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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 FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

The Board of Directors (the “Board”) of China Mining Resources Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2009:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	<i>Notes</i>	2009 <i>HK\$’000</i>	2008 <i>HK\$’000</i>
Continuing operations			
Revenue	4	250,103	493,767
Cost of sales		(129,472)	(446,688)
Gross profit		120,631	47,079
Other income	5	25,823	67,186
Other gains and losses	6	274,008	(108,480)
Selling and distribution expenses		(16,101)	(8,051)
Administrative expenses		(191,312)	(223,010)
Finance costs		(18,849)	(24,306)
Share of results of jointly controlled entities		—	(476)
Impairment losses on exploration and evaluation assets and other intangible assets		(452,766)	(4,420,555)
Impairment losses on property, plant and equipment and prepaid lease payments		(149,463)	(706,025)
Loss before tax		(408,029)	(5,376,638)
Income tax credit	7	10,195	628,661

* *For identification purpose only*

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Loss for the year from continuing operations		(397,834)	(4,747,977)
Discontinued operation	8		
Profit for the year from discontinued operation		<u>—</u>	<u>1,880</u>
Loss for the year	9	<u>(397,834)</u>	<u>(4,746,097)</u>
Other comprehensive income (expense)			
Exchange difference arising on translation		1,269	359,933
Gain on fair value change of available-for-sale investments		93,965	594
Reclassification adjustment upon disposal of available-for-sale investments		<u>(71,500)</u>	<u>—</u>
Other comprehensive income for the year (net of tax)		<u>23,734</u>	<u>360,527</u>
Total comprehensive expense for the year		<u>(374,100)</u>	<u>(4,385,570)</u>
Loss for the year attributable to:			
Owners of the Company		(318,355)	(3,174,608)
Minority interests		<u>(79,479)</u>	<u>(1,571,489)</u>
		<u>(397,834)</u>	<u>(4,746,097)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(294,715)	(2,908,157)
Minority interests		<u>(79,385)</u>	<u>(1,477,413)</u>
		<u>(374,100)</u>	<u>(4,385,570)</u>
Loss per share	10		
From continuing and discontinued operation			
Basic and diluted		<u>(5.2) cents</u>	<u>(52.7) cents</u>
From continuing operations			
Basic and diluted		<u>(5.2) cents</u>	<u>(52.7) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

		2009	2008
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		121,192	218,441
Prepaid lease payments		37,447	71,951
Exploration and evaluation assets		—	11,229
Goodwill		511,381	—
Other intangible assets		182,374	546,777
Interests in jointly controlled entities		—	—
Available-for-sale investments		214,199	72,121
Deposit for acquisition of subsidiaries		—	100,000
Other receivables		—	968
		<u>1,066,593</u>	<u>1,021,487</u>
Current assets			
Inventories		256,185	209,050
Trade and other receivables	<i>11</i>	105,531	126,644
Prepaid lease payments		3,167	2,120
Held-for-trading investments		6,746	590
Bank balances and cash		531,223	1,000,408
		<u>902,852</u>	<u>1,338,812</u>
Current liabilities			
Trade and other payables	<i>12</i>	221,880	358,895
Amounts due to jointly controlled entities		—	758
Amounts due to minority shareholders		150,500	150,636
Tax payable		62,277	100,536
Bank borrowings		51,192	136,428
Other borrowings		1,137	1,137
Provisions		56,302	20,363
		<u>543,288</u>	<u>768,753</u>
Net current assets		<u>359,564</u>	<u>570,059</u>
Total assets less current liabilities		<u>1,426,157</u>	<u>1,591,546</u>

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Non-current liabilities		
Deferred income	32,435	46,644
Bank borrowings	68,256	34,107
Other borrowings	4,880	4,877
Provisions	67,747	120,604
Deferred tax liabilities	25,070	42,077
Other long term payables	95,664	85,642
	<u>294,052</u>	<u>333,951</u>
	<u><u>1,132,105</u></u>	<u><u>1,257,595</u></u>
Capital and reserves		
Share capital	613,078	602,665
Share premium and reserves	434,199	529,615
	<u>1,047,277</u>	<u>1,132,280</u>
Equity attributable to owners of the Company	1,047,277	1,132,280
Minority interests	84,828	125,315
	<u><u>1,132,105</u></u>	<u><u>1,257,595</u></u>

Notes:

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The functional currency of the Company is Renminbi. The consolidated financial statements are presented in Hong Kong dollars for the convenience of the investors as its shares are listed on the Stock Exchange.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are mining, processing and sales of copper, zinc, molybdenum, and cultivating and sales of tea products. In prior year, the Group was also engaged in the provision of cord blood bank and relevant laboratory service which was discontinued in prior year.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Hong Kong Accounting Standard (“HKAS”) 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
Hong Kong (International Financial Reporting Interpretations Committee) (“HK (IFRIC)”) — Interpretations (“Int”) 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes, (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group’s reportable segments (see Note 4) nor changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments *(Amendments to HKFRS 7 Financial Instruments: Disclosures)*

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ⁶
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁴
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁵
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁷
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁶
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁵

¹ Effective for annual periods beginning on or after 1 July 2009

² Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 July 2010

⁶ Effective for annual periods beginning on or after 1 January 2011

⁷ Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" ("HKFRS 9") introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 “Leases” (“HKAS 17”) has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group’s leasehold land.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

4. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” (“HKFRS 8”) with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”) for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standards (HKAS 14, “Segment Reporting”) (“HKAS 14”) required an entity to identify two sets of segments (business and geographical) using a risk and return approach. However, segment information reported externally in prior years and to the Group’s Chief Executive Officer, being the CODM for the purpose of resource allocation and assessment of performance was the same and analysed on the basis of the Group’s operating divisions. As a result, the application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss, segment assets and segment liabilities.

