



CHINA MINING RESOURCES GROUP LIMITED

中國礦業資源集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 340)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

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 2006:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

(Expressed in Hong Kong dollars)

	Note	2006 \$'000	2005 \$'000 (restated)
Continuing operations			
Turnover	2	17,366	15,634
Cost of sales		(8,060)	(7,047)
Gross profit		<u>9,306</u>	<u>8,587</u>
Other revenue	4	4,250	1,231
Selling expenses		(4,276)	(3,149)
Administrative expenses		(21,269)	(29,657)
Impairment loss of goodwill		(7,400)	(2,126)
Loss from operations		<u>(19,389)</u>	<u>(25,114)</u>
Finance costs	5	(1,169)	(20)
Share of profits less losses of an associate		–	1,373
Loss on disposal of an associate		–	(1,373)
Loss before taxation	5	<u>(20,558)</u>	<u>(25,134)</u>
Income tax	6	366	(75)
Loss for the year from continuing operations		<u>(20,192)</u>	<u>(25,209)</u>
Discontinued operations			
Profit/(loss) for the year from discontinued operations	7	10,950	(29,991)
Loss for the year		<u>(9,242)</u>	<u>(55,200)</u>
Attributable to:			
Equity shareholders of the company		(8,244)	(55,200)
Minority interests		(998)	–
Loss for the year		<u>(9,242)</u>	<u>(55,200)</u>
(Loss)/ earnings per share – basic			
From continuing and discontinued operations	8	(0.29) cents	(2.24) cents
From continuing operations		(0.67) cents	(1.02) cents
From discontinued operations		0.38 cents	(1.22) cents

* For identification purpose only

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Note	2006 \$'000	2005 \$'000
Non-current assets			
Fixed assets			
– Investment properties		–	124,800
– Other property, plant and equipment		4,432	3,399
		<u>4,432</u>	<u>128,199</u>
Intangible assets		1,694,615	–
Goodwill		8,200	15,600
Interest in associates		–	–
Available-for-sale equity investments		–	–
Deferred tax assets		366	–
		<u>1,707,613</u>	<u>143,799</u>
Current assets			
Trading securities		–	2,268
Inventories		430	375
Trade and other receivables	9	15,049	53,331
Pledged bank deposits		–	5,099
Pledged deposits in financial institutions		–	8,412
Cash and cash equivalents		449,087	83,757
		<u>464,566</u>	<u>153,242</u>
Current liabilities			
Trade and other payables	10	22,517	7,751
Deferred income		34,839	21,983
Secured bank loan		–	4,000
Loans from minority shareholders		150,500	–
Obligations under a finance lease		–	117
Current taxation		–	488
		<u>207,856</u>	<u>34,339</u>
Net current assets		<u>256,710</u>	<u>118,903</u>
Total assets less current liabilities		<u>1,964,323</u>	<u>262,702</u>
Non-current liabilities			
Other payables		31,903	–
Secured bank loan		–	28,910
Deferred tax liabilities		–	6,365
		<u>31,903</u>	<u>35,275</u>
NET ASSETS		<u>1,932,420</u>	<u>227,427</u>
		2006 \$'000	2005 \$'000
CAPITAL AND RESERVES			
Share capital		472,078	246,481
Reserves		649,494	(19,054)
Total equity attributable to equity shareholders of the company		<u>1,121,572</u>	<u>227,427</u>
Minority interests		810,848	–
TOTAL EQUITY		<u>1,932,420</u>	<u>227,427</u>

1. Basis of preparation of the financial statements

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants.

The consolidated financial statements for the year ended 31 December 2006 comprise the Group and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

- investment properties;
- financial instruments classified as available-for-sale or as trading securities; and
- derivative financial instruments.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. Turnover

The principal activities of the Group are processing and storage of cord blood, mining, property investment, trading of investments and trading of pharmaceutical ingredients and chemicals and other miscellaneous products.

Turnover recognised during the year is as follows:

	2006	2005
	<i>\$’000</i>	<i>\$’000</i>
Continuing operations:		
Processing and storage of cord blood	17,366	15,634
Discontinued operations: (note 7)		
Sales of trading securities	116,234	36,108
Dividend income from trading securities	182	150
Sales of products	13,995	130,262
Rental income	7,796	8,684
	<u>138,207</u>	<u>175,204</u>
	<u>155,573</u>	<u>190,838</u>

3. Segment reporting

Segment information is presented in respect of the group’s business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the group’s internal financial reporting.

Business segments

The group is currently engaged in processing and storage of cord blood and mining operations. The group was also involved in the trading of investments, sales of products and property investment which were discontinued as set out in note 7. There are no sales or trading transactions between the business segments. These segments are the basis on which the group reports its primary segment information.

Segment information about these businesses is set out as follows:

