



中國礦業資源集團有限公司*

China Mining Resources Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 340

2017 Interim Report

* For identification purpose only

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Corporate Information

DIRECTORS

Executive Directors:

Fang Yi Quan

Yeung Kwok Kuen (*Chief Financial Officer*)

Shi Xing Zhi

Shi Sheng Li

Independent Non-executive Directors:

Chu Kang Nam

Ngai Sai Chuen

Liang Xu Shu

Leung Ka Wo

AUDIT COMMITTEE

Leung Ka Wo (*Chairman*)

Chu Kang Nam

Ngai Sai Chuen

Liang Xu Shu

REMUNERATION COMMITTEE

Chu Kang Nam (*Chairman*)

Ngai Sai Chuen

Liang Xu Shu

Leung Ka Wo

Fang Yi Quan

NOMINATION COMMITTEE

Chu Kang Nam (*Chairman*)

Ngai Sai Chuen

Liang Xu Shu

Leung Ka Wo

COMPANY SECRETARY

Leung Lai Ming

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1306 13th Floor

Bank of America Tower

12 Harcourt Road

Admiralty

Hong Kong

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda)
Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke HM08

Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited

Suite 3301-04, 33/F

Two Chinachem Exchange Square

338 King's Road

North Point

Hong Kong

AUDITORS

BDO Limited

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of
China (Asia) Limited

Agricultural Bank of China

Shanghai Pudong Development Bank

Industrial and Commercial Bank of China
Limited

STOCK CODE

00340

COMPANY WEBSITE

www.chinaminingresources.com

Management Discussion and Analysis

RESULTS REVIEW

For the six months ended 30 June 2017, China Mining Resources Group Limited (the “Company”) together with its subsidiaries (the “Group”) recorded a revenue of HK\$134,443,000 (six months ended 30 June 2016: HK\$48,478,000) and gross profit of HK\$38,479,000 (six months ended 30 June 2016: HK\$21,796,000), representing an increase of 177% and 77% respectively as compared with the corresponding period in 2016. The increase in revenue and gross profit in the six months ended 30 June 2017 (the “Interim Period”) was mainly attributable to the consolidation of the results of One Champion International Limited (“One Champion”) and its subsidiaries (together with One Champion, “One Champion Group”) following the acquisition of remaining 73% equity interest in One Champion which was completed on 27 January 2017.

The Group’s unaudited loss attributable to owners of the Company amounted to HK\$55,917,000 (six months ended 30 June 2016: HK\$7,895,000). The increase in loss attributable to the owners of the Company was mainly due to the impairment loss of goodwill amounted to HK\$52,202,000, which is non-recurring and non-cash in nature.

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

The difference between the fair value of the consideration for the One Champion Acquisition determined based on the closing price of HK\$0.10 per share of the Company on the Completion Date and the consideration for the acquisition based on the price of HK\$0.08 per consideration share pursuant to the sale and purchase agreement has resulted in an increase in the goodwill and share premium by the same amount of approximately HK\$70,155,000.

Management Discussion and Analysis

In accordance with Hong Kong Accounting Standard 36 “Impairment of Assets” and the principle of prudence, the management of the Company has conducted an impairment review by assessing the recoverable amount of the One Champion Group and considering various factors up to the Completion Date, including but not limited to the recent trend of gold prices, and decided to make an impairment provision for such goodwill of approximately HK\$52,202,000.

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

REVIEW OF OPERATIONS

Gold Mining Operation — One Champion Group and Perfect Major Group

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

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

The completion of the acquisition of remaining 73% equity interest in One Champion during the period provided the Group with an immediate revenue stream and cash. Excluding the effect of the one-off impairment loss of goodwill amounted HK\$52,202,000, during the post-acquisition period, One Champion Group contributed HK\$92,789,000 and HK\$19,991,000 to the Group’s revenue and profit before tax respectively for the six months ended 30 June 2017.

Management Discussion and Analysis

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

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

The Perfect Major Group has not commenced any business operations during the Interim Period.

Details of the exploration, development and mining production activities and a summary of expenditure incurred on these activities during the six months ended 30 June 2017 are as below:

I Exploration

Xiangshun Mining

During the six months ended 30 June 2017, combination of pit drilling and tunnel exploration methods, combination of surface drilling and tunnel exploration methods and tunnel exploration method are used to carry out exploration activities to increase the mineral resources and reserves.

Jinhui Mining and Tongxin Mining

During the six months ended 30 June 2017, Jinhui Mining is in the process of application of the mining licence and did not carry out any exploration activities. Tongxin Mining is performing deep drilling work and surface geophysical work.

Management Discussion and Analysis

II Development

Xiangshun Mining and Tongxin Mining

During the six months ended 30 June 2017, Xiangshun and Tongxin Mining have appointed several engineering and technical companies and have completed (i) the surface drilling project of approximately 5,644 meters; (ii) the pit exploration project of approximately 3,170 meters and (iii) the pit drilling project of approximately 896 meters.

Jinhui Mining

During the six months ended 30 June 2017, Jinhui Mining is in the process of application of the mining licence and did not carry out any development activities.