An analysis of the Group's revenue for the year, for both continuing and discontinued operations is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Continuing operations		
Sales of goods		
— tea products	145,813	—
— molybdenum	63,582	400,517
— copper and zinc	31,477	77,751
— rutile and others	9,231	15,499
	250,103	493,767
Discontinued operation		
Processing and storage of cord blood	—	25,037
	250,103	518,804

For management purposes, the Group is organised into four operating divisions — Tea products, Molybdenum, Copper and Zinc and Rutile and others. These divisions are the basis on which the Group reports its primary segment information.

Principal activities of these divisions are as follows:

Tea products	—	production and sales of tea (a new division in 2009)
Molybdenum	—	mining, processing and sales of Molybdenum
Copper and Zinc	—	mining, processing and sales of copper and zinc
Rutile and others	—	mining, processing and sales of other minerals such as rutile, silicon and iron
Cord blood	—	processing and storage of Cord blood

The Group has discontinued the processing and storage of cord blood on 21 November 2008 (Note 8).

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2009

	Continuing operations				Total HK\$'000
	Tea products HK\$'000	Molybdenum HK\$'000	Copper and zinc HK\$'000	Rutile and others HK\$'000	
REVENUE					
Segment revenue — external sales	<u>145,813</u>	<u>63,582</u>	<u>31,477</u>	<u>9,231</u>	<u>250,103</u>
RESULT					
Segment result	<u>89,820</u>	<u>(590,088)</u>	<u>10,493</u>	<u>(79,270)</u>	<u>(569,045)</u>
Unallocated income					
— Interest income on bank deposits					4,346
— Gain on disposal of available-for-sale investments					71,500
— Gain on disposal of business					57,524
— Gain on disposal of subsidiaries					85,850
— Gain on changes in fair value of held-for-trading investments					18,738
— Others					<u>38,557</u>
Total unallocated income					<u>276,515</u>
Sub-total					(292,530)
Unallocated expenses					
— central administrative expenses					(96,650)
Finance costs					<u>(18,849)</u>
Loss before tax					<u><u>(408,029)</u></u>

For the year ended 31 December 2008

	Continuing operations			Sub-total <i>HK\$'000</i>	Discontinued operation	Total <i>HK\$'000</i>
	Molybdenum <i>HK\$'000</i>	Copper and zinc <i>HK\$'000</i>	Rutile and others <i>HK\$'000</i>		Cord blood <i>HK\$'000</i>	
REVENUE						
Segment revenue — external sales	<u>400,517</u>	<u>77,751</u>	<u>15,499</u>	<u>493,767</u>	<u>25,037</u>	<u>518,804</u>
RESULT						
Segment result	<u>(2,166,906)</u>	<u>(388,531)</u>	<u>(2,383,760)</u>	<u>(4,939,197)</u>	<u>1,158</u>	<u>(4,938,039)</u>
Unallocated income						
— Interest income on bank deposits				21,634	—	21,634
— Others				<u>5,526</u>	<u>—</u>	<u>5,526</u>
Total unallocated income				<u>27,160</u>	<u>—</u>	<u>27,160</u>
Sub-total				(4,912,037)	1,158	(4,910,879)
Unallocated expenses						
— central administrative expenses				(439,819)	—	(439,819)
Finance costs				(24,306)	—	(24,306)
Share of results of jointly controlled entities				(476)	—	(476)
Gain on disposal of a discontinued operation				<u>—</u>	<u>898</u>	<u>898</u>
Loss (profit) before tax				<u>(5,376,638)</u>	<u>2,056</u>	<u>(5,374,582)</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represent the results from each segment without allocation of central administration costs, directors' salaries, share of results of jointly controlled entities, other income (mainly includes interest income on bank deposits), gain on disposal of available-for-sales investments, gain on disposal of business, gain on disposal of subsidiaries, changes in fair value of held-for-trading investments, finance costs and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment.

As at 31 December 2009

	Continuing operations				Total <i>HK\$'000</i>
	Tea products <i>HK\$'000</i>	Molybdenum <i>HK\$'000</i>	Copper and zinc <i>HK\$'000</i>	Rutile and others <i>HK\$'000</i>	
ASSETS AND LIABILITIES					
Segment assets	<u>865,972</u>	<u>417,283</u>	<u>15,655</u>	<u>20,488</u>	<u>1,319,398</u>
Unallocated assets					
— Available-for-sale investments					214,199
— Held-for-trading investments					6,746
— Bank balances and cash					335,171
— Others					<u>93,931</u>
Total unallocated assets					<u>650,047</u>
Consolidated total assets					<u><u>1,969,445</u></u>
Segment liabilities	<u>59,583</u>	<u>387,917</u>	<u>38,191</u>	<u>12,977</u>	<u>498,668</u>
Unallocated liabilities					
— Other payables					100,825
— Amounts due to minority shareholders					150,500
— Tax payable					62,277
— Deferred tax liabilities					<u>25,070</u>
Total unallocated liabilities					<u>338,672</u>
Consolidated total liabilities					<u><u>837,340</u></u>

