547
Minimum lease payments under operating lease in respect of office premises	**7,044**	2,297

For the purpose of presenting discontinued operations (Note 13), the comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

12. INCOME TAX (CREDIT)/EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2018 and 2017.

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

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

For the year ended 31 December 2018 and 2017, 潼關縣祥順礦業發展有限公司 (transliterated as Tongguan County Xiangshun Mining Development Co., Ltd.*) ("Xiangshun Mining"), the operating subsidiary of One Champion, obtained the in-charge tax bureau's approval and was granted a reduced EIT rate of 15%.

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

	2018 ***HK$'000***	2017 *HK$'000*
Continuing operations		
Current tax – PRC Enterprise Income Tax		
— Current year	**—**	8,749
— Prior year	**(2,520)**	—
Deferred tax *(Note 34)*	**(1,843)**	(3,665)
	(4,363)	5,084

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

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

13. DISCONTINUED OPERATION/DISPOSAL OF SUBSIDIARIES

(a) Discontinued operation

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

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

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

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

13. DISCONTINUED OPERATION/DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Discontinued operation *(CONTINUED)*

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

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

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

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

13. DISCONTINUED OPERATION/DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Discontinued operation *(CONTINUED)*

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

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

(b) Disposal of subsidiaries

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

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

14. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

	2018 HK$'000	2017 HK$'000
Fees	**720**	662
Other emoluments		
Salaries and other benefits	**2,839**	3,168
Performance related incentive payments *(Note (a))*	**759**	483
Share-based payment *(Note(b))*	**8,759**	—
Contributions to retirement benefits schemes	**70**	88
	13,147	4,401

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

For the year ended 31 December 2018

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000	Share-based payment HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors						
Yeung Kwok Kuen	–	1,200	200	2,136	70	3,606
Fang Yi Quan	–	720	120	641	–	1,481
Shi Xing Zhi *(Note (d))*	–	460	172	2,563	–	3,195
Shi Sheng Li *(Note (e))*	–	459	147	2,563	–	3,169
Independent non-executive directors						
Chu Kang Nam	180	–	30	214	–	424
Ngai Sai Chuen	180	–	30	214	–	424
Liang Xu Shu *(Note (g))*	180	–	30	214	–	424
Leung Ka Wo *(Note (h))*	180	–	30	214	–	424
	720	2,839	759	8,759	70	13,147

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

For the year ended 31 December 2017

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

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) These amounts represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the accounting policies for share-based payments as set out in Note 4(p) to the financial statements. Further details of the options granted are set out in Note 38 to the financial statements.

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

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

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

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

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

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

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

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

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the two years ended 31 December 2018 and 2017.

Five highest paid employees

The five highest paid employees of the Group during the year included four directors (2017: two directors), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining one (2017: three) highest paid employee who are not a director of the Company are as follows:

	2018	2017
	HK$'000	*HK$'000*
Salaries and other benefits	**1,085**	1,803
Performance related incentive payments *(Note (a))*	**99**	323
Contributions to retirement benefits schemes	**34**	71
	1,218	2,197

The remaining senior management's remuneration was within HK$1,000,001 to HK$1,500,000 (2017: all within HK$Nil to HK$1,000,000).

During the two years ended 31 December 2018 and 31 December 2017, 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.

15. DIVIDEND

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

16. EARNINGS/(LOSS) PER SHARE

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

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

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Bearer plants HK$'000	Construction in progress HK$'000	Mining structures HK$'000	Total HK$'000
Cost								
At 1 January 2017	92,690	18,671	9,699	7,157	10,402	7,251	–	145,870
Exchange adjustment	9,177	3,355	718	542	743	21,702	5,135	41,372
Additions	750	5,375	885	86	–	44,882	–	51,978
Transfer	10,590	16	–	–	–	(10,606)	–	–
Acquired through business combinations	23,112	32,057	71	533	–	368,709	103,697	528,179
Written-off	–	–	–	–	–	(49)	(9,765)	(9,814)
Disposals	–	–	(6)	(116)	–	–	–	(122)
At 31 December 2017 and 1 January 2018	136,319	59,474	11,367	8,202	11,145	431,889	99,067	757,463
Exchange adjustment	2,751	(2,021)	357	186	482	(30,314)	(4,555)	(33,114)
Additions	312	18,670	615	1,100	–	163,880	–	184,577
Transfer	645	–	–	–	–	(645)	–	–
Acquired through business combinations	–	15,290	23	246	–	406,984	1,770	424,313
Disposal of subsidiaries	(106,177)	(23,745)	(10,676)	(7,338)	(11,627)	(12,898)	–	(172,461)
Disposals	–	–	–	(184)	–	–	–	(184)
At 31 December 2018	33,850	67,668	1,686	2,212	–	958,896	96,282	1,160,594
Accumulated depreciation and impairment								
At 1 January 2017	90,066	14,144	9,333	6,232	980	3,524	–	124,279
Exchange adjustment	7,438	1,162	664	448	89	252	214	10,267
Charge for the year	5,185	4,632	154	178	506	–	6,179	16,834
Eliminated on disposals	–	–	(6)	(116)	–	–	–	(122)
At 31 December 2017 and 1 January 2018	102,689	19,938	10,145	6,742	1,575	3,776	6,393	151,258
Exchange adjustment	3,825	(1)	298	254	71	164	(938)	3,673
Charge for the year	2,352	6,286	46	73	135	–	9,046	17,938
Acquired through business combinations	–	8,094	18	233	–	–	–	8,345
Disposal of subsidiaries	(101,810)	(16,512)	(8,900)	(6,497)	(1,781)	(3,940)	–	(139,440)
Eliminated on disposals	–	–	–	(175)	–	–	–	(175)
At 31 December 2018	7,056	17,805	1,607	630	–	–	14,501	41,599
Net book value								
At 31 December 2018	26,794	49,863	79	1,582	–	958,896	81,781	1,118,995
At 31 December 2017	33,630	39,536	1,222	1,460	9,570	428,113	92,674	606,205