III Mining Production Activities

Xiangshun Mining

(1) Mining operation

	Six months ended 30 June 2017
Purchased from third parties' ore	
Mine production (thousand tonnes)	34.88
Underground mining	
Mine production (thousand tonnes)	15.88
Total mine production (thousand tonnes)	<u>50.76</u>
Average gold grade (gram/tonne)	5.23

Management Discussion and Analysis

(2) Ore processing operation – Concentrating

	Six months ended 30 June 2017
Concentrate production — Gold (tonnes)	4,702
Average gold grade (gram/tonne)	62.21
Metal in the concentrate (Kilogram)	292.51

Jinhui Mining and Tongxin Mining

During the six months ended 30 June 2017, 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 six months ended 30 June 2017 are set out as below:

	Mine produced Gold (HK\$'000)
Exploration and Mining activities	
Development	16,385
Mining ore	3,609
Total	<u>19,994</u>

(Concentrating not included)

Tea Business — King Gold Group

King Gold Investments Limited (“King Gold”) and its subsidiaries (together with King Gold, “King Gold Group”) is principally engaged in cultivation, research, production and sale of Chinese tea products, and its products are selling under the brand names of “武夷” and “武夷星” which are well-recognised in the PRC as premium tea products and widely distributed throughout the country.

Management Discussion and Analysis

King Gold Group contributed HK\$41,654,000 (six months ended 30 June 2016: HK\$48,478,000) and HK\$15,829,000 (six months ended 30 June 2016: HK\$1,719,000) to the Group's revenue and loss before tax respectively for the six months ended 30 June 2017. This represented a decrease of HK\$6,824,000 or 14% in revenue when compared with the corresponding period in 2016. Decrease in revenue was mainly attributable to the fierce competition of the market for high-end tea products. The cost of sales of King Gold Group slightly increased from HK\$26,682,000 for the six months ended 30 June 2016 to HK\$28,506,000 for the six months ended 30 June 2017. The average gross profit margin for the current period was 32%, representing a decrease of 13 percentage points as compared with 45% of average gross profit margin in the corresponding period in 2016. Decrease in gross profit margin was mainly attributable to the intensified competition of the market and increasing effort in launching products in varied price points to strive for better market share.

Investments in Canada listed mining companies and other securities

The Group invested in several Canada listed mining companies which were held for the purpose of long-term investments for capital gain and dividend income during the six months ended 30 June 2017. The investment portfolio of the Group, including available-for-sale investments, recorded an appreciation during the first half of 2017 as benefited from the appreciation of both the market price and favourable changes on exchange rate of Canadian dollar. The net increase in fair value of the investment portfolio during the six months ended 30 June 2017 was HK\$7,459,000 (six months ended 30 June 2016: HK\$7,537,000). As at 30 June 2017, the carrying value of the investment portfolio was HK\$21,269,000 (31 December 2016: HK\$13,194,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2017, the Group had total assets and net assets of HK\$1,847,920,000 (31 December 2016: HK\$757,379,000) and HK\$1,295,615,000 (31 December 2016: HK\$607,237,000), respectively. The current ratio was 1.06, as compared to 2.45 as of year ended 31 December 2016.

Management Discussion and Analysis

As at 30 June 2017, the Group had bank balances and cash, of HK\$178,683,000 (31 December 2016: HK\$144,461,000), of which most were denominated in Renminbi and Hong Kong dollar.

As at 30 June 2017, the Group had bank borrowings of HK\$74,433,000 (31 December 2016: HK\$75,357,000) which were denominated in Renminbi and interest-bearing at fixed rates with reference to the prevailing borrowing rate quoted by the People's Bank of China and the Loan Prime Rate (LPR) quoted by China Foreign Exchange Trade System & National Interbank Funding Center. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 6.0% (31 December 2016: 12.3%).

As at 30 June 2017, the Group has pledged certain buildings, certain prepaid lease payments and a forest use right with carrying values of approximately HK\$Nil (31 December 2016: HK\$Nil), HK\$14,563,000 (31 December 2016: HK\$14,321,000) and HK\$5,499,000 (31 December 2016: HK\$5,469,000) respectively to secure general banking facilities grant to the Group.

FOREIGN EXCHANGE RISK MANAGEMENT

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

SHARE CAPITAL

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

Management Discussion and Analysis

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

As at 30 June 2017, the Company had 23,722,722,211 ordinary shares in issue with a total shareholders’ fund of the Group amounting to approximately HK\$237,227,000.

CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 30 June 2017 (31 December 2016: HK\$Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

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

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group had approximately 10 and 448 employees in Hong Kong and Mainland China respectively.

Management Discussion and Analysis

The staff cost of the Group (including directors' remuneration in form of salary and other benefits, share-based payments, performance related incentive payments and retirement benefit contributions) was approximately HK\$17,083,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$11,003,000).

