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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)

**MAJOR TRANSACTION IN RELATION TO
THE DISPOSAL OF 75.08% EQUITY INTERESTS IN
HARBIN SONGJIANG**

THE DISPOSAL

On 3 September 2014 (after trading hours), the Company entered into the Disposal Agreement with the Purchaser and the Guarantor, pursuant to which the Company conditionally agreed to dispose of, and the Purchaser conditionally agreed to acquire, the 75.08% equity interests in Harbin Songjiang, at the Consideration of RMB90,096,000.

IMPLICATIONS OF THE LISTING RULES

As one of the applicable percentage ratios for the Disposal is more than 25% and less than 75%, the Disposal constitutes a major transaction for the Company under Rule 14.08 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting to approve the ordinary resolution in respect of the Disposal Agreement and the transactions contemplated thereunder at the SGM.

A circular containing, amongst other matters, further details of the Disposal and the notice of the SGM will be dispatched to the Shareholders on or before 25 September 2014 and in compliance with the Listing Rules.

* *For identification purpose only*

INTRODUCTION

On 3 September 2014 (after trading hours), the Company entered into the Disposal Agreement with the Purchaser and the Guarantor, pursuant to which the Company conditionally agreed to dispose of, and the Purchaser conditionally agreed to acquire, the 75.08% equity interests in Harbin Songjiang, at the Consideration of RMB90,096,000. A summary of the major terms of the Disposal Agreement is set out below.

THE DISPOSAL

The Disposal Agreement

Date

3 September 2014 (after trading hours)

Parties

The Vendor: the Company

The Purchaser: 哈爾濱金雨礦業有限公司 (Harbin Jinyu Mining Co., Ltd.*), which is wholly owned by the Guarantor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, (i) the Purchaser together with its ultimate beneficial owner (the Guarantor) are Independent Third Parties; and (ii) the Purchaser is a company established in the PRC and is principally engaged in mining and processing of molybdenum, copper and zinc, of which molybdenum accounts for the majority of its production and earnings in Harbin, PRC.

The Guarantor: 宋建輝 (Mr. Song Jian Hui*), being the ultimate beneficial owner of the Purchaser

Asset to be disposed of

The Sale Interests, representing 75.08% of the equity interests of Harbin Songjiang.

Consideration and Payment Terms

The Consideration of RMB 90,096,000 will be payable by the Purchaser to the Company within ten (10) business days after the date the last conditions precedent to the Disposal has been fulfilled.

The Consideration was determined after arm's length negotiation between the Company and the Purchaser after taking into account of (i) the net liabilities position of the Harbin Songjiang Group as at 30 June 2014; (ii) the historical financial position and operating loss of the Harbin Songjiang Group; (iii) the continuous decrease in the selling price of ferro molybdenum; and (iv) the future prospects of the Harbin Songjiang Group. The Directors (including all independent non-executive Directors) are of the view that the Consideration is fair and reasonable.

Conditions precedent

Completion of the Disposal is conditional upon the satisfaction of all of the following:

- (i) the consent and waiver of pre-emption right (if any) from the other shareholder of Harbin Songjiang are being obtained;
- (ii) the passing of an ordinary resolution of the Shareholders at the SGM approving the Disposal; and
- (iii) the approval by the commercial authority of Harbin Songjiang is being obtained.

Completion of the Disposal shall take place within fifteen (15) business days after the date the last conditions precedent set out above has been satisfied and the parties shall attend to the registration of the same with, inter alia, the State Administration of Foreign Exchange and the local branch of the State Administration of Industry and Commerce.

If the conditions are not satisfied on or before 31 December 2014 or such later date as the parties may otherwise agree, neither the Company nor the Purchaser shall be obliged to proceed with completion.

INFORMATION ON HARBIN SONGJIANG

Harbin Songjiang was established in the PRC in January 1972 under the name of (Songjiang Copper Mine) as a state owned enterprise. In April 2005, Harbin Songjiang was converted into a non-state owned limited liability company. The Company acquired 75.08% equity interests in Harbin Songjiang in 2007. As at the date of this announcement, Harbin Songjiang is owned as to 75.08% by the Company and 24.92% by an Independent Third Party.

Harbin Songjiang is based in Harbin, Heilongjiang Province, the PRC and is principally engaged in mining and processing of molybdenum. In addition, Harbin Songjiang is the holder of Mining Rights and Exploration Rights of several mining sites in the PRC.

The unaudited net liabilities of the Harbin Songjiang Group as at 30 June 2014 was approximately HK\$198,056,000. Further financial information of the Harbin Songjiang Group is set out as follows:

	For the year ended	
	31 December	
	2013	2012
	<i>HKD\$'000</i>	<i>HKD\$'000</i>
	(audited)	(audited)
Revenue	46,163.8	50,760.9
Loss before taxation	(63,500.5)	(9,143.7)
Net loss after taxation	(63,500.5)	(9,143.7)

FINANCIAL EFFECT OF THE DISPOSAL

As a result of the Disposal, the Group is expected to record an unaudited gain of approximately HK\$838.7 million which represents the difference between the Consideration of RMB90,096,000 (equivalent to approximately HK\$113.5 million) and the attributable portion of the unaudited net liabilities and other reserves as at 30 June 2014 of the Sale Interests.

Shareholders should note that the above figures are for illustrative purpose only. The actual gain on the Disposal may be different from the above and will be determined based on the financial position of the Harbin Songjiang Group on the date of completion of Disposal and the review by the Group's auditors upon finalization of the consolidated financial statements of the Group.

Upon completion of the Disposal, the Company will cease to have any interest in Harbin Songjiang, which will cease to be a non wholly-owned subsidiary of the Company and the financial results of the Harbin Songjiang Group will no longer be consolidated into the consolidated financial statements of the Company.