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

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

The Group had pledged certain buildings with carrying values of HK$Nil (2017: HK$Nil) to secure the general banking facilities granted to the Group as details disclosed in Note 31 to the consolidated financial statements.

18. PREPAID LEASE PAYMENTS

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**49,662**	14,321
Exchange adjustments	**(891)**	2,279
Additions	**—**	29,668
Acquired through business combinations	**—**	4,478
Disposal of subsidiaries	**(15,409)**	—
Amortisation for the year	**(1,021)**	(1,084)
	32,341	49,662
Analysed for reporting purposes as:		
— Current portion	**810**	1,300
— Non-current portion	**31,531**	48,362
	32,341	49,662

The Group has pledged certain prepaid lease payment with carrying value of HK$Nil (2017: HK$Nil) to secure general banking facilities granted to the Group as details disclosed in Note 31 to the consolidated financial statements.

19. EXPLORATION AND EVALUATION ASSETS

	2018 HK$'000	2017 HK$'000
Cost		
At 1 January	**952,872**	—
Exchange adjustments	**(42,464)**	38,263
Additions	**7,930**	11,220
Acquired through business combinations	**363,295**	903,389
At 31 December	**1,281,633**	952,872
Accumulated impairment		
At 1 January	—	—
Exchange adjustments	—	—
At 31 December	—	—
Carrying amount		
At 31 December	**1,281,633**	952,872

20. GOODWILL

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

20. GOODWILL *(CONTINUED)*

Impairment testing

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

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

Impairment testing:

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

(a) Best Income and Max Paramount Group

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

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

— Existence of historical (and recent) comparable transactions;

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

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

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

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

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

20. GOODWILL *(CONTINUED)*

Impairment testing *(CONTINUED)*

(a) Best Income and Max Paramount Group *(CONTINUED)*

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

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

(b) One Champion Group

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

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

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

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

	2017
Pre-tax discount rate	21.03%
Spot price of Gold	USD1,191/Oz
Exchange rate (RMB:US$)	RMB6.6480:US$1
Growth rate	3%

20. GOODWILL *(CONTINUED)*

Impairment testing *(CONTINUED)*

(c) Perfect Major Group and Pride Success Group

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

— Existence of historical (and recent) comparable transactions;

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

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

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

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

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

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

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

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

21. OTHER INTANGIBLE ASSETS

	Brand name HK$'000	Network video platform HK$'000	Forest use right HK$'000	Mining rights HK$'000	Total HK$'000
Cost					
At 1 January 2017	80,511	7,631	8,530	—	96,672
Acquired through business combinations	—	—	—	125,644	125,644
Exchange adjustments	5,763	546	611	4,664	11,584
At 31 December 2017 and 1 January 2018	86,274	8,177	9,141	130,308	233,900
Disposal of subsidiaries	(90,009)	(8,530)	(9,537)	—	(108,076)
Acquired through business combinations	—	—	—	38,913	38,913
Exchange adjustments	3,735	353	396	(5,756)	(1,272)
At 31 December 2018	—	—	—	163,465	163,465
Accumulated amortisation and impairment					
At 1 January 2017	80,511	7,631	3,061	—	91,203
Exchange adjustments	5,763	546	230	374	6,913
Charge for the year	—	—	294	10,751	11,045
At 31 December 2017 and 1 January 2018	86,274	8,177	3,585	11,125	109,161
Exchange adjustments	3,732	353	159	(1,282)	2,962
Disposal of subsidiaries	(90,006)	(8,530)	(3,822)	—	(102,358)
Charge for the year	—	—	78	10,945	11,023
At 31 December 2018	—	—	—	20,788	20,788
Carrying amount					
At 31 December 2018	—	—	—	142,677	142,677
At 31 December 2017	—	—	5,556	119,183	124,739

21. OTHER INTANGIBLE ASSETS *(CONTINUED)*

Notes:

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

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

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

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

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

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

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

The Group has pledged the forest use right with carrying amount of HK$Nil (2017: HK$5,556,000) to secure general banking facilities granted to the Group as details disclosed in Note 31 to the consolidated financial statements.

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

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

22. AGRICULTURAL PRODUCE

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

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

	2018 ***HK$'000***	2017 *HK$'000*
Estimated fair value less costs-to-sell	—	510
Estimated quantity (kg)	—	21,076

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.