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

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

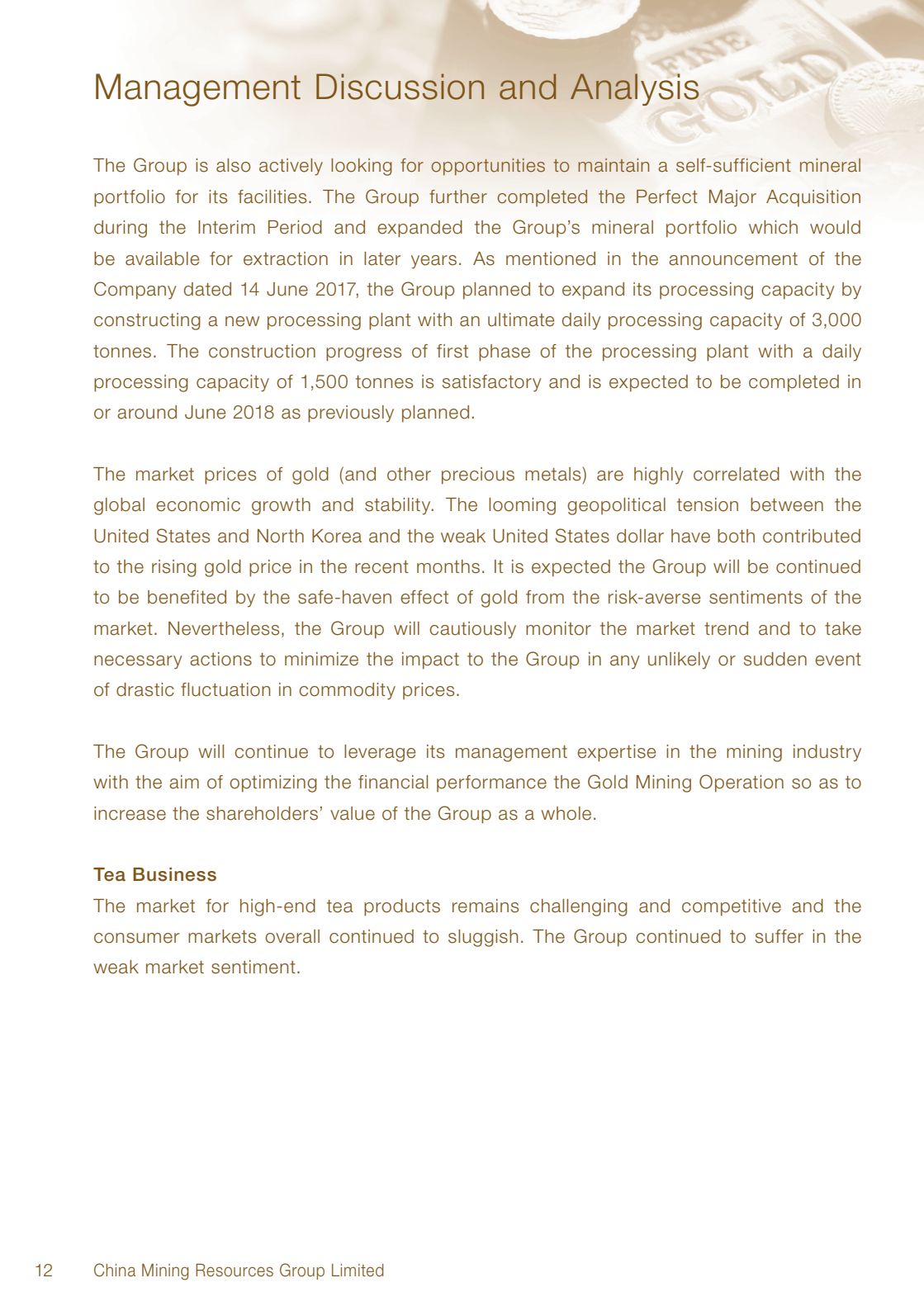
According to the share option scheme adopted by the Company on 25 May 2012, share options may be granted to directors, employees and other eligible participants of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

PROSPECTS

Gold Mining Operation

Following the completion of the One Champion Acquisition during the Interim Period, the Group owns its own mineral portfolio as well as its ore-processing facilities. This also marked the re-entry to the mining industry of the Group after the disposal of the molybdenum operation by the Group in 2014.

The post-acquisition operating results of the Gold Mining Operation has been promising and in line with the management expectations. During the Interim Period, the financial performance of the Group has improved compared to that of 2016 (excluding the one-off effect of the impairment loss of goodwill) and the management is optimistic on the Group's financial performance turnaround in the near future.



Management Discussion and Analysis


The Group is also actively looking for opportunities to maintain a self-sufficient mineral portfolio for its facilities. The Group further completed the Perfect Major Acquisition during the Interim Period and expanded the Group's mineral portfolio which would be available for extraction in later years. As mentioned in the announcement of the Company dated 14 June 2017, the Group planned to expand its processing capacity by constructing a new processing plant with an ultimate daily processing capacity of 3,000 tonnes. The construction progress of first phase of the processing plant with a daily processing capacity of 1,500 tonnes is satisfactory and is expected to be completed in or around June 2018 as previously planned.

The market prices of gold (and other precious metals) are highly correlated with the global economic growth and stability. The looming geopolitical tension between the United States and North Korea and the weak United States dollar have both contributed to the rising gold price in the recent months. It is expected the Group will be continued to be benefited by the safe-haven effect of gold from the risk-averse sentiments of the market. Nevertheless, the Group will cautiously monitor the market trend and to take necessary actions to minimize the impact to the Group in any unlikely or sudden event of drastic fluctuation in commodity prices.

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

Tea Business

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



Management Discussion and Analysis

The Group puts its effort in maintaining its market share through competing in varied price points. However, at the current stage the gross profit margin will unavoidably be affected.

