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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: 00340)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the "Board") of China Mining Resources Group Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017, with the comparative figures for the corresponding period in 2016, as follows:

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	9	**(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)

* *For identification purpose only*

	Notes	**2017**	2016
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
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 *(HK cents)*	*8*	**(0.26)**	(0.05)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2017

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

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

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.

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.

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.

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.

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.

For the six months ended 30 June 2017 — Unaudited

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

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

For the six months ended 30 June 2016 — Unaudited

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

(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.

(c) Other segment information

	Six months ended 30 June 2017	
	Deprecation ***HK$'000*** **(Unaudited)**	**Amortisation** ***HK$'000*** **(Unaudited)**
Tea business	**722**	**357**
Gold mining operation	**4,537**	**4,018**
Total	**5,259**	**4,375**

	Six months ended 30 June 2016	
	Deprecation *HK$'000* (Unaudited)	Amortisation *HK$'000* (Unaudited)
Tea business	263	371
Gold mining operation	N/A	N/A
Total	263	371

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

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	2016
	HK$'000	*HK$'000*
	(Unaudited)	(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	2016
	HK$'000	*HK$'000*
	(Unaudited)	(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

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%.

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)**	—
	3,288	—

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.

9. IMPAIRMENT LOSS ON GOODWILL

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 12(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. 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 calculation. The calculation uses 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. TRADE AND OTHER RECEIVABLES

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

(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	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 — 30 days	**7,348**	7,060
31 — 60 days	**3,216**	715
61 — 90 days	**122**	156
Over 90 days	**515**	2,510
	11,201	10,441

(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.

11. TRADE AND OTHER PAYABLES

		30 June 2017	31 December 2016
	Notes	***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

(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
	63,478	19,687

12. ACQUISITIONS OF SUBSIDIARIES

(a) One Champion Acquisition

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

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

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

	HK$'000
Property, plant and equipment	142,241
Prepaid lease payments	4,478
Exploration and evaluation assets	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)
	130,628

	HK$'000
Satisfied by:	
Cash consideration paid in 2016 as deposit	80,000
Available-for-sale investments	140,400
3,507,750,000 shares*	350,775
	571,175
Goodwill *(note 9)*	440,547

* 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$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:

	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 included in cash flows from investing activities	9,817

(b) Perfect Major Acquisition

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

Perfect Major and its subsidiaries (referred to as "Perfect Major Group") is principally engaged in the exploration of gold and related minerals. The acquisition represents an opportunity for the Group to 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:

	HK$'000
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)
	310,200
Satisfied by:	
3,300,000,000 shares*	310,200

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

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

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

13. COMPARATIVE FIGURES

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

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.

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.

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.

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.

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.

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$28,577,000 (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).

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.

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.

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.

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.

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.

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.

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.

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.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company and management have reviewed the accounting principles and policies adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published in the Company's website (www.chinaminingresources.com) and the designated website of the Stock Exchange (www.hkexnews.hk). The interim report will be available on the websites of the Company and the Stock Exchange in due course.

By Order of the Board
China Mining Resources Group Limited
Yeung Kwok Kuen
Executive Director and Chief Financial Officer

Hong Kong, 29 August 2017

As at the date of this announcement, the board of directors of the Company comprises Mr. Fang Yi Quan, Mr. Yeung Kwok Kuen, Mr. Shi Xing Zhi and Mr. Shi Sheng Li as executive Directors, Mr. Chu Kang Nam, Mr. Ngai Sai Chuen, Mr. Liang Xu Shu and Mr. Leung Ka Wo as independent non-executive Directors.