As at 31 December 2008

	Continuing operations			Sub-total	Discontinued operation	Total
	Molybdenum <i>HK\$'000</i>	Copper and zinc <i>HK\$'000</i>	Rutile and others <i>HK\$'000</i>		Cord blood <i>HK\$'000</i>	
ASSETS AND LIABILITIES						
Segment assets	<u>938,839</u>	<u>4,235</u>	<u>173,246</u>	<u>1,116,320</u>	<u>—</u>	<u>1,116,320</u>
Unallocated assets						
— Deposit for acquisition of subsidiaries						100,000
— Available-for-sale investments						72,121
— Held-for-trading investments						590
— Bank balances and cash						985,051
— Others						<u>86,217</u>
Total unallocated assets						<u>1,243,979</u>
Consolidated total assets						<u><u>2,360,299</u></u>
Segment liabilities	<u>538,553</u>	<u>48,500</u>	<u>136,421</u>	<u>723,474</u>	<u>—</u>	<u>723,474</u>
Unallocated liabilities						
— Other payables						85,981
— Amounts due to minority shareholders						150,636
— Tax payable						100,536
— Deferred tax liabilities						<u>42,077</u>
Total unallocated liabilities						<u>379,230</u>
Consolidated total liabilities						<u><u>1,102,704</u></u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than deposit for acquisition of subsidiaries, available-for-sale investments and held-for-trading investments, certain bank balances and cash and assets that are not attributable to segments; and
- all liabilities are allocated to reportable segments other than certain other payables, amounts due to minority shareholders, tax payable, deferred tax liabilities and liabilities that are not attributable to segments.

Other segment information

For the year ended 31 December 2009

	Continuing operations				Sub-total HK\$'000	Unallocated HK\$'000	Total HK\$'000
	Tea products HK\$'000	Molybdenum HK\$'000	Copper and zinc HK\$'000	Rutile and others HK\$'000			
Additions to non-current assets excluding financial instruments	672,226	—	5,841	6,097	684,164	6,118	690,282
Impairment losses on exploration and evaluation assets and other intangible assets	—	441,186	—	11,580	452,766	—	452,766
Depreciation and amortisation	3,486	13,307	3,321	3,505	23,619	1,120	24,739
Impairment losses on property, plant and equipment and prepaid lease payments	—	97,222	—	52,241	149,463	—	149,463
Gain on disposal of property, plant and equipment	—	—	(2,208)	—	(2,208)	—	(2,208)
Impairment loss (reversed) on trade and other receivables	554	—	—	—	554	(2,204)	(1,650)
Reversal of allowance for inventories	—	(28,877)	(2,351)	(3,536)	(34,764)	—	(34,764)

For the year ended 31 December 2008

	Continuing operations				Discontinued operation	Unallocated HK\$'000	Total HK\$'000
	Molybdenum HK\$'000	Copper and zinc HK\$'000	Rutile and others HK\$'000	Sub-total HK\$'000	Cord blood HK\$'000		
Additions to non-current assets excluding financial instruments	26,100	1,157	48,551	75,808	2,952	33,511	112,271
Impairment losses on exploration and evaluation assets and other intangible assets	2,096,129	316,155	2,008,271	4,420,555	—	—	4,420,555
Depreciation and amortisation	114,370	26,297	14,001	154,668	1,097	6,929	162,694
Gain on disposal of property, plant and equipment	—	—	—	—	(13)	(1,481)	(1,494)
Loss on disposal of intangible assets	—	—	14,799	14,799	—	—	14,799
Impairment loss on trade and other receivables	—	5,668	366	6,034	—	51,065	57,099
Impairment losses on property, plant and equipment and prepaid lease payments	298,649	65,575	341,801	706,025	—	—	706,025
Provision for land reclamation and cavity refill costs (included in cost of sales)	140,967	—	—	140,967	—	—	140,967
Allowance for inventories	28,879	—	123	29,002	—	—	29,002

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

For the year ended 31 December 2009

	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Japan <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	—	159,333	34,845	183	55,742	250,103
Non-current assets excluding financial instruments	<u>14,496</u>	<u>837,898</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>852,394</u>

For the year ended 31 December 2008

Continuing operations

	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Korea <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	—	269,805	216,655	7,307	493,767
Non-current assets excluding financial instruments	<u>15,348</u>	<u>833,050</u>	<u>—</u>	<u>—</u>	<u>848,398</u>

Discontinued operation

	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Korea <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	25,037	—	—	—	25,037
Non-current assets excluding financial instruments	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Information about major customers

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Customer A ¹	40,448	N/A ³
Customer B ²	30,054	N/A ³
Customer C ¹	25,225	N/A ³
Customer D ²	N/A ³	97,106
Customer E ²	N/A ³	74,553
Customer F ²	N/A ³	58,770
Customer G ²	N/A ³	57,004
Customer H ²	N/A ³	48,604

¹ Revenue from tea products

² Revenue from molybdenum-related products

³ The corresponding revenue did not contribute over 10% of the total sales of the Group

5. OTHER INCOME

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Continuing operations		
Interest income on bank deposits	4,346	21,634
Net gain on sales of scrap materials	618	869
Government grants recognised in profit or loss	19,637	42,182
Others	1,222	2,501
	<u>25,823</u>	<u>67,186</u>
Discontinued operation		
Interest income from bank deposits	—	302
	<u>—</u>	<u>302</u>