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

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

For the six months ended 30 June 2017

	Notes	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	134,443	48,478
Cost of sales		(95,964)	(26,682)
Gross profit		38,479	21,796
Other income		6,161	6,959
Other net gains and losses		1,118	573
Impairment loss on goodwill		(52,202)	—
Selling and distribution expenses		(16,352)	(17,446)
Administrative and other expenses		(29,166)	(17,820)
Finance costs	4	(1,893)	(2,302)
Loss before tax	5	(53,855)	(8,240)
Income tax expense	6	(3,288)	—
Loss for the period		(57,143)	(8,240)
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		15,668	(1,653)
Fair value changes in available-for-sale investments		7,459	7,537
Other comprehensive income for the period, net of income tax		23,127	5,884
Total comprehensive income for the period		(34,016)	(2,356)
Loss for the period attributable to:			
— Owners of the Company		(55,917)	(7,895)
— Non-controlling interests		(1,226)	(345)
		(57,143)	(8,240)
Total comprehensive income for the period attributable to:			
— Owners of the Company		(34,204)	(1,812)
— Non-controlling interests		188	(544)
		(34,016)	(2,356)
Loss per share			
— Basic and diluted (<i>HK cents</i>)	8	(0.26)	(0.05)

Condensed Consolidated Statement of Financial Position

As At 30 June 2017

		30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	324,162	21,591
Prepaid lease payments — non-current portion		27,793	13,900
Exploration and evaluation assets	9	604,184	—
Goodwill	9	388,345	—
Other intangible assets	9	92,800	5,469
Available-for-sale investments	10	21,269	153,594
Deposit paid for acquisition of a subsidiary		—	80,000
Loan receivables		—	203,943
		<u>1,458,553</u>	<u>478,497</u>
Current assets			
Inventories		80,516	74,026
Trade and other receivables	11	129,384	59,974
Prepaid lease payments		784	421
Bank balances and cash		178,683	144,461
		<u>389,367</u>	<u>278,882</u>
Current liabilities			
Trade and other payables	12	289,866	56,500
Income tax payable		36,752	15,929
Bank borrowings	13	42,171	41,307
		<u>368,789</u>	<u>113,736</u>
Net current assets		<u>20,578</u>	<u>165,146</u>
Total assets less current liabilities		<u>1,479,131</u>	<u>643,643</u>

Condensed Consolidated Statement of Financial Position

As At 30 June 2017

		30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current liabilities			
Bank borrowings	13	32,262	34,050
Deferred income		2,358	2,356
Deferred tax liabilities		148,896	—
		<u>183,516</u>	<u>36,406</u>
Net assets		<u>1,295,615</u>	<u>607,237</u>
Capital and reserves			
Share capital	14	237,227	169,150
Share premium and reserves		1,000,781	442,087
Equity attributable to owners of the Company		<u>1,238,008</u>	<u>611,237</u>
Non-controlling interests		57,607	(4,000)
Total equity		<u>1,295,615</u>	<u>607,237</u>

On behalf of the board of directors

Fang Yi Quan
Director

Yeung Kwok Kuen
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000	Contributed surplus HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	(Accumulated losses)/	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
							Retained earnings HK\$'000			
At 1 January 2016 (audited)	1,691,497	3,548,588	10,067	–	925	48,925	(4,674,132)	625,870	(1,094)	624,776
Loss for the period	–	–	–	–	–	–	(7,895)	(7,895)	(345)	(8,240)
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	(1,454)	–	(1,454)	(199)	(1,653)
Fair value changes in available-for-sale investments	–	–	–	–	7,537	–	–	7,537	–	7,537
Other comprehensive income for the period	–	–	–	–	7,537	(1,454)	–	6,083	(199)	5,884
Total comprehensive income for the period	–	–	–	–	7,537	(1,454)	(7,895)	(1,812)	(544)	(2,356)
Capital reorganisation (Note 14(a))	(1,522,347)	(3,548,588)	–	287,496	–	–	4,783,439	–	–	–
At 30 June 2016 (unaudited)	169,150	–	10,067	287,496	8,462	47,471	101,412	624,058	(1,638)	622,420
At 1 January 2017 (audited)	169,150	–	10,067	287,496	11,009	45,338	88,177	611,237	(4,000)	607,237
Loss for the period	–	–	–	–	–	–	(55,917)	(55,917)	(1,226)	(57,143)
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	14,254	–	14,254	1,414	15,668
Fair value changes in available-for-sale investments	–	–	–	–	7,459	–	–	7,459	–	7,459
Other comprehensive income for the period	–	–	–	–	7,459	14,254	–	21,713	1,414	23,127
Total comprehensive income for the period	–	–	–	–	7,459	14,254	(55,917)	(34,204)	188	(34,016)
Issuance of shares for acquisitions of subsidiaries (Note 17)	68,077	592,898	–	–	–	–	–	660,975	61,419	722,394
At 30 June 2017 (unaudited)	237,227	592,898	10,067	287,496	18,468	59,592	32,260	1,238,008	57,607	1,295,615

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Net cash used in operating activities	(21,631)	(11,660)
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(22,256)	(6,004)
Payments for purchase of prepaid lease payments	(9,354)	—
Expenditure paid on exploration and evaluation assets	(893)	—
Proceeds from disposal of property, plant and equipment	—	24
Acquisitions of subsidiaries	91,522	—
Loans granted to One Champion	—	(199,000)
Interest received	494	3,626
Government grants received	1,118	663
Net cash from/(used in) investing activities	60,631	(200,691)
Cash flows from financing activities		
Repayment of bank borrowings	(39,006)	(48,108)
New bank borrowings raised	35,727	45,929
Interest paid	(1,893)	(2,302)
Net cash used in financing activities	(5,172)	(4,481)
Net increase/(decrease) in cash and cash equivalents	33,828	(216,832)
Cash and cash equivalents at 1 January	144,461	447,570
Effect of exchange rate changes on cash and cash equivalents	394	(2,289)
Cash and cash equivalents at 30 June, represented by bank balances and cash	178,683	228,449

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements of China Mining Resources Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). It was authorised for issue on 29 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the year ended 31 December 2016, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the year ending 31 December 2017.

