



中國礦業資源集團有限公司
China Mining Resources Group Limited

(Stock Code: 340)

ANNOUNCES ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

CONTINUE TO ADHERE TO OUR ESTABLISHED BUSINESS STRATEGY OF STRENGTHENING THE INTERNAL MANAGEMENT PROCESS, CLOSELY MONITORING THE COST STRUCTURE, IMPROVING CAPITAL UTILIZATION, OPTIMIZING THE RESOURCE ALLOCATION AND PRODUCT MIX, SO THAT TO ENHANCE THE GROUP'S OPERATIONAL EFFICIENCY

<u>Financial Highlights</u>	For the Year Ended 31 December 2013		
	(HK\$'000)		
	2013	2012	Change (%)
Turnover	186,585	221,646	-15.8%
Gross Profit	50,637	95,023	-46.7%
Gross Profit Margin	27%	43%	-16ppt
Net Loss	(311,048)	(110,858)	-
LBITDA before impairment losses	(43,570)	(80,613)	-
Loss per share			
Basic	(3.40) cent	(1.21) cent	-
Diluted	(3.40) cent	(1.21) cent	-

(Hong Kong, 28 March, 2014) – **China Mining Resources Group Limited** (“China Mining” or the “Group”) (Stock Code: 340) today announced its annual results for the year ended 31 December 2013 (the “Year”).

During the year, the Group recorded a revenue of HK\$186,585,000 (2012: HK\$221,646,000) and gross profit of HK\$50,637,000 (2012: HK\$95,023,000) from continuing operations, representing a decrease of 16% and 47% respectively as compared with last year. The decrease in revenue was mainly due to the significant decrease of revenue generated from King Gold Investment Limited (“King Gold”) and its subsidiaries (together with King Gold, “King Gold Group”) and a moderate decrease of revenue generated from Harbin Songjiang Copper (Group) Company Limited (“Harbin Songjiang”) and its subsidiaries (together with Harbin Songjiang, “Harbin Songjiang Group”).

During the year, The Group's loss attributable to owners of the Company amounted to HK\$311,047,000 (2012: HK\$110,858,000). In particular, the significant increase in loss was mainly attributable to the impairment losses of HK\$88,295,000 on goodwill, impairment loss of HK\$27,777,000 on brand name (HK\$22,222,000 attributable to equity owners), impairment losses of HK\$61,184,000 on property, plant and equipment (HK\$48,894,000 attributable to equity owners), impairment losses of HK\$32,083,000 on mining rights (HK\$24,088,000 attributable to equity owners), impairment losses of HK\$24,998,000 on available-for-sale investments (HK\$24,998,000 attributable to equity owners) impairment losses of HK\$15,357,000 a short-term loan and loan interest and receivables (HK\$10,750,000 attributable to equity owners).

Mr. Wang Hui, Executive Director of China Mining, said: "Looking ahead, we will continue to adhere to our established business strategy of strengthening the internal management process, closely monitoring the cost structure, improving capital utilization, optimizing the resource allocation and product mix, so that to enhance the Group's operational efficiency. We will strive to increase our competitiveness as well as gaining market share in all business segments so as to generate the best return to our shareholders."

REVIEW OF OPERATIONS

Harbin Songjiang Group

Harbin Songjiang is based in Harbin, Heilongjiang Province, the People's Republic of China (the "PRC") and specializes in the mining, processing and sale of molybdenum. Harbin Songjiang Group contributed HK\$46,163,000 (2012: HK\$50,761,000) and HK\$66,891,000 (2012: profit of HK\$6,362,000) to the Group's revenue and loss respectively for the year ended 31 December 2013. Revenue in respect of the mining business for the year ended 31 December 2013 has decreased by 9% to HK\$46,163,000 in the year 2013 from HK\$50,761,000 in the year 2012. The decrease was mainly attributable to the decrease in selling price of ferro molybdenum in the year 2013. The average selling price of ferro molybdenum fell to around HK\$121,484 per tonne during the year ended 31 December 2013 (2012: HK\$131,847 per tonne). The cost of sales of Harbin Songjiang Group increased from HK\$40,445,000 in 2012 to HK\$56,359,000 in the year 2013. The average gross loss margin was 22% in the year 2013 (2012: gross profit of 20%). The significant deterioration of the gross profit margin was mainly due to the higher unit production cost of molybdenum which caused by the significant increase in labour cost and others production cost in Mainland China and the decrease in the selling prices of molybdenum during the year.

In view of the continuing decrease in the market price and the increase in production cost of ferro molybdenum-related products in Mainland China, the directors of the Company considered that the mining right of molybdenum mine should be further impaired in year 2013. A valuation was performed by an independent valuer to assess the impairment by a cash flow projection basis. Accordingly, an impairment loss of approximately HK\$32,083,000 (2012: HK\$Nil) was recognized in the consolidated statement of comprehensive income during the year 2013.