6. OTHER GAINS AND LOSSES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Continuing operations		
Gain on disposal of property, plant and equipment	2,208	1,481
Loss on disposal of intangible assets	—	(14,799)
Reversal of (provision of) impairment loss on trade and other receivables	1,650	(57,099)
Gain on disposal of available-for-sale investments	71,500	—
Foreign exchange gain (loss)	8,160	(38,961)
Gain from changes in fair value of held-for-trading investments	18,738	—
Gain on disposal of business	57,524	—
Gain on disposal of prepaid lease payments	28,378	—
Gain on disposal of subsidiaries	85,850	898
	<u>274,008</u>	<u>(108,480)</u>
Discontinued operation		
Gain on disposal of property, plant and equipment	—	13
	<u>—</u>	<u>13</u>

7. INCOME TAX CREDIT

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Continuing operations		
Current tax:		
Hong Kong	1,918	—
PRC Enterprise Income Tax	24,623	94,443
	<u>26,541</u>	<u>94,443</u>
Deferred tax:		
Current year	(36,736)	(723,108)
Attributable to a change in tax rate	—	4
	<u>(36,736)</u>	<u>(723,104)</u>
	<u>(10,195)</u>	<u>(628,661)</u>
Discontinued operation		
Deferred tax:		
Current year	—	150
Attributable to a change in tax rate	—	26
	<u>—</u>	<u>176</u>
Total	<u>(10,195)</u>	<u>(628,485)</u>

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2009. For the year ended 31 December 2008, no provision for Hong Kong Profits Tax had been made as there was no assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, Wuyi Star Tea Industrial Co., Ltd., a subsidiary of the Company acquired in 2009, is exempted from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. The subsidiary of the Company was in its third profit-making year and hence PRC income tax was calculated at 12.5% which is 50% of the standard tax rate, on the estimated assessable profit of the subsidiary for the year ended 31 December 2009.

Income tax credit for the year can be reconciled to the loss before tax as follows:

	2009 HK\$'000	2008 <i>HK\$'000</i>
Loss before tax:		
Continuing operations	(408,029)	(5,376,638)
Discontinued operation	—	2,056
	<u>(408,029)</u>	<u>(5,374,582)</u>
Tax at the domestic income tax rate of 25%	(102,007)	(1,343,646)
Tax effect of expenses not deductible for tax purposes	36,694	83,206
Tax effect of income not taxable for tax purposes	(56,077)	(14,601)
Tax effect of tax loss not recognised	810	—
Tax effect of utilisation of tax loss previously not recognised	—	(82)
Tax effect of deductible temporary differences not recognised	118,461	646,661
Effect of change in tax rate	—	30
Income tax on concessionary rate	(6,966)	—
Effect of different tax rate of subsidiaries	(988)	(53)
Others	(122)	—
Income tax credit for the year	<u>(10,195)</u>	<u>(628,485)</u>

The domestic income tax rate represents the tax rate in the jurisdiction where the operation of the Group is substantially based.

8. DISCONTINUED OPERATION

On 21 November 2008, the Group entered into a sale agreement to dispose of a subsidiary, Cell Therapy Technologies Center Limited (“CTTC”), which was engaged in the Group’s processing and storage of cord blood operation. The disposal was effected in order to generate cash flows for the expansion of the Group’s other businesses. The disposal was completed on 21 November 2008, on which date control of CTTC was passed to the acquirer.

The profit for the period from 1 January 2008 to 21 November 2008 in respect of the discontinued operation for CTTC is analysed as follows:

	2008 <i>HK\$’000</i>
Profit of processing and storage of cord blood operation for the period	982
Gain on disposal of processing and storage of cord blood	898
	<hr/>
	1,880
	<hr/> <hr/>

The results of the processing and storage of cord blood operations for the period from 1 January 2008 to 21 November 2008, which have been included in the consolidated statement of comprehensive income, were as follows:

	2008 <i>HK\$’000</i>
Revenue	25,037
Cost of sales	(9,004)
	<hr/>
Gross profit	16,033
Other income	302
Other gains	13
Selling and distribution expenses	(5,619)
Administrative expenses	(9,571)
	<hr/>
Profit before tax	1,158
Income tax expense	(176)
	<hr/>
Profit for the period	982
	<hr/> <hr/>

During 2008, CTTC contributed approximately HK\$17,334,000 to the Group’s net operating cash flows and paid approximately HK\$2,600,000 in respect of investing activities.

9. LOSS FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Loss for the year has been arrived at after charging:						
Directors' remuneration	36,781	38,468	—	—	36,781	38,468
Other staff's salary, bonus and allowance	53,871	99,614	—	7,314	53,871	106,928
Other staff's contribution to retirement benefit cost	7,152	12,562	—	335	7,152	12,897
Total staff costs	97,804	150,644	—	7,649	97,804	158,293
(Reversal of) allowance for inventories (included in cost of sales)	(34,764)	29,002	—	—	(34,764)	29,002
Amortisation of intangible assets	3,015	127,455	—	—	3,015	127,455
Amortisation of prepaid lease payments	1,693	6,061	—	—	1,693	6,061
Auditor's remuneration	3,203	3,587	—	—	3,203	3,587
Costs of inventories recognised in cost of sales	129,472	305,721	—	—	129,472	305,721
Depreciation of property, plant and equipment	20,031	28,081	—	1,097	20,031	29,178

10. LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic loss per share for the year is based on the following data:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company and loss for the purposes of basic and diluted loss per share	<u>(318,355)</u>	<u>(3,174,608)</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of shares for the purpose of basic and diluted loss per share	<u>6,102,826</u>	<u>6,026,653</u>

For continuing operations

The calculation of the basic loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u>(318,355)</u>	<u>(3,174,608)</u>
Less: Profit for the year from discontinued operation	<u>—</u>	<u>1,880</u>
Loss for the purpose of basic loss per share from continuing operations	<u>(318,355)</u>	<u>(3,176,488)</u>

The denominators used are the same as those detailed above for basic loss per share.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding share options as their exercise would result in a decrease in loss per share for both years. In 2009, the computation of diluted loss per share does not assume the conversion of the Company's issuable shares since their conversion would result in a decrease in loss per share.