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

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKASs, Hong Kong Financial Reporting Standards and interpretations (collectively the “HKFRSs”).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

1. BASIS OF PREPARATION (Continued)

In preparing the interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended 31 December 2016. Additionally, the Group adopted the following accounting policies due to new transactions entered into during the period:

(a) Property, plant and equipment

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

(b) Intangible assets

Mining rights are stated at cost less accumulated amortisation and impairment losses. The mining rights are amortised to profit or loss using the UOP method based on the proven and probable mineral reserves. The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

Exploration rights are stated at cost less accumulated amortisation and impairment losses. The exploration rights are amortised on a straight line basis over the licensed periods.

Exploration assets are stated at cost less impairment losses. Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to accruing legal rights to explore an area is expensed as incurred.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

1. BASIS OF PREPARATION (Continued)

(b) Intangible assets (Continued)

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to either mining structures or mining rights and reserves and depreciated/amortised by the UOP method based on the proven and probable mineral reserves. Costs incurred for exploration which can be directly attributable to the development of mining infrastructure are transferred to mining infrastructure when the exploration reaches the stage of commercial production. All other costs will be transferred to mining rights and reserves.

Exploration rights and assets are written off to profit or loss if the exploration property is abandoned.

(c) Provisions and contingent liabilities

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 People's Republic of China (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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group.

HKFRSs (Amendments)	Annual Improvements 2014-2016 Cycle
Amendments to HKAS 7	Statement of Cash Flows
Amendments to HKAS 12	Income Taxes

The adoption of these amendments to HKFRSs does not have any material impact on the presentation and disclosure of the Group’s interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT REPORTING

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

3. SEGMENT REPORTING (Continued)

The Group has two (2016: one) reportable segments as described below, which are the Group's strategic business units. During the six months ended 30 June 2017, the Group acquired the remaining 73% equity interests of One Champion International Limited ("One Champion"), which principally engages in the operation of exploration, mining, processing and sale of gold and related products. Considering the distinctive business attributes of the acquired operations, a new reportable segment, namely Gold mining operation, is presented to reflect the Group's recent business development. The following describes the operations in each of the Group's reportable segments:

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

(a) Segment revenue and results

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

3. SEGMENT REPORTING (Continued)

(a) Segment revenue and results (Continued)

For the six months ended 30 June 2017 — Unaudited

	Tea business <i>HK\$'000</i>	Gold mining operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers and reportable segment revenue	<u>41,654</u>	<u>92,789</u>	<u>134,443</u>
Reportable segment results	<u>(19,411)</u>	<u>(30,888)*</u>	<u>(50,299)</u>
Other income			6,161
Other net gains and losses			1,118
Finance costs			(1,893)
Corporate expense			<u>(8,942)</u>
Group's loss before tax			<u>(53,855)</u>

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

3. SEGMENT REPORTING (Continued)

(a) Segment revenue and results (Continued)

For the six months ended 30 June 2016 — Unaudited

	Tea business <i>HK\$'000</i>	Gold mining operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers and reportable segment revenue	<u>48,478</u>	<u>N/A</u>	<u>48,478</u>
Reportable segment results	<u>4,741</u>	<u>N/A</u>	<u>4,741</u>
Other income			6,959
Other net gains and losses			573
Finance costs			(2,302)
Corporate expense			<u>(18,211)</u>
Group's loss before tax			<u>(8,240)</u>

(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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

3. SEGMENT REPORTING (Continued)

(c) Other segment information

	Six months ended 30 June 2017	
	Depreciation <i>HK\$'000</i> (Unaudited)	Amortisation <i>HK\$'000</i> (Unaudited)
Tea business	722	357
Gold mining operation	4,537	4,018
	<hr/>	<hr/>
Total	5,259	4,375

	Six months ended 30 June 2016	
	Depreciation <i>HK\$'000</i> (Unaudited)	Amortisation <i>HK\$'000</i> (Unaudited)
Tea business	263	371
Gold mining operation	N/A	N/A
	<hr/>	<hr/>
Total	263	371

	30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
Tea business	192,140	194,692
Gold mining operation	1,574,508	N/A
	<hr/>	<hr/>
Reportable segments assets	1,766,648	194,692
	<hr/>	<hr/>
Available-for-sale investments	21,269	153,594
Corporate assets	60,003	409,093
	<hr/>	<hr/>
Consolidated total assets	1,847,920	757,379

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

3. SEGMENT REPORTING (Continued)

(c) Other segment information (Continued)

Depreciation of HK\$13,000 is included in corporate expense for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$18,000).

No amortisation is included in corporate expense for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$Nil).

4. FINANCE COSTS

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on bank borrowings	1,893	2,302

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Staff costs (including Directors' emoluments)	17,083	11,003
Impairment loss recognised in respect of trade and other receivables	3,954	1,062
Reversal of impairment loss recognised in respect of trade and other receivables	(893)	(372)
Amortisation of other intangible assets	4,123	149
Amortisation of prepaid lease payments	252	222
Costs of inventories recognised as an expense	94,679	26,327
Depreciation of property, plant and equipment	5,272	281

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2017 and 2016.