23. OTHER FINANCIAL ASSETS

	2018 *HK$'000*	2017 *HK$'000*
Equity securities listed in overseas stock exchange		
— as available-for-sale investments	—	28,131
— as financial assets measured at fair value through other comprehensive income	**6,600**	—
	6,600	28,131

The equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

24. INTEREST IN AN ASSOCIATE

	2018 *HK$'000*	2017 *HK$'000*
Share of net assets	**3,383**	—
Amount due from an associate*	**1,712**	—

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

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

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

Note:

(a) The primary business of Shaanxi Tongguan Siu Qin Ling Gold Mining Country Park Limited is manufacturing of arts and crafts and park management of Siu Qin Ling Gold Mining Country Park.

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

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

	2018 *HK$'000*	2017 *HK$'000*
Loss for the year	**(45)**	(101)
Other comprehensive income	—	—
Total comprehensive income	**(45)**	(101)

25. ACQUISITION OF SUBSIDIARIES

(a) Best Income and Max paramount Acquisition

On 20 December 2018, Combined Success completed the acquisition of the entire equity interests of Best Income and Max Paramount at a combined consideration of HK$80,000,000 by promissory note and 550,000,000 ordinary shares of the Company at the issue price of HK$0.4 per ordinary share (the "Best Income and Max Paramount Acquisition").

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

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

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

	HK$'000
Property, plant and equipment	415,968
Interest in an associate	3,383
Exploration and evaluation assets	363,295
Other intangible assets	38,913
Inventories	343
Trade and other receivables	13,716
Bank balances and cash	2,846
Trade and other payables	(190,856)
Income tax payable	(133,922)
Amount due to related parties	(168,039)
Deferred tax liabilities	(87,854)
Other non-current liabilities	(646)
Total identifiable net assets at fair value	257,147
Non-controlling interest	(25,715)
Goodwill *(Note 20)*	84,229
Fair value of consideration	315,661
Satisfied by:	
Cash consideration	—
550,000,000 shares*	247,500
Contingent consideration payable - promissory note *(Note 32)*	68,161
	315,661

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

25. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(a) Best Income and Max paramount Acquisition *(CONTINUED)*

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

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

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

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

The details of contingent consideration arrangement is as follows:

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

(b) One Champion Acquisition

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

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

25. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(b) One Champion Acquisition *(CONTINUED)*

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

	HK$'000
Property, plant and equipment	142,241
Prepaid lease payments	4,478
Exploration and evaluation assets	133,064
Other intangible assets	41,947
Inventories	11,455
Trade and other receivables	52,305
Bank balances and cash	89,817
Trade and other payables	(268,261)
Provision for restoration and environment costs	(6,424)
Income tax payable	(18,852)
Deferred tax liabilities	(24,752)
Total identifiable net assets at fair value	157,018
Non-controlling interest	(26,390)
27% equity interest held by the Group immediately prior to the Completion Date	(140,400)
Goodwill *(Note 20)*	440,547
Fair value of consideration	430,775
Satisfied by:	
Cash consideration paid in 2016 as deposit	80,000
3,507,750,000 shares*	350,775
	430,775

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

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

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

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

25. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(b) One Champion Acquisition *(CONTINUED)*

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

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

(c) Perfect Major Acquisition

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

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

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

	HK$'000
Property, plant and equipment	162,466
Exploration and evaluation assets	359,145
Inventories	218
Trade and other receivables	3,612
Bank balances and cash	1,705
Trade and other payables	(180,687)
Deferred tax liabilities	(92,085)
Total identifiable net assets at fair value	254,374
Non-controlling interest	(27,925)
Goodwill *(Note 20)*	83,751
Fair value of consideration	310,200
Satisfied by:	
3,300,000,000 shares*	310,200

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

25. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(c) Perfect Major Acquisition *(CONTINUED)*

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

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

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

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

(d) Pride Success Acquisition

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

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

25. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(d) Pride Success Acquisition *(CONTINUED)*

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

	HK$'000
Property, plant and equipment	223,472
Exploration and evaluation assets	411,180
Other intangible assets	83,697
Trade and other receivables	3,279
Bank balances and cash	62
Trade and other payables	(247,835)
Income tax payable	(2)
Deferred tax liabilities	(131,850)
Total identifiable net assets at fair value	342,003
Non-controlling interest	(39,587)
Goodwill *(Note 20)*	80,084
Fair value of consideration	382,500
Satisfied by:	
Cash consideration	30,000
4,700,000,000 shares*	352,500
	382,500

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

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

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

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

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

26. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials	**9,088**	21,823
Work in progress	—	42,877
Finished goods	**10,381**	21,425
	19,469	86,125

During the year ended 31 December 2018, approximately HK$Nil of the inventories has been written-down (2017: approximately HK$745,000).

27. TRADE AND OTHER RECEIVABLES

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

27. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Note:

(a) Trade receivables

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

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

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

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

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

Movement in impairment loss on trade receivables:

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

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

27. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Note: (CONTINUED)

(b) Other receivables

Movement in impairment loss on other receivables:

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

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

(c) Advances to suppliers

The amount represented advance payments to several suppliers for sourcing of goods from them. Out of which, amounting to approximately HK$Nil (2017: HK$29,741,000 (equivalent to RMB24,860,000) represented the sourcing of teas from several suppliers in which the goods shall be delivered during the year ending (2017: during the year ending 31 December 2018). Prior to the delivery of teas to the Group, these suppliers will pay an interest at the rate of 11.152% (2017: 11.152%) per annum on the outstanding balances to the Group. During the year ended 31 December 2018, interest income from these suppliers of approximately HK$1,104,000 (equivalent to approximately RMB897,000) (2017: approximately HK$2,752,000 (equivalent to approximately RMB2,386,000) was recognised as other income in the consolidated statement of profit or loss and other comprehensive income from discontinued operation (Note 13).

28. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates ranging from 0.01% to 0.35% per annum (2017: 0.01% to 0.35% per annum) at 31 December 2018.

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

	2018	2017
	HK$'000	*HK$'000*
Amounts denominated in:		
RMB	**10,237**	158,524

29. TRADE AND OTHER PAYABLES

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

(a) Trade payables

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

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

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

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

30. CONTRACT LIABILITIES

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

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

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

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

Movements in contract liabilities

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

31. BANK AND OTHER BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Other borrowing and secured bank borrowings repayable*:		
Within one year	**92,046**	132,889
More than one year but not more than two years	—	5,383
More than two years but not more than five years	—	—
	92,046	138,272

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

The Group has pledged prepaid lease payments and forest use right with carrying values of approximately HK$Nil (2017: HK$14,895,000) and HK$Nil (2017: HK$5,556,000), 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 1%-4% (2017: fixed rate ranged from 4%-5.4625%).

32. FINANCIAL LIABILITIES MEASURED AT FVTPL (NON-CURRENT)

	2018	2017
	HK$'000	*HK$'000*
Contingent consideration payable *(Note 25(a))*	**68,161**	—

33. 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:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**3,328**	2,356
Exchange adjustment	**130**	197
Received during the year	**1,946**	3,810
Recognition in profit or loss	**(2,970)**	(3,035)
Disposal of subsidiaries	**(2,434)**	—
At 31 December	**—**	3,328

34. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation	**Exploration and evaluative assets**	**Other intangible assets**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017	—	—	—	—	—
Exchange adjustment	1,234	7,717	402	3	9,356
Acquired through business combinations	22,910	194,253	31,045	479	248,687
Credited to profit or loss *(Note 12)*	(2,468)	—	(1,187)	(10)	(3,665)
At 31 December 2017	21,676	201,970	30,260	472	254,378
Exchange adjustment	(961)	(8,964)	(1,092)	(22)	(11,039)
Acquired through business combinations	(1,264)	53,594	35,524	—	87,854
Credited to profit or loss *(Note 12)*	(611)	—	(1,220)	(12)	(1,843)
At 31 December 2018	18,840	246,600	63,472	438	329,350

34. DEFERRED TAX LIABILITIES *(CONTINUED)*

At the end of the reporting period, the Group has unused tax losses from continued operations of approximately HK$89,152,000 (2017: from continued operations and discontinued operations of approximately HK$113,825,000) 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.

35. PROVISION FOR RESTORATION AND ENVIRONMENT COSTS

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**8,560**	—
Acquired through business combinations	**—**	6,424
Exchange adjustment	**(409)**	430
Additions to site reclamation	**1,327**	1,706
Charge for the year	**(1,110)**	—
At 31 December	**8,368**	8,560

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

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

36. SHARE CAPITAL

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

	Notes	Number of ordinary shares at HK$0.1 each	Number of ordinary shares at HK$0.01 each	
		'000	*'000*	*HK$'000*
Issued and fully paid:				
A 1 January 2017		N/A	16,914,972	169,150
Issuance of shares for One Champion Acquisition	*25(b)*	N/A	3,507,750	35,077
Issuance of shares for Perfect Major Acquisition	*25(c)*	N/A	3,300,000	33,000
Issuance of shares for Pride Success Acquisition	*25(d)*	N/A	4,700,000	47,000
At 31 December 2017 and 1 January 2018		N/A	28,422,722	284,227
Share Consolidation	*(a)*	2,842,272	(28,422,722)	—
Issuance of shares for Best Income and Max Paramount Acquisition	*25(a)*	550,000	—	55,000
At 31 December 2018		3,392,272	—	339,227

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

Note:

(a) On 30 April 2018, the Company completed the consolidation of shares in the issued shares of the Company whereby every ten issued and unissued ordinary shares of HK$0.01 each are consolidated into one consolidated ordinary share of HK$0.10 each (the "Share Consolidation").

37. RESERVES

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

(a) Share premium

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

(b) Statutory surplus reserve

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

(c) Contributed surplus

The contributed surplus represents the excess of capital reduction and share premium cancellation over the accumulated losses of the Company pursuant to the capital reorganisation on 29 February 2016 *(Note 37(a))*.

(d) Share option reserve

Cumulative other comprehensive income recognised on the granting of share options to the employees over the vesting period.

(e) Investment revaluation reserve

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

(f) Translation reserve

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

(g) Retained earnings/accumulated losses

Retained earnings/accumulated losses represented the cumulative net gains and losses recognised in profit or loss.