For discontinued operation

Basic earnings per share for the discontinued operation in 2008 is HK\$0.031 cents per share based on the profit for the period from the discontinued operation of HK\$1,880,000 and the denominators detailed above for basic loss per share.

11. TRADE AND OTHER RECEIVABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade receivables	42,176	68,686
<i>Less:</i> Allowance for doubtful debts	<u>(4,612)</u>	<u>(4,055)</u>
	<u>37,564</u>	<u>64,631</u>
Other receivables	111,308	98,641
<i>Less:</i> Allowance for doubtful debts	<u>(61,801)</u>	<u>(63,682)</u>
	<u>49,507</u>	<u>34,959</u>
Deposits and prepayments	<u>18,460</u>	<u>27,054</u>
Total trade and other receivables	<u><u>105,531</u></u>	<u><u>126,644</u></u>

The Group normally allows credit period ranging from 90 to 180 days to its trade customers. The aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 — 30 days	17,228	2,954
31 — 60 days	10,162	14,893
61 — 90 days	160	26,179
Over 90 days	<u>10,014</u>	<u>20,605</u>
	<u><u>37,564</u></u>	<u><u>64,631</u></u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed once a year. As at 31 December 2009, approximately 92% (2008: 68%) of the trade receivables that are neither past due nor impaired have the best credit quality assessed by the Group.

Included in the Group's trade receivable balance as at 31 December 2009 are debtors with aggregate carrying amount of approximately HK\$10,014,000 (2008: HK\$20,605,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered to be recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 60 days (2008: 48 days).

Ageing of trade receivables which are past due but not impaired:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Overdue by:		
0 — 30 days	6,949	9,685
31 — 90 days	2,434	9,725
Over 90 days	631	1,195
	<u>10,014</u>	<u>20,605</u>

Movement in the allowance for doubtful debts for trade receivables:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Balance at beginning of the year	4,055	4,455
Exchange adjustments	3	192
Disposal of subsidiaries	—	(6,308)
Impairment losses reversal	—	(225)
Amount written off as uncollectable	—	(1)
Impairment loss recognised	554	5,942
	<u>4,612</u>	<u>4,055</u>

Movement in the allowance for doubtful debts for other receivables:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Balance at beginning of the year	63,682	11,375
Exchange adjustments	379	925
Disposal of subsidiaries	(56)	—
Impairment losses reversal	(2,204)	(3,807)
Impairment loss recognised	—	55,189
	<u>61,801</u>	<u>63,682</u>

Included in the Group's allowance for doubtful debts are individually impaired trade receivables and other receivables with an aggregate balance of HK\$4,612,000 (2008: HK\$4,055,000) and HK\$61,801,000 (2008: HK\$63,682,000) respectively in which the directors of the Company consider that the Group is unlikely to recover these debts. The Group does not hold any collateral over these balances.

12. TRADE AND OTHER PAYABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade payables	12,935	21,491
Other payables and accruals (<i>Note</i>)	<u>208,945</u>	<u>337,404</u>
	<u><u>221,880</u></u>	<u><u>358,895</u></u>

Note: The amount includes approximately HK\$30,379,000 (2008: HK\$108,440,000) mining right payable to be settled in the next twelve months from the end of the reporting period.

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 — 90 days	6,814	13,823
91 — 180 days	972	952
181 — 365 days	381	1,145
Over 1 year	<u>4,768</u>	<u>5,571</u>
	<u><u>12,935</u></u>	<u><u>21,491</u></u>

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timetable.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2009 (2008: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 26 May 2010 to Friday, 28 May 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming annual general meeting of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 25 May 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the financial year ended 31 December 2009, the Group recorded a consolidated revenue of HK\$250,103,000 (2008: HK\$493,767,000) and gross profit of HK\$120,631,000 (2008: HK\$47,079,000) from continuing operations, representing a decrease of 49% and increase of 156% respectively as compared with last year. The decrease in revenue was mainly due to significant fall of mining business revenue generated from Harbin Songjiang Copper (Group) Company Limited (“Harbin Songjiang”) and its subsidiaries (“Harbin Songjiang Group”), partially offset by new revenue contributed by the tea business as a result of the acquisition of 80% interest in King Gold Investments Limited (“King Gold”) (the “Acquisition”) and its subsidiaries (“King Gold Group”) during the year.

The Group’s loss attributable to owners of the Company amounted to HK\$318,355,000 (2008: loss HK\$3,174,608,000). In particular, the loss was mainly attributable to the impairment losses of HK\$452,766,000 on exploration and evaluation assets and other intangible assets (HK\$339,937,000 attributable to owners of the Company) and the impairment losses on property, plant and equipment and prepaid lease payments of HK\$149,463,000 (HK\$112,217,000 attributable to owners of the Company). On exclusion of the above impairment losses, the Group’s earnings before interest, tax, depreciation and amortisation (“EBITDA”) for the year was HK\$236,138,000 (2008: HK\$135,008,000).