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

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

During the six months ended 30 June 2017, 潼關縣祥順礦業發展有限公司 (transliterated as Tongguan County Xiangshun Mining Development Co., Ltd.*) (“Xiangshun Mining”), the operating subsidiary of One Champion, obtained the in-charge tax bureau’s approval for 2017 and was granted a reduced EIT rate of 15%.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

6. INCOME TAX EXPENSE (Continued)

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — PRC Enterprise Income Tax	4,459	—
Deferred tax	(1,171)	—
	<u>3,288</u>	<u>—</u>

7. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2017. The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$Nil).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK\$55,917,000 (six months ended 30 June 2016: HK\$7,895,000) and the weighted average number of ordinary shares of approximately 21,158,625,000 (six months ended 30 June 2016: 16,914,972,000) in issue during the six months ended 30 June 2017.

Diluted loss per share equals to basic loss per share, as there were no potential dilutive ordinary shares issued during the six months ended 30 June 2017 and 2016.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

9. CAPITAL EXPENDITURE

	Property, plant and equipment <i>HK\$'000</i>	Exploration and evaluation assets <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>	Other intangible assets <i>HK\$'000</i>
Cost				
At 1 January 2017 (audited)	145,870	—	511,381	96,672
Exchange adjustments	10,582	12,064	—	4,778
Additions	22,256	893	—	—
Acquired through business combinations	279,105	591,227	440,547	89,672
Disposals	(3)	—	—	—
At 30 June 2017 (unaudited)	457,810	604,184	951,928	191,122
Accumulated depreciation, amortisation and impairment				
At 1 January 2017 (audited)	124,279	—	511,381	91,203
Exchange adjustments	4,100	—	—	2,996
Charge for the period	5,272	—	—	4,123
Eliminated on disposals	(3)	—	—	—
Impairment loss recognised	—	—	52,202	—
At 30 June 2017 (unaudited)	133,648	—	563,583	98,322
Carrying values				
At 30 June 2017 (unaudited)	324,162	604,184	388,345	92,800
At 31 December 2016 (audited)	21,591	—	—	5,469

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

9. CAPITAL EXPENDITURE (Continued)

The Group had pledged certain buildings with carrying values of HK\$Nil (2016: HK\$Nil) to secure the general banking facilities granted to the Group.

The Group has pledged the forest use right with carrying values of approximately HK\$5,499,000 (2016: HK\$5,469,000) to secure general banking facilities granted to the Group.

During the six months ended 30 June 2017, the Group recognised an impairment loss of HK\$52,202,000 in relation to the goodwill arising on the One Champion Acquisition (Note 17(a)). For the purpose on impairment testing, goodwill has been allocated to Combined Success Investments Limited (“Combined Success”) and its subsidiaries, which are identified to be a group of cash-generating units (“CGU”). The recoverable amount of which is determined based on the best estimate by the directors of the Company with reference to a fair-value-less-cost-of-disposal calculations. These calculations use cash flow projections based on a 13-year forecast. The cash flows are discounted using a pre-tax discount rate of 21.0%. The discount rate reflects specific risks relating to the business.

10. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Available-for-sale investments		
– equity securities listed in overseas stock exchange	21,269	13,194
– unlisted equity securities (Note 17(a))	—	140,400
	<u>21,269</u>	<u>153,594</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

11. TRADE AND OTHER RECEIVABLES

		30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Trade receivables	(a)	26,690	22,338
Less: allowances		<u>(15,489)</u>	<u>(11,897)</u>
		11,201	10,441
Other receivables		14,781	7,831
Less: allowances		<u>(2,449)</u>	<u>(3,003)</u>
		12,332	4,828
Deposits and prepayments		68,196	12,705
Advances to suppliers	(b)	<u>37,655</u>	<u>32,000</u>
		<u>129,384</u>	<u>59,974</u>

(a) Trade receivables

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

	30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
0 – 30 days	7,348	7,060
31 – 60 days	3,216	715
61 – 90 days	122	156
Over 90 days	<u>515</u>	<u>2,510</u>
	<u>11,201</u>	<u>10,441</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

11. TRADE AND OTHER RECEIVABLES (Continued)

(b) Advances to suppliers

The amount represented advance payments to several suppliers for sourcing of goods from them. Out of which, amounting to approximately HK\$34,111,000 (equivalent to RMB29,605,000) (2016: HK\$30,805,000 (equivalent to RMB27,593,000)) represented the sourcing of teas from several suppliers in which the goods shall be delivered during the year ending 31 December 2018 (2016: during the year ending 31 December 2017). Prior to the delivery of teas to the Group, these suppliers will pay an interest at the rate of 11.152% (2016: 11.152%) per annum on the outstanding balances to the Group.

12. TRADE AND OTHER PAYABLES

		30 June 2017	31 December 2016
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Trade payables	(a)	63,478	19,687
Other payables and accruals		219,250	36,813
Provisions		7,138	—
		289,866	56,500

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

12. TRADE AND OTHER PAYABLES (Continued)

(a) Trade payables

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
0 – 90 days	9,279	8,817
91 – 180 days	22,678	9,209
181 – 365 days	694	17
Over 1 year	30,827	1,644
	<hr/> 63,478	<hr/> 19,687

13. BANK BORROWINGS

The Group has pledged certain buildings, prepaid lease payments and forest use right with carrying values of approximately HK\$Nil (31 December 2016: HK\$Nil), HK\$14,563,000 (31 December 2016: HK\$14,321,000) and HK\$5,499,000 (31 December 2016: HK\$5,469,000), respectively to secure general banking facilities granted to the Group.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are fixed rates ranged from 5.0025%-5.4625% (31 December 2016: fixed rate ranged from 5.0025%-5.4625%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