38. SHARE OPTIONS 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.

Option Scheme granted during the year

On 7 December 2018, the Company has granted, subject to acceptance of the grantees, 50,000,000 share options to certain eligible persons under the share option scheme (the "Scheme") of the Company adopted on 25 May 2012, to subscribe for a total of 50,000,000 ordinary shares of HK$0.1 each in the Company. The validity period and exercise period of the Share Options are within 5 years from the date of grant.

The exercise price of the options granted is set as the highest of (i) the closing price of HK$0.51 per Share as stated in the daily quotations sheets issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the Date of Grant; (ii) the average closing price of HK$0.519 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) HK$0.1, being the nominal value of a Share on the date of the offer. The Scheme is deemed to be an equity-settled share based remuneration scheme for employees. All Hong Kong employees are eligible to participate in the scheme.

38. SHARE OPTIONS SCHEME *(CONTINUED)*

Option Scheme granted during the year *(CONTINUED)*

The following share options were outstanding under the scheme during the year:

	Weighted average exercise price 2018 *HK$'000*	**Number 2018** *'000*	Weighted average exercise price 2017 *HK$'000*	Number 2017 *'000*
Outstanding at beginning of the year	—	—	—	—
Granted during the year	**10,235**	**50,000**	—	—
Forfeited during the year	—	—	—	—
Exercised during the year	—	—	—	—
Outstanding at the end of the year	**10,235**	**50,000**	—	—

All options granted were at an exercise price of HK$0.52 per share (2017: HK$Nil) and the remaining contractual life was 5 years (2017:Nil).

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial tree option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2018	2017
Underlying stock price (HK$)	**0.51**	N/A
Exercise price (HK$)	**0.52**	N/A
Expected life of option (years)	**5**	N/A
Expected volatility (%)	**51.84**	N/A
Expected dividend yield (%)	**—**	N/A
Risk-free interest rate (%)	**1.98**	N/A

The risk-free rate was based on market yield rate of Hong Kong Soverigne Government Bond Curve with maturity on 7 December 2018 as of the date of valuation. Expected volatility was based on the share prices of Company's historical 5-year weekly volatility that are equal to the expected life before the grant date.

39. NON-CONTROLLING INTERESTS

King Gold Investments Limited

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

	2018	2017
	HK$'000	*HK$'000*
For the year ended 31 December		
Revenue	**25,933**	91,688
Profit/(Loss) for the year	**106,994**	(45,736)
Total comprehensive income	**107,618**	(43,032)
Loss allocated to NCI	**(2,133)**	(9,147)
Dividends paid to NCI	—	—
Cash flows used in operating activities	**(5,478)**	(7,509)
Cash flows used in investing activities	**(756)**	(2,624)
Cash flows from financing activities	**9,121**	43,866
Net cash inflows	**2,887**	33,733
As at 31 December		
Current assets	—	274,777
Non-current assets	—	48,349
Current liabilities	—	(376,755)
Non-current liabilities	—	(8,711)
Net deficits	—	(62,340)
Accumulated non-controlling interests	—	(12,468)

King Gold Group have been disposed on 16 April 2018 (Note 13).

39. NON-CONTROLLING INTERESTS *(CONTINUED)*

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

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

	2018	2017
	HK$'000	*HK$'000*
For the year ended 31 December		
Revenue	**105,975**	281,077
(Loss)/Profit for the year	**(17,829)**	42,984
Total comprehensive income	**(22,161)**	60,130
(Loss)/Profit allocated to NCI	**(1,783)**	8,597
Dividends paid to NCI	**—**	—
Cash flows from operating activities	**(8,730)**	48,127
Cash flows used in investing activities	**(92,200)**	(65,921)
Cash flows from financing activities	**32,892**	44,016
Net cash (outflows)/inflows	**(68,038)**	26,222
As at 31 December		
Current assets	**277,362**	256,722
Non-current assets	**458,719**	371,313
Current liabilities	**(405,633)**	(265,828)
Non-current liabilities	**(27,947)**	(30,938)
Net deficit equity	**302,501**	331,269
Accumulated non-controlling interests	**30,250**	33,127

39. NON-CONTROLLING INTERESTS *(CONTINUED)*

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

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

	2018 **HK$'000**	2017 HK$'000
For the year ended 31 December		
Revenue	**—**	—
Loss for the year	**(7,229)**	(3,331)
Total comprehensive income	**(13,064)**	11,567
Loss allocated to NCI	**(723)**	(333)
Dividends paid to NCI	**—**	—
Cash flows from operating activities	**9,573**	16,824
Cash flows used in investing activities	**(11,437)**	(17,267)
Cash flows from financing activities	**—**	—
Net cash outflows	**(1,864)**	(443)
As at 31 December		
Current assets	**5,264**	5,701
Non-current assets	**526,526**	541,360
Current liabilities	**(173,580)**	(164,421)
Non-current liabilities	**(86,013)**	(90,076)
Net equity	**272,197**	292,564
Accumulated non-controlling interests	**27,220**	29,256