The staff costs of HK\$25,498,000 (2008: HK\$36,697,000) arising from granting of share options to directors, employees and consulting firm of the Group was recognised as expenses during the year.

Review of Operations

Harbin Songjiang Group

Harbin Songjiang is based in Harbin, Heilongjiang Province, the People’s Republic of China (the “PRC”) and specialises in the mining and processing of molybdenum, copper and zinc, of which molybdenum accounts for the majority of its production and earnings.

Harbin Songjiang Group contributed HK\$104,290,000 (2008: HK\$493,767,000) and HK\$547,021,000 (2008: HK\$1,991,094,000) to the Group’s revenue and loss respectively for the year ended 31 December 2009. The loss for the year was mainly due to: (1) impairment losses in aggregate of HK\$452,766,000 was made for exploration and evaluation assets and other intangible assets (2008: HK\$2,493,981,000); (2) impairment losses in aggregate of HK\$149,463,000 (2008: HK\$648,483,000) was made for property, plant and equipment and prepaid lease payments.

Revenue

Mining business revenue for the year ended 31 December 2009 decreased by HK\$389,477,000 or 79% to HK\$104,290,000 in 2009 from HK\$493,767,000 in 2008. The reduction is triggered by the plunge in selling price, as evidence from a nearly 68% drop in unit average selling price of ferro molybdenum for the year 2009 as compared with last year. The impact of price decrease was coupled with a reduction in sales volume. In the view of the decrease in market price, the management of Harbin Songjiang Group strategically slackens its selling efforts until the market price recovering. Accordingly, the sales volume of ferro molybdenum decreased from 1,078 tonnes in 2008 to 527 tonnes in 2009. Furthermore as stated in the annual report of the Company for the financial year ended 31 December 2008 (the “2008 Annual Report”), the management of Harbin Songjiang Group has suspended the production of molybdenum mine for maintenance and improvement from December 2008, which were precautionary measures taken in relation to discovery of the subsidence of a small area of land above the hollow section of the molybdenum mine on 14 December 2008. The production of molybdenum mine was resumed in August 2009, however, its production capacity decreased following the land reclamation and cavity refill activities carried out during maintenance and improvement. The production volume of ferro molybdenum for the year was 880 tonnes for four months in 2009 as compared to 4,121 tonnes in 2008, and the inventory balance of ferro molybdenum was 974 tonnes as at 31 December 2009 (2008: 621 tonnes).

Revenue generated from ferro molybdenum, copper and zinc and others were HK\$63,582,000 (2008: HK\$400,517,000), HK\$31,477,000 (2008: HK\$77,751,000) and HK\$9,231,000 (2008: HK\$15,499,000) respectively. The average selling prices for ferro molybdenum and copper in 2009 were HK\$120,649 per tonne and HK\$36,780 per tonne (2008: HK\$371,559 per tonne and HK\$60,917 per tonne), respectively.

The sales volume of copper and zinc have decreased by 476 tonnes and 838 tonnes, respectively (Copper: from 1,146 tonnes in 2008 to 670 tonnes in 2009; Zinc: from 838 tonnes in 2008 to nil in 2009) due to decrease in output as a result of aging of the copper and zinc mine (the “Copper Mine”).

Cost of Sales and Gross Profit

The cost of sales of Harbin Songjiang Group decreased from HK\$446,688,000 in 2008 to HK\$86,230,000 in 2009. The average gross profit margin was 17% in 2009 (2008: 10%). The increase in average gross profit margin was mainly due to the provision made for a one-off land reclamation and cavity refill costs in the amount of HK\$140,967,000 for the molybdenum mine in year 2008. Excluding this one-off adjustment, Harbin Songjiang Group’s gross profit margin decreased from 38% in 2008 to 17% in 2009, which was primarily due to the significant decrease in the selling price of ferro molybdenum in year 2009.

Impairment losses on other intangible assets, exploration and evaluation assets

In view of the decrease in the market price of ferro molybdenum, the directors of the Company considered that the mining right of molybdenum mine should be further impaired in year 2009. A valuation was performed by an independent valuer to assess the impairment. Accordingly, an impairment loss of approximately HK\$441,186,000 (2008: HK\$2,096,129,000) was recognised in the consolidated statement of comprehensive income during the year 2009.

Moreover, the Group has performed exploration in certain locations in Inner Mongolia, Heilongjiang and Henan during the year and the year before. After evaluating the exploration results, the directors of the Company considered that it is not commercially viable to continue the exploration in such locations and the relevant exploration and evaluation assets should be impaired. Accordingly, an impairment loss of HK\$11,580,000 (2008: HK\$32,984,000) was recognised in the consolidated statement of comprehensive income during the year.

Impairment losses on property, plant and equipment and prepaid lease payments

As mentioned in the above section headed “Impairment losses on other intangible assets, exploration and evaluation assets”, in view of the increase in cost of production and decrease in market price of molybdenum-related products, the directors of the Company considered that the facilities, processing plant, production plant and prepaid lease payments of the molybdenum mine should be impaired. Accordingly, the carrying amount of the related processing plant and production plant and prepaid lease payments of approximately HK\$86,643,000 (2008: HK\$223,167,000) and HK\$10,579,000 (2008: HK\$75,482,000) were recognised as impairment losses in the consolidated statement of comprehensive income during the year.