14. SHARE CAPITAL

	Notes	Number of ordinary shares		HK\$'000
		at HK\$0.1 each '000	at HK\$0.01 each '000	
Authorised:				
At 1 January 2016		46,223,810	—	4,622,381
Capital Reorganisation	(a)	<u>(46,223,810)</u>	<u>462,238,100</u>	<u>—</u>
At 31 December 2016 (audited), 1 January 2017 (audited) and 30 June 2017 (unaudited)		<u>—</u>	<u>462,238,100</u>	<u>4,622,381</u>
Issued and fully paid:				
At 1 January 2016		16,914,972	—	1,691,497
Capital Reorganisation	(a)	<u>(16,914,972)</u>	<u>16,914,972</u>	<u>(1,522,347)</u>
At 31 December 2016 (audited) and 1 January 2017 (audited)		N/A	16,914,972	169,150
Issuance of shares for One Champion Acquisition	17(a)	N/A	3,507,750	35,077
Issuance of shares for Perfect Major Acquisition	17(b)	<u>N/A</u>	<u>3,300,000</u>	<u>33,000</u>
At 30 June 2017 (unaudited)		<u>N/A</u>	<u>23,722,722</u>	<u>237,227</u>

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

Note:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

15. 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 (31 December 2016: one to fifteen years) and the leases do not include contingent rentals. The total future minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
Not later than one year	6,680	9,022
Later than one year but not later than five years	7,278	5,668
	<u>13,958</u>	<u>14,690</u>

16. CAPITAL COMMITMENTS

	30 June 2017 <i>HK\$'000</i> (Unaudited)	31 December 2016 <i>HK\$'000</i> (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	12,865	2,790

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

17. ACQUISITIONS OF SUBSIDIARIES

(a) One Champion Acquisition

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

17. ACQUISITIONS OF SUBSIDIARIES (Continued)

(a) 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:

	<i>HK\$'000</i>
Property, plant and equipment	142,241
Prepaid lease payments	4,478
Exploration and evaluation assets	85,339
Other intangible assets	89,672
Inventories	11,455
Trade and other receivables	52,305
Bank balances and cash	89,817
Trade and other payables	(274,685)
Income tax payable	(18,852)
Deferred tax liabilities	(24,752)
Non-controlling interest	(26,390)
	<hr/>
	130,628

Satisfied by:	
Cash consideration paid in 2016 as deposit	80,000
Available-for-sale investments (<i>Note 10</i>)	140,400
3,507,750,000 shares*	350,775
	<hr/>
	571,175

Goodwill (<i>Note 9</i>)	440,547
	<hr/>

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

17. ACQUISITIONS OF SUBSIDIARIES (Continued)

(a) One Champion Acquisition (Continued)

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

Since the acquisition date, One Champion has contributed HK\$92,789,000 and HK\$32,211,000 to the Group's revenue and loss before tax. Had the acquisition occurred on 1 January 2017, One Champion would have contributed revenue and loss before tax for the current period of HK\$92,789,000 and HK\$32,305,000 respectively.

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

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

	<i>HK\$'000</i>
Cash consideration paid during the year ended	
31 December 2016	(80,000)
Cash and bank balances acquired	<u>89,817</u>
Net inflow of cash and cash equivalents included in	
cash flows from investing activities	<u>9,817</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

17. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Perfect Major Acquisition

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

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

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:

	<i>HK\$'000</i>
Property, plant and equipment	136,864
Exploration and evaluation assets	505,888
Inventories	218
Trade and other receivables	3,611
Bank balances and cash	1,705
Trade and other payables	(180,687)
Deferred tax liabilities	(122,370)
Non-controlling interest	(35,029)
	<hr/>
	310,200

Satisfied by:	
3,300,000,000 shares*	<hr/> 310,200

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

17. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Perfect Major Acquisition (Continued)

Since the acquisition date, Perfect Major has contributed HK\$Nil and HK\$1,027,000 to the Group's revenue and loss before tax. Had the acquisition occurred on 1 January 2017, Perfect Major would have contributed revenue and loss before tax for the current period of HK\$Nil and HK\$2,484,000 respectively.

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

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

	<i>HK\$'000</i>
Cash consideration	—
Cash and bank balances acquired	<u>1,705</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities	<u>1,705</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

	Fair value hierarchy			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
At 30 June 2017 (unaudited)				
Available-for-sale investments				
Listed equity securities	<u>21,269</u>	<u>–</u>	<u>–</u>	<u>21,269</u>
At 31 December 2016				
(audited)				
Available-for-sale investments				
Listed equity securities	<u>13,194</u>	<u>–</u>	<u>–</u>	<u>13,194</u>

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

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

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

19. COMPARATIVE FIGURES

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

Corporate Governance

The Company is committed to comply with its established best practice in corporate governance and is acting in line with those practices as set out in the annual report of the Company for the financial year ended 31 December 2016. The Board believes that good corporate governance is crucial to enhance the performance of the Group and to safeguard the interests of the shareholders of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company has complied with the code provisions (“Code Provision(s)”) of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) during the six months ended 30 June 2017, except for certain deviations as specified and explained below with considered reasons for such deviations.