USE OF PROCEEDS

As disclosed in the 2013 annual report of the Company, the Group had incurred loss of approximately HK\$344,900,000 during the financial year ended 31 December 2013 and, as of that date, the Group's current liabilities exceed its current assets by HK\$21,594,000. The Group's ability to continue as a going concern is highly dependent on the ongoing availability of finance to the Group. Therefore, the Company intended to use the net proceeds from the Disposal to increase its cash resources and improve the financial position of the Group.

REASONS FOR AND BENEFIT OF THE DISPOSAL

The principal business activities of the Group are sale of tea products, mining, processing and sales of molybdenum and online video broadcasting.

Revenue of the Group represents turnover arising on sale of tea products, molybdenum and service income of online video business for the year. An analysis of the Group's revenue for the financial year 2012 and 2013 is as follows:

	For the year ended	
	31 December	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Sales of tea products	140,421	170,870
Sales of molybdenum	46,163	50,761
Online video business ("iTV")	1	15
	<u>186,585</u>	<u>221,646</u>

As disclosed in the 2013 annual report of the Company, there was a significant deterioration of the gross profit margin of the Harbin Songjiang Group as a result of the higher unit production cost of molybdenum which caused by the significant increase in labour cost and other production cost in Mainland China and the continuous decrease in the selling prices of molybdenum. The average selling price of ferro molybdenum fell to around HK\$121,484 per tonne during the year 2013 (2012: HK\$131,847 per tonne) and the current selling price further fell to around HK\$112,016 per tonne for the six months ended 30 June 2014.

In addition, the Harbin Songjiang Group had once suspended the production of molybdenum mine for maintenance and improvement from December 2008 to August 2009, due to the precautionary measures required to be taken as a result of the discovery of the subsidence of a small area of land above the hollow section of the molybdenum mine on 14 December 2008. Despite the fact that the production of molybdenum mine was resumed in August 2009, its production capacity decreased following the land reclamation and cavity refill activities carried out during the maintenance and improvement.

In view of the continuing decrease in the market price and the increase in production cost of ferro molybdenum related products in Mainland China, which leads to a very undesirable situation that the production of molybdenum is no longer making profit for the Harbin Songjiang Group, together with the uncertainty of the molybdenum market in the coming years, the Board is of the view that it is in the interests of the Company and its Shareholders as a whole to realize the value of its equity interests in Harbin Songjiang so as to reduce the financial pressure arising from the

need for substantial capital investment for Harbin Songjiang's operation (taking into account that the molybdenum mine is an aged mine which would require more attention and care in respect of production safety as well as the increasing safety requirements imposed by the regulatory authorities in the PRC, which all add to the production costs of the ferro molybdenum of the Group). In addition, the investment strategy of the Group is to identify possible new investment projects and to maximize the value of shares from the investments. Therefore, the Disposal can also increase the cash resources of the Group for other investment projects and expansion of its other business which has a higher profit margin or better operating prospects. As such, the Board believes that the Disposal is in line with the investment strategy of the Group.

The Directors (including all independent non-executive Directors) consider that the terms of the Disposal Agreement are fair and reasonable and are on normal commercial terms, and the Disposal is in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios for the Disposal is more than 25% and less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting to approve the ordinary resolution in respect of the Disposal Agreement and the transactions contemplated thereunder at the SGM.

A circular containing, amongst other matters, further details of the Disposal and the notice of the SGM will be dispatched to the Shareholders on or before 25 September 2014 and in compliance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions have the following meanings ascribed to them respectively:

“Board”	the board of Directors
“Company”	China Mining Resources Group Limited (中國礦業資源集團有限公司*), a limited company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected persons”	has the same meaning ascribed to it in the Listing Rules
“Consideration”	the consideration of RMB 90,096,000 payable by the Purchaser to the Company for the Disposal pursuant to the Disposal Agreement

“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of 75.08% equity interests in Harbin Songjiang by the Company to the Purchaser pursuant to the terms of the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 3 September 2014 entered into among the Company, the Purchaser and the Guarantor in relation to the Disposal
“Exploitation Rights”	the exploitation rights on the mining sites in the PRC held by Harbin Songjiang
“Harbin Songjiang”	哈爾濱松江銅業(集團)有限公司 (Harbin Songjiang Copper (Group) Company Limited*), a limited company established in the PRC, and held as to 75.08% by the Company and as to 24.92% by another Independent Third Party
“Harbin Songjiang Group”	Harbin Songjiang and its subsidiaries
“Group”	the Company and its subsidiaries
“Guarantor”	宋建輝 (Song Jin Fei*), being the ultimate beneficial owner of the Purchaser, and an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mining Rights”	the mining rights on the mining sites in the PRC held by Harbin Songjiang
“PRC”	The People’s Republic of China

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“Purchaser”	哈爾濱金雨礦業有限公司(Harbin Jinyu Mining Co., Ltd.*), a company established in the PRC with limited liability and an Independent Third Party
“RMB”	Renminbi, the lawful currency of PRC, for illustration purpose only, at the rate of approximately RMB1.00 = HK\$1.2594
“Sale Interests”	the 75.08% equity interests of Harbin Songjiang to be disposed of by the Company to the Purchaser
“SGM”	a special general meeting of the Company to be convened to consider and, if thought fit, approve the Disposal and the transactions completed under the Disposal Agreement by the Shareholders
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board
China Mining Resources Group Limited
Wang Hui
Executive Director

Hong Kong, 3 September 2014

As at the date of this announcement, the Board comprises Mr. Wang Hui and Mr. Fang Yi Quan as executive Directors, Mr. Chong Cha Hwa, Mr. Chu Kang Nam and Mr. Ngai Sai Chuen as independent non-executive Directors.