In view of increase of cost of production and decrease of market price of silicon, the value in use of the related property, plant and equipment and prepaid lease payment of the cash generating unit decreased. Accordingly, the carrying amount of the related processing plant and production plant and prepaid lease payments of approximately HK\$50,808,000 (2008: nil) and HK\$197,000 (2008: nil) were recognised as impairment losses in the consolidated statement of comprehensive income during the year.

Provision for land reclamation and cavity refill cost

As disclosed in 2008 Annual Report, the management of Harbin Songjiang Group had suspended the production of the molybdenum mine for maintenance and improvements from December 2008. The maintenance and improvements were precautionary measures taken in relation to the discovery of subsidence of a small area of land above the hollow section of the molybdenum mine on 14 December 2008. In accordance with the relevant PRC rules and regulations, the Group has made provision in the amount of approximately HK\$140,967,000 for land reclamation and cavity refill activities of the molybdenum mine. The utilisation of the provision cost of approximately HK\$16,918,000 was occurred during the year.

King Gold Group

The Group commenced its tea business since 30 April 2009 after the acquisition of 80% interest in 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” are well-recognised in the PRC as premium tea products and widely distributed throughout the country.

The completion of the acquisition during the year provided the Group with an immediate revenue stream and cash inflow. During the post-acquisition period, King Gold Group contributed HK\$145,813,000 and HK\$69,754,000 to the Group’s revenue and profit for the year ended 31 December 2009 respectively.

For additional information, full year financial information of King Gold Group is illustrated as follow:

	2009	2008
	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	184,044	75,205
Cost of sales	(62,335)	(35,193)
Gross profit	121,709	40,012
Other income	3,096	3
Selling and distribution expenses	(11,145)	(8,446)
Administrative expenses	(8,556)	(5,687)
Finance costs	(1,893)	(997)
Profit before tax	103,211	24,885
Income tax (expense) credit	(22,119)	313
Profit for the year	81,092	25,198

The above financial information regarding to King Gold Group were extracted from the unaudited financial statements of King Gold for the year ended 31 December 2009, which were prepared by the directors of the Company.

Revenue

For the financial year ended 31 December 2009, King Gold Group generated a revenue of HK\$184,044,000 (2008: HK\$75,205,000). This represented an increase of HK\$108,839,000 or 145% in revenue when compared with last year. The increase was mainly attributable to (1) a significant growth in sales volume of tea products of 899 tonnes or 248% in 2009 (from 363 tonnes in 2008 to

1,262 tonnes in 2009). (2) increased sales of superior products of Da Hong Pao (大紅袍) in 2009. There are two major tea product lines in King Gold Group: (i) the superior products of Da Hong Pao, the profit margin of which ranging from 70% to 80%; and (ii) the normal tea products, the profit margin of which is relative lower ranging from approximately 40% to 45%. The revenue generated from the superior tea products of Da Hong Pao (大紅袍) accounted for 58% of the total tea product revenue for the year, representing an increase of 21% compared to last year (2008: 37%) as the superior products of Da Hong Pao had received good market recognition during the year.

Cost of Sales and Gross Profit

The cost of sales of King Gold Group increased from HK\$35,193,000 in 2008 to HK\$62,335,000 in 2009. The average gross profit margin was 66%, representing an increase of 13% as compared with 53% in the last year. The increase in gross profit margin was mainly attributable to the increased sales of high profit margin superior products of Da Hong Pao in 2009.

Rutile Mining

The rutile mine owned by Shanxi Shenli Aerospace Titanium Company Limited, a subsidiary of the Company, covers an area of two square kilometers with an estimated exploitation potential of approximately 1,900,000 tonnes.

As stated in the 2008 Annual Report, the increase in construction costs and land premium in respect of the premises on which the plant of the rutile mine is to be situated and the neighboring land area, as well as the decrease in market price of rutile related products, it is difficult to predict whether the rutile mine will become economic in coming future. Accordingly, the Company disposed of the mining right of the rutile mine, the related processing and production plant, the prepaid lease payments, and certain liabilities in December 2009.

In addition, as stated in the 2008 Annual Report, there are disputes between two former shareholders of Top Rank International Group Limited which owns 90% equity interest in Shanxi Shenli Aerospace Titanium Company Limited, the company which holds the rutile mine. A final and conclusive judgement was made by the Guangdong Province High Court on 30 September 2009 pursuant to which the judgement made by the Shenzhen City Court on 17 December 2007 in relation to the orders made against the Mr Tang Yan, one of the former shareholder of Top Rank International Group Limited, was ruled to remain the same.

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 2009.

The Group has disposed through the market the shares of several Canada listed companies and other securities and has realised a net gain of approximately HK\$71,500,000 during the year ended 31 December 2009.

Acquisition and disposal of convertible notes of China Shen Zhou Mining and Resources, Inc.

The Group has acquired from Citadel Equity Fund Ltd. 6.75% senior convertible notes due 2012 in the principal amount of US\$28,000,000 (the “Convertible Notes”) issued by China Shen Zhou Mining & Resources, Inc (“CSZ”), whose shares are listed on NYSE Amex, for a total consideration of US\$7,000,000 on 9 April 2009. The Group has subsequently disposed the Convertible Notes at the consideration of US\$9,000,000 and has realised a net gain of approximately HK\$15,378,000 in August 2009.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2009, the Group had total assets and net assets amounted to HK\$1,969,445,000 (2008: HK\$2,360,299,000) and HK\$1,132,105,000 (2008: HK\$1,257,595,000), respectively. The current ratio was 1.66, as compared to 1.74 as of last year end.