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

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

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

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

Corporate Governance

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

2. Under Code Provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting. Since the new Chairman has not been appointed following the resignation of Dr. You Xian Sheng as the Chairman on 31 January 2014, Mr. Yeung Kwok Kuen, the executive Director, has been elected by other Directors present to act as the chairman of the annual general meeting of the Company held on 31 May 2017 in accordance with the Bye-laws of the Company.
3. Under Code Provision F.1.3 of the CG Code, the company secretary should report to the board chairman and/or the chief executive officer. Since the new Chairman has not been appointed following the resignation of Dr. You Xian Sheng as the Chairman on 31 January 2014 and the new CEO has not been appointed following the resignation of Mr. Wang Hui as the CEO on 1 June 2016, the company secretary of the Company reported to the executive Directors since 1 June 2016.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. Upon specific enquiries, all Directors confirmed they had complied with the required standard set out in the Model Code during the six months ended 30 June 2017.

BOARD OF DIRECTORS

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

Corporate Governance

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

Disclosure of Interests and Other Information

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

As at 30 June 2017, none of the directors and chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 30 June 2017, persons (other than directors or chief executives of the Company as disclosed herein) who had interests or short positions in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in shares of the Company

Name of Shareholders	Capacity	Class of shares of the Company	Number of shares held	% of total issued share capital of the relevant class of shares <i>(Note 1)</i>
Ho Ping Tanya	Beneficial owner	Ordinary	3,300,000,000	13.91%
Lin Eddie Chang	Interest in controlled corporation	Ordinary	3,300,000,000 <i>(Note 2)</i>	13.91%
Lin Yuhua	Interest in controlled corporation	Ordinary	1,852,500,000 <i>(Note 3)</i>	7.81%

Disclosure of Interests and Other Information

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

(Continued)

Long position in shares of the Company (Continued)

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2017, which were 23,722,722,211.
2. These shares are held by Fung Wai Enterprises Ltd. which is 100% beneficially owned by Mr. Lin Eddie Chang.
3. These shares are held by Supreme Success Group Limited which is 100% beneficially owned by Ms. Lin Yuhua.

Save as disclosed above, the Company had not been notified of any interests or short positions in the shares and underlying shares of equity derivatives of the Company as required to be recorded in the register under section 336 of the SFO as at 30 June 2017.

SHARE OPTION SCHEMES

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

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

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

Disclosure of Interests and Other Information

SHARE OPTION SCHEMES (Continued)

3. As at 29 August 2017, the total number of ordinary shares of HK\$0.01 each in the capital of the Company (“Shares”) available for issue under the New Share Option Scheme was 2,372,272,221 representing approximately 10% of the issued ordinary share capital of the Company.
4. Unless otherwise approved by shareholders of the Company in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme to each participant in any 12-month period must not exceed 1% (except for substantial shareholders, as defined in the Listing Rules, or independent non-executive director of the Company, or any of their respective associates, as defined in the Listing Rules, must not exceed 0.1%) of the issued ordinary share capital of the Company from time to time.
5. An option shall be exercised in whole or in part in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board to each grantee, provided that no option shall be exercisable later than 10 years after its date of grant.
6. An option shall be accepted by a participant together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof within 30 days from the date of the offer of grant of the option.
7. The subscription price for Shares under the New Share Option Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Board, but shall be at least the highest of (i) the closing price of a Share as stated in the Stock Exchange’s daily quotations on the date of grant which must be a business day, (ii) the average closing price of a Share as stated in the Stock Exchange’s daily quotations for the five business days immediately preceding the date of grant and (iii) the nominal value of a Share.
8. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on 25 May 2012.

Disclosure of Interests and Other Information

SHARE OPTION SCHEMES (Continued)

During the six months ended 30 June 2017, no option has been granted to the participants of the New Share Option Scheme to subscribe for the Shares. From the date of adoption of the New Share Option Scheme and up to 30 June 2017, there is no option granted by the Company under the New Share Option Scheme that remains outstanding as at 30 June 2017.

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

The Company has not redeemed any of its listed securities during the six months ended 30 June 2017. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 June 2017.

AUDIT COMMITTEE

The Audit Committee of the Company and management have reviewed the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 30 June 2017.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of Directors' information since the date of the 2016 annual report and up to the date of this interim report is as follows:

1. Mr. Shi Sheng Li was appointed as an executive Director with effect from 14 June 2017.
2. Mr. Liang Xu Shu ("Mr. Liang") was appointed as an independent non-executive Director with effect from 14 June 2017. Mr. Liang was also appointed as a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company, all with effect from 14 June 2017.

Disclosure of Interests and Other Information

3. Mr. Chong Cha Hwa (“Mr. Chong”) resigned as an independent non-executive Director with effect from 31 July 2017. Mr. Chong also resigned as the chairman and the member of Audit Committee, Remuneration Committee and Nomination Committee of the Company, all with effect from 31 July 2017.
4. Mr. Chu Kang Nam, the independent non-executive Director and the member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company, was appointed as the chairman of Audit Committee, Remuneration Committee and Nomination Committee of the Company, all with effect from 31 July 2017.
5. Mr. Leung Ka Wo (“Mr. Leung”) was appointed as an independent non-executive Director with effect from 25 August 2017. Mr. Leung was also appointed as the chairman and member of Audit Committee and member of each of the Remuneration Committee and Nomination Committee of the Company, all with effect from 25 August 2017. Mr. Chu Kang Nam was resigned as the chairman of the Audit Committee of the Company with effect from 25 August 2017.

By Order of the Board

China Mining Resources Group Limited

Yeung Kwok Kuen

Executive Director and Chief Financial Officer

Hong Kong, 29 August 2017