King Gold Group

King Gold Group is principally engaged in cultivation, research, production and sale of Chinese tea products, and its products selling under the brand names of “ 武夷 ” and “ 武夷星 ” which are well-recognised in the PRC as premium tea products and widely distributed throughout the country. King Gold Group contributed HK\$140,421,000 (2012: HK\$170,870,000) and HK\$187,891,000 (2012: HK\$13,733,000) to the Group's revenue and loss for the year ended 31 December 2013 respectively. For the financial year ended 31 December 2013, King Gold Group generated a revenue of HK\$140,421,000 (2012: HK\$170,870,000). This represented a decrease of 18% in revenue when compared with last year. Decrease in revenue was mainly attributable to the effects of slowdown of the economic development in the PRC and various austerity measures implemented by the PRC government which had affected the general spending sentiment and confidence of customer market in the PRC. The cost of sales of King Gold Group decreased from HK\$86,177,000 in the year 2012 to HK\$79,589,000 in the year 2013. The decrease in sale of high profit margin superior product, and the increase in competition in the tea product market, coupled with rising labour costs and raw material costs (raw material being the tea leaves), led to a further shrinking profit margin in our tea business. The average gross profit margin was 43%, representing a decrease of 7% as compared with an average gross profit margin of 50% last year.

Goodwill and brand name are allocated to the Group's tea business cash-generating unit and they are arising from the acquisition of King Gold Group in 2009. In view of the deterioration of the Group's tea business in year 2013 caused by the aforementioned slowdown of the economic development in the PRC and various austerity measures implemented by the PRC government which had affected the general spending sentiment and confidence of customer market in the PRC, the directors of the Company determine that there is impairment indication of the goodwill and brand name and the related property, plant and equipment of the tea business of King Gold Group as at the year ended 31 December 2013. A valuation was performed by an independent valuer to assess the impairment by a cash flow projection basis. Accordingly, impairment losses in respect of the goodwill and brand name and property, plant and equipment of HK\$88,295,000 (2012: HK\$Nil) and HK\$27,777,000 (2012: HK\$Nil) and HK\$60,658,000 (2012: HK\$Nil) respectively, were recognised in the consolidated statement of comprehensive income during the year 2013.

Year Joy Group

Year Joy Investments Limited (“Year Joy”) indirectly owns 100% of the economic benefit from the operation of the iTV business of China iTV Network Co., Ltd. (“China iTV”), a company established in the PRC on 7 September 1998 with limited liability, through an exclusive business operation agreement. China iTV is mainly engaged in providing online video service which involves an online video platform that offers various contents and delivers various value-added services to the customers of telecommunication operators in the PRC. For the financial year ended 31 December 2012, iTV business started generating revenue. The iTV business is still in the stage of developing client networks. Year Joy and its subsidiaries (“Year Joy Group”) contributed HK\$1,000 (2012: HK\$15,000) and HK\$18,731,000 (2012: HK\$13,836,000) to the Group's revenue and loss for the year ended 31 December 2013.

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 and capital gain and dividend income during the year ended 31 December 2013. The investment portfolio of the Group, including available-for-sale investments, recorded a depreciation during the year ended 31 December 2013. The net decrease in fair value of the investment portfolio during the year was HK\$58,330,000 (2012: HK\$97,732,000).

PROSPECTS

The international and domestic molybdenum market has no significant improvement in the operation in year 2013 as the market price of the molybdenum products continued to hover at a low level and the risks and pressure remained in this industry. Despite the challenging business conditions of molybdenum industry, the Group has maintained a stable business performance of ferro molybdenum during the year thereby positioning itself to grasp the opportunities that will come with the recovery of the market.

Due to the slowdown of economic development in the PRC and the various austerity measures implemented by the PRC government, there is a decline of operating result of the tea business in 2013. However, the management of the Group still put great efforts to increase market promotion and distribution network so that to expand the customer base and promote the “Wuyi star” and “Wuyi” brands in the PRC market. During year 2013, the Group has continued to maintain a stable pace in new store expansion and prudently selected the location of new stores to ensure their quality. The future operating environment of tea industry in the PRC in 2014 is still expected to face significant challenge and uncertainties. Looking forward, the Group will continue to strengthen the existing tea products under “Wuyi star” and “Wuyi” brands, develop and launch new and exclusive tea products, focus on the promotion and expansion of the existing distribution networks in terms of number of stores and coverage, and explore new sales platforms and channels to broaden its customer base.

For the online video business, the Group will continue to focus on the cooperation with the major telecommunication operators in the PRC and develop more value-added services, including, but not limited to, online video service, mobile value-added service to the customers of telecommunication operators. The ultimate goal for the online video business is to have a long-term and stable cooperative relationship with the major telecommunications operators in the PRC and to continue to develop relevant internet and mobile value-added service applications to the end-users of the telecommunications operators.

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About China Mining Resources Group Limited (Stock Code: 340)

China Mining is principally engaged in the business of exploration and mining of natural resources mainly molybdenum, sales of tea products and online video business. The Group’s core holding a 75.08% equity interest in Harbin Songjiang, a leading miner and processor of molybdenum, a 80% equity interest in King Gold Group, which is principally engaged in cultivation, research, production, and sale of Chinese tea products, and a 70% equity interest in Year Joy Group, which is principally engaged in online video business.

Released by China Mining Resources Group Limited