As at 31 December 2009, the Group had bank balances and cash, which amounting to HK\$531,223,000 (2008: HK\$1,000,408,000), and most of which were denominated in Renminbi and Hong Kong dollars. At the end of the reporting period, the Group had: (i) borrowings from minority shareholders of HK\$150,500,000 (2008: HK\$150,636,000) which were all interest-free; (ii) bank borrowings of HK\$119,448,000 (2008: HK\$170,535,000) which were interest-bearing at floating rates with reference to the prevailing borrowing rate quoted by the People’s Bank of China and (iii) other loans of HK\$6,017,000 (2008: HK\$6,014,000), of which HK\$1,137,000 was interest-free and HK\$4,880,000 was interest-bearing at 2.55% per annum. The gearing ratio, as a ratio of total borrowings to shareholders’ fund was 26.4% (2008: 28.9%).

Foreign Exchange Risk Management

As part of the Group’s assets and liabilities are denominated in Renminbi, Canadian Dollar and United States 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 8 April 2009, the Company issued 104,132,000 new shares as part of the consideration paid for the acquisition of Convertible Notes (as stated in heading “Acquisition and disposal of convertible notes of China Shen Zhou Mining and Resources, Inc.” as above).

As at 31 December 2009, the Company had 6,130,784,853 shares in issue with total shareholders’ fund of the Group amounting to approximately HK\$613,078,000.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 30 April 2009, the Group acquired 80% of the issued capital of King Gold for a total consideration of HK\$640,000,000, of which HK\$500,000,000 was settled by cash and the remaining balance of HK\$140,000,000 is to be satisfied by the issue and allotment of shares of the Company.

On 24 May 2009 and 27 August 2009, the Group disposed of the entire equity interest in Wuhai Derun Ferroalloy Limited Liability Company and Inner Mongolia Zhongrun Magnesium Co., Ltd, respectively to independent third parties for cash considerations of HK\$6,132,000 and HK\$22,712,000, respectively.

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries during the year ended 31 December 2009.

Contingent Liabilities

As at 31 December 2009, the Group had no contingent liability (2008: Nil).

Employees and Remuneration Policies

As at 31 December 2009, the Group had approximately 12 and 1,115 employees in Hong Kong and Mainland China respectively.

Employees 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 26 June 2002, 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

2009 was a challenging year for the Group, as the production of molybdenum mine was suspended for maintenance and improvement in the first eight months of the year and the output of the Copper mine were decreasing as a result of aging of the mine.

The Group has tackled the challenges squarely and effectively last year and the management has done their utmost to mitigate various downside of the business. The operation of the molybdenum mine has been resumed at the end of August 2009. Furthermore, the Group completed the previously announced acquisition of King Gold Group and the Convertible Notes. King Gold Group has contributed an immediate stream of revenue of approximately HK\$145,813,000 and profit of HK\$69,754,000 to the Group's results for the period between the date of acquisition to 31 December

2009, and the Group has subsequently realised a net gain of approximately HK\$15,378,000 in August 2009 through the disposal of the Convertible Notes. In addition, the Group has realised a gain of approximately HK\$71,500,000 through investments in shares of listed companies in Canada.

On the other hand, the Group has dedicated to implement strict internal cost-saving controls during the year, to maintain sound operation status and healthy financial position. As at the end of year 2009, the Group still had sufficient financial resources which enabled the Group to operate smoothly and satisfy the liquidity need from production capacity expansion.

In light of the gradual recovery of the global economy in 2010, in particular, the strong economic growth in PRC, the Group will seize this opportunity to further develop its mining and tea business operations in PRC, and enhance market competitiveness to improve the market shares. Moreover, the Group will actively look for attractive merger and acquisition opportunities domestically and internationally and strive to extend our business reach and enhance the profitability to maximize our shareholders' value.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the year ended 31 December 2009. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

Throughout the year ended 31 December 2009, the Company has applied the principles of the Code on Corporate Governance Practices (the "Code") as set out in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and complied with all the applicable code provisions of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31 December 2009, and they all confirmed that they had fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company comprises Mr. Chan Sze Hon, Mr. Chu Kang Nam and Mr. Goh Choo Hwee, all of them are independent non-executive directors. The consolidated financial results of the Group for the year ended 31 December 2009 have been reviewed by the audit committee of the Company.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company (www.chinaminingresources.com) and the designated website of the Stock Exchange (www.hkexnews.hk).

The 2009 annual report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the continuous support of our shareholders and hard work and dedication of all our staff over the past year.

By Order of the Board
China Mining Resources Group Limited
Chen Shou Wu
Deputy Chairman and Chief Executive Officer

Hong Kong, 15 April 2010

As at the date hereof, the board of directors of the Company comprises Dr. You Xian Sheng, Mr. Chen Shou Wu, Mr. Wang Hui and Mr. Yeung Kwok Kuen as executive directors, Mr. Lam Ming Yung as non-executive director and Mr. Chan Sze Hon, Mr. Chu Kang Nam, Mr. Goh Choo Hwee and Mr. Lin Xiang Min as independent non-executive directors.