39. NON-CONTROLLING INTERESTS *(CONTINUED)*

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

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

	2018	2017
	HK$'000	*HK$'000*
For the year ended 31 December		
Revenue	—	—
Loss for the year	**(5,774)**	(982)
Total comprehensive income	**(21,053)**	6,898
Loss allocated to NCI	**(577)**	(98)
Dividends paid to NCI	—	—
Cash flows from operating activities	**34,277**	3,271
Cash flows used in investing activities	**(37,358)**	(3,115)
Cash flows from financing activities	—	—
Net cash (outflows)/inflows	**(3,081)**	156
As at 31 December		
Current assets	**4,840**	6,781
Non-current assets	**742,971**	743,525
Current liabilities	**(240,290)**	(212,722)
Non-current liabilities	**(128,294)**	(134,476)
Net equity	**379,227**	403,108
Accumulated non-controlling interests	**37,923**	40,311

39. NON-CONTROLLING INTERESTS *(CONTINUED)*

Tongguan Tongjin Mining Co. Ltd. ("Tongjin")

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

	2018 *HK$'000*
For the year ended 31 December	
Revenue	—
Loss for the year	(1)
Total comprehensive income	6,035
Loss allocated to NCI	(1)
Dividends paid to NCI	—
Cash flows from operating activities	2,188
Cash flows used in investing activities	(1)
Cash flows from financing activities	—
Net cash inflows	2,187
As at 31 December	
Current assets	23,408
Non-current assets	823,665
Current liabilities	(499,316)
Non-current liabilities	(89,027)
Net equity	258,730
Accumulated non-controlling interests	25,873

40. 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 31 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.

The gearing ratio at the end of reporting period was as follows:

	2018	2017
	HK$'000	*HK$'000*
Bank and other borrowings	**92,046**	138,272
Bank balances and cash	**(109,550)**	(179,707)
Net debt	**(17,504)**	(41,435)
Equity	**1,921,884**	1,696,110
Net debt to equity ratio	**(0.91%)**	(2.44%)

41. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

		Bank and other borrowings *(Note 31)*
	HK$'000	*HK$'000*
At 1 January 2017		75,357
Changes from cash flows:		
Repayment of bank and other loans	(42,672)	
Proceeds from new bank and other loans	98,126	
Interest paid	(4,580)	
Total changes from financing cash flows		50,874
Exchange adjustments		7,461
Other changes:		
Interest expenses		4,580
At 31 December 2017		138,272
Changes from cash flows:		
Repayment of bank and other loans	(44,537)	
Proceeds from new bank and other loans	103,124	
Interest paid	(11,694)	
Total changes from financing cash flows		46,893
Exchange adjustments		2,024
Other changes:		
Interest expenses	11,694	
Disposal of subsidiaries	(106,837)	
Total other changes		(95,143)
At 31 December 2018		92,046

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2018	2017
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments		
— Equity investments	—	28,131
Financial assets measured at FVOCI		
— Equity investments	**6,600**	—
Financial assets measured at amortised cost		
Trade and other receivables	**30,304**	61,141
Amount due from an associate	**1,712**	—
Bank balances and cash	**109,550**	179,707
	141,566	240,848
	148,166	268,979
Financial liabilities measured at amortised cost		
Trade and other payables	**837,855**	529,056
Bank borrowings	**92,046**	138,272
	929,901	667,328
Financial liabilities measured at FVTPL		
— Contingent consideration payable	**68,161**	—
	998,062	667,328

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 2018				
Financial assets measured at FVOCI				
— Listed equity investments	6,600	—	—	6,600
Financial assets measured at FVTPL				
— Listed equity investments	—	—	68,161	68,161
At 31 December 2017				
Available-for-sale investments				
Listed equity securities	28,131	—	—	28,131

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

The listed equity securities of the Group were reclassified from recycling reserve for available-for-sale investments to non-recycling reserve for financial assets measured at fair value through other comprehensive income 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.

The fair value of contingent consideration payable is estimated using a discontinued cash flow model.

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

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

Contingent consideration payable

	2018 ***HK$***
At 1 January	—
Business acquisition	**68,161,000**
Total gains or losses:	
— in profit or loss (included in other gains and losses)	—
At 31 December	**68,161,000**
Gains or losses recognised in profit or loss (included in other gains or losses) relating to financial instruments held by the Group at the reporting date	—

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

Description	**Fair value at 31 December 2018** ***HK$'000***	**Fair value at** 31 December 2017 *HK$'000*	**Valuation technique**	**Unobservable inputs**	**Range of inputs**
Contingent consideration	**68,161**	N/A	Discount cashflows	Discount rate	4.68%

43. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include other financial assets, 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, other financial assets 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**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**100,946**	23,717	**82,544**	2,661
CAD	**6,601**	28,133	**—**	—

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% (2017: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2017: 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% (2017: 5%) change in foreign currency rates.

A positive number below indicates an increase in post-tax loss where RMB strengthen 5% (2017: 5%) against the relevant currency. For a 5% (2017: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss.

43. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Market risk *(CONTINUED)*

(i) Currency risk *(CONTINUED)*

Impact on	**HK$**		**CAD**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
(Decrease)/Increase in post-tax profit or loss	**(13,910)**	1,053	**330**	1,407

(ii) Interest rate risk

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

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

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments issued by one entity (2017: one entity) listed in TSX for the year ended 31 December 2018. 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% (2017: 10%) higher/lower, investment valuation reserve would increase/decrease by approximately HK$660,000 (2017: HK$2,813,000) as a result of the changes in fair value of other financial assets.

43. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Market risk *(CONTINUED)*

(iv) Credit risk

As at 31 December 2018, 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 as at 31 December 2017. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% of the total trade receivables as at 31 December 2017, which is fully belongs to discontinued operations.

The Group's trade receivables balance at 31 December 2018 are debtors with aggregate carrying amount of approximately HK$Nil. The adoption of ECLs model does not have material effect on the Group's consolidation statement of Financial Position for the year ended 31 December 2018.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

ECLs rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. No impairment for trade and other receivables is provided as the amount of additional impairment measured under the ECLs model is immaterial. The expected loss rate applied is approximately 0.1%.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 27.

The credit risk on bank balances is limited because the counterparties are banks with high credit-rating or with good reputation.

43. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Market risk *(CONTINUED)*

(v) Liquidity risk

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

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

	Weighted average interest rate	Carrying amount	Total undiscounted cash flows	Repayable on demand or within 1 year	1-2 years	2-5 years
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2018						
Trade and other payables	**N/A**	**837,855**	**837,855**	**363,889**	**473,966**	**–**
Other borrowings	**12.06**	**92,046**	**93,857**	**93,857**	**–**	**–**
		929,901	**931,712**	**457,746**	**473,966**	**–**
At 31 December 2017						
Trade and other payables	N/A	529,056	529,056	176,363	352,693	–
Bank borrowings	5.13	138,272	142,709	137,311	5,398	–
		667,328	671,765	313,674	358,091	–

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current assets		
Investments in subsidiaries	**1**	83,200
Property, plant and equipment	**42**	34
	43	83,234
Current assets		
Amounts due from subsidiaries	**1,773,769**	1,443,797
Other receivables	**1,127**	2,383
Bank balances and cash	**60,874**	9,693
	1,835,770	1,455,873
Current liabilities		
Amount due to subsidiaries	**678**	52,562
Other payables	**2,026**	2,189
	2,704	54,751
Net current assets	**1,833,066**	1,401,122
Non-current liabilities		
Financial liabilities measured at FVTPL	**68,161**	—
NET ASSETS	**1,764,948**	1,484,356
Capital and reserves		
Share capital	**339,227**	284,227
Reserves *(Note)*	**1,425,721**	1,200,129
TOTAL EQUITY	**1,764,948**	1,484,356

On behalf of the board of directors

Fang Yi Quan
Director

Yeung Kwok Kuen
Director

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

Note:

Reserves

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Share option reserve *HK$'000*	Translation reserve *HK$'000*	Accumulated losses/ retained earning *HK$'000*	Total *HK$'000*
At 1 January 2017	–	287,496	–	35,509	(22,956)	300,049
Profit and total comprehensive income for the year	–	–	–	–	1,683	1,683
Issuance of shares for acquisition of subsidiaries *(Note 25)*	898,397	–	–	–	–	898,397
At 31 December 2017	898,397	287,496	–	35,509	(21,273)	1,200,129
Profit and total comprehensive income for the year	–	–	–	–	58,366	58,366
Disposal of subsidiaries	–	–	–	(35,509)	–	(35,509)
Shares issued under share option scheme	–	–	10,235	–	–	10,235
Issuance of shares for acquisition of subsidiaries *(Note 25)*	192,500	–	–	–	–	192,500
At 31 December 2018	1,090,897	287,496	10,235	–	37,093	1,425,721

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE GROUP

The following are the details of the Group's principal subsidiaries at 31 December 2018 that would affect the results for the reporting period or formed a substantial portion of the net assets of the Group. In the opinion of the directors, to give details of the other subsidiaries would result in excessive length.

Name	Place of incorporation/ establishment	Issued/registered and paid-up share capital	Attributable equity interests held by the Company Directly	Attributable equity interests held by the Company Indirectly	Principal activities and place of operation
New Legend International Group Limited (新里程國際集團有限公司)	Hong Kong	Ordinary share of HK$1	100%	–	Provision of administrative support to group companies in Hong Kong
Will Win Group Limited (碩田集團有限公司)	Hong Kong	Ordinary share of HK$1	100%	–	Investment holding in Hong Kong
Best Tone Holdings Limited	The British Virgin Islands ("BVI")	Ordinary share of US$1	100%	–	Investment holding in Hong Kong
Famous Class Limited (名階有限公司)	BVI	Ordinary share of US$50,000	100%	–	Investment holding in Hong Kong
Year Joy Investments Limited (年悦投資有限公司)	BVI	Ordinary share of US$100	–	70%	Investment holding in Hong Kong
Top Delight Investments Limited (樂悦投資有限公司)	Hong Kong	Ordinary share of HK$1	–	70%	Investment holding in Hong Kong
China iTV Network Co., Ltd. (九州時代數碼科技有限公司) *(Note a)*	The PRC	Registered capital of RMB50,000,000	–	Note (b)	Note (b)
Combined Success Investments Limited	BVI	Ordinary share of US$10	100%	–	Investment holding in Hong Kong
One Champion International Limited (一冠國際有限公司)	BVI	Ordinary share of US$50,000	–	100%	Investment holding in Hong Kong
Champion Lucky Limited (福瑞有限公司)	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding in Hong Kong
Shaanxi Furui Rongcheng Mining Co., Ltd. (陝西福瑞永成礦業有限公司) *(Note a)*	The PRC	Registered capital of RMB33,643,100	–	100%	Production and sales of gold products in the PRC

