



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 2017

**CONTINUE TO EXPLORE POSSIBLE INVESTMENT OPPORTUNITIES IN ORDER TO
GENERATE THE BEST RETURN TO OUR SHAREHOLDERS**

<u>Financial Highlights</u>	For the Year Ended 31 December 2017		
	(HK\$'000)		
	2017	2016	Change (%)
Turnover	387,475	112,372	245%
Gross Profit	86,646	47,039	84%
Gross Profit Margin	22%	42%	-20 ppt
Loss for the year attributable to:			
Owners of the Company	(74,068)	(21,130)	
Non-controlling interests	<u>(5,106)</u>	<u>(2,007)</u>	
	(79,174)	(23,137)	
Loss per share			
Basic	HK(0.32) cents	HK(0.12) cents	
Diluted	HK(0.32) cents	HK(0.12) cents	

(Hong Kong, 28 February, 2018) – **China Mining Resources Group Limited** (“China Mining” or the “Group”) (Stock Code: 340) today hereby announced its annual results for the year ended 31 December 2017 (the “Year”).

During the year, the Group recorded a revenue of approximately HK\$387,475,000 (2016: HK\$112,372,000) and gross profit of HK\$86,646,000 (2016: HK\$47,039,000), representing an increase of 245% in revenue and increase of 84% in gross profit respectively as compared with that of last year. The increase in revenue and gross profit 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 “Completion Date”).

During the year, the loss attributable to owners of the Company amounted to approximately HK\$74,068,000 (2016: HK\$21,130,000). The increase in loss attributable to the owners of the Company was mainly attributable to the one-off effect of the impairment loss of goodwill amounted to HK\$52,202,000 as resulted from One Champion Acquisition, which is non-recurring and non-cash in nature.

REVIEW OF OPERATIONS

Gold Mining Operation — One Champion Group and Perfect Major Group and Pride Success 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 is 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 and exploration licence 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\$295,787,000 and HK\$37,770,000 to the Group’s revenue and profit before tax respectively for the year ended 31 December 2017.

On 24 April 2017, the Group also 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 is undergoing geological studies during the year to prepare for the mining licence application.

On 3 November 2017, the Group further completed the acquisition of the entire equity interest in Pride Success Investment Limited (“Pride Success”). Details of the acquisition of the entire equity interest in Pride Success were disclosed in the announcements of the Company dated 26 October 2017, 30 October 2017 and 3 November 2017.

Pride Success and its subsidiaries (together with Pride Success, “Pride Success Group”) are principally engaged in the exploration of gold and related minerals. The principal asset of Pride Success is its indirect equity interest in a PRC company, namely Tongguan County De Xing Mining LLC (潼關縣德興礦業有限責任公司) (“De Xing Mining”), which hold the mining licence and exploration licence in respect of a gold mine located in Tongguan County in the Shaanxi Province of the PRC. The Pride Success Group is undergoing geological studies during the year to prepare for the mining licence application.

Tea Business — King Gold Group

Tea Business — 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 selling under the brand names of “武夷” and “武夷星” which are well-recognised in the PRC as premium tea products and widely distributed throughout the country.

King Gold Group contributed approximately HK\$91,688,000 (2016: HK\$112,372,000) and approximately HK\$46,469,000 (2016: HK\$9,860,000) to the Group’s revenue and loss for the year ended 31 December 2017 respectively. This represented a decrease of 18% in revenue when compared with last year. 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 increased from approximately HK\$65,333,000 in 2016 to approximately HK\$72,999,000 in 2017. The average gross profit margin was 20%, representing a decrease of 22 percentage points as compared with an average gross profit margin of 42% last year. Decrease in gross profit margin was mainly attributable to the intensified competition of the market and increasing effort in launching products at affordable price points to strive for better market share. Added variety of discounts have been offered to loyal customers and significant wholesalers to the Group to encourage more frequent and bulk purchases so as to lower the inventory level and to increase market presence.

PROSPECTS

Gold Mining Operation

This year the Group marks its re-entry to the mining industry 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. The management is optimistic on the Group’s financial performance turnaround in the near future considering the potential of profit contribution from the Gold Mining Operation.

Work safety and environmental protection are of utmost importance to the sustainable development of the Group. The Group is carrying on the construction of the new processing plant to strengthen our processing capacity with the aim to reduce its environmental footprint in mind. As disclosed in the announcement of the Company dated 14 June 2017, the new processing plant will have an ultimate daily processing capacity of 3,000 tonnes and the first phase of the plant with a daily processing capacity of 1,500 tonnes is expected to be completed in or around June 2018. The management is confident that the new processing plant will facilitate the Group towards cleaner and more efficient production.

With regard to the expansion potential in the near future, the Group continues to explore opportunities for acquisitions to expand and maintain a self-sufficient mineral portfolio. Subsequent to the two acquisitions during the year, the Group currently maintains a healthy mineral portfolio which allows the Group to carry out exploration activities and the tenements are expected to be available for exploitation in later years.

The profitability of the Group highly depends on the gold price in the domestic and international markets and the market prices of gold (and other precious metals) are highly correlated with the global economic growth and stability. 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.

As the investors awaits for clues on the pace of interest rate hikes of the United States, the US dollar stays weak and has stabilized the international gold price to stay at USD1,300/oz level. The heightened geopolitical uncertainty is expected to benefit the Group with the safe-haven effect of gold from the risk-averse sentiments of the market.

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 and recorded a reduction in turnover during 2017.

The Group primarily focuses in maintaining its market share through competing in varied price points and escalated promotion effort. However, the gross profit margin is unavoidably affected in the near term.

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 rapidly changing environment for Tea Business and safeguard the shareholders' value.

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

China Mining is principally engaged in the production and sale of tea products and gold mining operation, which includes exploration, mining, processing and sale of gold and related products. The Group's production and sale of tea products and gold mining operation are mainly carried out in the People's Republic of China (the "PRC").

Released by China Mining Resources Group Limited