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

Name	Place of incorporation/ establishment	Issued/registered and paid-up share capital	Attributable equity interests held by the Company Directly	Indirectly	Principal activities and place of operation
Weinan Jindong Mining Co., Ltd.（渭南金東礦業有限公司）*(Note a)*	The PRC	Registered capital of RMB35,000,000	–	100%	Investment holding in the PRC
Tongguan County Xiangshun Mining Development Co., Ltd.（潼關縣祥順礦業發展有限公司）*(Note a)*	The PRC	Registered capital of RMB27,500,000	–	90%	Production and sales of gold products in the PRC
Perfect Major Holdings Limited（美晶控股有限公司）	BVI	Ordinary share of US$50,000	–	100%	Investment holding in Hong Kong
World Light Holdings Limited（光華集團有限公司）	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding in Hong Kong
Shaanxi Guang Hua Mei Jing Mining Industry Co., Ltd.（陝西光華美晶礦業有限公司）*(Note a)*	The PRC	Registered capital of RMB43,152,300	–	100%	Investment holding in the PRC
Luonan Jinhui Mining Co. Ltd.（洛南縣金輝礦業有限公司）*(Note a)*	The PRC	Registered capital of RMB5,000,000	–	100%	Production and sales of gold products in the PRC
Shaanxi Tongxin Mining Co. Ltd.（陝西潼鑫礦業有限公司）*(Note a)*	The PRC	Registered capital of RMB50,000,000	–	90%	Production and sales of gold products in the PRC
Pride Success Investment Limited（榮成投資有限公司）	BVI	Ordinary share of US$50,000	–	100%	Investment holding in Hong Kong
Ocean Faith Limited（洋實有限公司）	Hong Kong	Ordinary share of HK$ 1	–	100%	Investment holding in Hong Kong
Shaanxi Xing Xiang Mining Technology Co., Ltd.（陝西星祥礦業科技有限公司）*(Note a)*	The PRC	Registered capital of RMB2,493,600	–	100%	Investment holding in the PRC
Tongguan County De Xing Mining LLC（潼關縣德興礦業有限責任公司）*(Note a)*	The PRC	Registered capital of RMB7,000,000	–	90%	Production and sales of gold products in the PRC
Best Income Limited（佳盈有限公司）	BVI	Ordinary share of US$1	–	100%	Investment holding in Hong Kong

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

Name	Place of incorporation/ establishment	Issued/registered and paid-up share capital	Attributable equity interests held by the Company Directly	Indirectly	Principal activities and place of operation
Glory Resources Hong Kong Limited（寶鑫香港有限公司）	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding in Hong Kong
Shaanxi Dujin Mining Co. Ltd.（陝西都金礦業有限公司） *(Note a)*	The PRC	Registered capital of HK$50,000,000	–	100%	Production and sales of gold products in the PRC
Tongguan Sanqin Mining Co. Ltd（潼關縣三秦礦業有限公司）*(Note a)*	The PRC	Registered capital of RMB30,000,000	–	100%	Production and sales of gold products in the PRC
Tongguan Tongjin Mining Co. Ltd.（潼關縣潼金礦業有限責任公司）*(Note a)*	The PRC	Registered capital of RMB$500,000,000	–	90%	Production and sales of gold products in the PRC
Max Paramount Holdings Limited（峰揚控股有限公司）	BVI	Ordinary share of US$ 50,000	–	100%	Investment holding in Hong Kong
Elite Master Corporation Limited（鋭精有限公司）	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding in Hong Kong

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.

46. OPERATING LEASE COMMITMENTS

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

	2018	2017
	HK$'000	*HK$'000*
Not later than one year	**3,476**	11,827
Later than one year but not later than five years	**4,614**	14,733
Later than five years	**164**	188
	8,254	26,748

47. CAPITAL COMMITMENTS

	2018	2017
	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	**17,501**	284,664

48. RETIREMENT BENEFIT PLANTS

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 14 to the consolidated financial statements for employees and the Directors respectively.

49. 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 14 to the consolidated financial statements.

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

Except as disclosed in Note 49 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.

51. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the disclosure requirements in respect of the discontinued operation set out in note 13.

52. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 19 March 2019.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)		(Restated)	
RESULTS					
Revenue	**105,975**	295,787	112,372	114,404	184,400
Profit/(loss) for the year attributable to:					
Owners of the Company	**57,526**	(74,068)	(21,130)	(75,663)	630,412
Non-controlling interests	**(5,217)**	(5,106)	(2,007)	(9,878)	(10,637)
	52,309	(79,174)	(23,137)	(85,541)	619,775

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)	
ASSETS AND LIABILITIES					
Total assets	**3,415,219**	2,712,101	757,379	799,443	498,117
Total liabilities	**(1,493,335)**	(1,015,991)	(150,142)	(174,667)	(225,808)
	1,921,884	1,696,110	607,237	624,776	272,309
Represented by:					
Equity attributable to owners of the Company	**1,800,618**	1,605,928	611,237	625,870	262,265
Non-controlling interests	**121,266**	90,182	(4,000)	(1,094)	10,044
	1,921,884	1,696,110	607,237	624,776	272,309