For the year ended 31 December 2006

	Continuing operations			Discontinued operations				Total \$'000	
	Processing and storage of cord blood \$'000	Mining \$'000	Sub-total \$'000	Property investment \$'000	Trading of Investments \$'000	Sales of products \$'000	Sub-total \$'000		
<i>Segment revenue:</i>									
Turnover from external customers	17,366	-	17,366	7,796	116,416	13,995	138,207	155,573	
Other revenue	-	-	-	-	-	77	77	77	
Total	17,366	-	17,366	7,796	116,416	14,072	138,284	155,650	
Segment result	(7,409)	(1,130)	(8,539)	20,245	(5,809)	68	14,504	5,965	
Unallocated operating income and expenses			(10,850)				239	(10,611)	
(Loss)/ profit from operations			(19,389)				14,743	(4,646)	
Finance costs			(1,169)				(2,476)	(3,645)	
Taxation			366				(1,317)	(951)	
(Loss)/profit after taxation			(20,192)				10,950	(9,242)	
	Continuing operations			Discontinued operations				Total \$'000	
	Processing and storage of cord blood \$'000	Mining \$'000	Sub-total \$'000	Property investment \$'000	Trading of investments \$'000	Sales of products \$'000	Sub-total \$'000		
<i>Assets and liabilities</i>									
Segment assets	24,344	1,695,875	1,720,219	-	-	-	-	1,720,219	
Unallocated assets								451,960	
Total assets								2,172,179	
Segment liabilities	36,334	46,953	83,287	-	18	10	28	83,315	
Unallocated liabilities								156,444	
Total liabilities								239,759	
	Continuing operations			Discontinued operations				Unallocated \$'000	Total \$'000
	Processing and storage of cord blood \$'000	Mining \$'000	Sub-total \$'000	Property investment \$'000	Trading of investments \$'000	Sales of products \$'000	Sub-total \$'000		
<i>Other segment information</i>									
Depreciation	647	17	664	114	-	-	114	591	1,369
Loss on disposal of property, plant and equipment	-	18	18	-	-	-	-	-	18
Valuation gain on investment properties	-	-	-	(15,794)	-	-	(15,794)	-	(15,794)
Impairment loss of goodwill	7,400	-	7,400	-	-	-	-	-	7,400
Capital expenditure incurred during the year	1,813	1,678,623	1,680,436	7	-	-	7	3	1,680,446
Recovery of bad debt	-	-	-	(90)	-	(77)	(167)	(49)	(216)

For the year ended 31 December 2005

	Continuing operations			Discontinued operations				Total \$'000
	Processing and storage of cord blood \$'000	Mining \$'000	Sub-total \$'000	Property investment \$'000	Trading of investments \$'000	Sales of products \$'000	Sub-total \$'000	
<i>Segment revenue:</i>								
Turnover from external customers	15,634	-	15,634	8,684	36,258	130,262	175,204	190,838
Segment result	(95)	-	(95)	(29,934)	1,101	(381)	(29,214)	(29,309)
Unallocated operating income and expenses			(25,019)				388	(24,631)
Loss from operations			(25,114)				(28,826)	(53,940)
Finance costs			(20)				(1,899)	(1,919)
Share of profits less losses of associates			1,373				-	1,373
Loss on disposal of an associate			(1,373)				-	(1,373)
Taxation			(75)				734	659
Loss after taxation			(25,209)				(29,991)	(55,200)

	Continuing operations			Discontinued operations				Total \$'000
	Processing and storage of cord blood \$'000	Mining \$'000	Sub-total \$'000	Property investment \$'000	Trading of investments \$'000	Sales of products \$'000	Sub-total \$'000	
<i>Assets and liabilities</i>								
Segment assets	25,675	-	25,675	153,385	3,334	-	156,719	182,394
Unallocated assets								114,647
Total assets								297,041
Segment liabilities	23,280	-	23,280	3,069	-	-	3,069	26,349
Unallocated liabilities								43,265
Total liabilities								69,614

	Continuing operations			Discontinued operations				Total \$'000	
	Processing and storage of cord blood \$'000	Mining \$'000	Sub-total \$'000	Property investment \$'000	Trading of investments \$'000	Sales of products \$'000	Sub-total \$'000		Unallocated \$'000
<i>Other segment information</i>									
Depreciation	509	-	509	137	-	-	137	922	1,568
Valuation loss on investment properties	-	-	-	31,000	-	-	31,000	-	31,000
Impairment loss of trade and other receivables	-	-	-	3,866	-	-	3,866	-	3,866
Impairment loss of goodwill	2,126	-	2,126	-	-	-	-	-	2,126
Capital expenditure incurred during the year	328	-	328	5	-	-	5	12	345
Recovery of bad debt	-	-	-	(90)	-	-	(90)	(49)	(139)

Geographical segments

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

For the year ended 31 December 2006

	Hong Kong \$'000	The PRC \$'000	New Zealand \$'000	Total \$'000
Segment revenue				
Revenue from external customers	147,777	7,796	–	155,573
Attributable to discontinued operations	(130,411)	(7,796)	–	(138,207)
Revenue from continuing operations	<u>17,366</u>	<u>–</u>	<u>–</u>	<u>17,366</u>
Segment assets				
– Continuing operations	24,344	1,695,875	–	1,720,219
– Discontinued operations	–	–	–	–
	<u>24,344</u>	<u>1,695,875</u>	<u>–</u>	<u>1,720,219</u>
– Unallocated assets	295,198	156,762	–	451,960
	<u>319,542</u>	<u>1,852,637</u>	<u>–</u>	<u>2,172,179</u>
Capital expenditure incurred during the year				
– Continuing operations	1,813	1,678,623	–	1,680,436
– Discontinued operations	–	7	–	7
	<u>1,813</u>	<u>1,678,630</u>	<u>–</u>	<u>1,680,443</u>
– Unallocated	3	–	–	3
	<u>1,816</u>	<u>1,678,630</u>	<u>–</u>	<u>1,680,446</u>

For the year ended 31 December 2005

	Hong Kong \$'000	The PRC \$'000	New Zealand \$'000	Total \$'000
Segment revenue				
Revenue from external customers	106,593	8,684	75,561	190,838
Attributable to discontinued operations	(90,959)	(8,684)	(75,561)	(175,204)
Revenue from continuing operations	<u>15,634</u>	<u>–</u>	<u>–</u>	<u>15,634</u>
Segment assets				
– Continuing operations	25,675	–	–	25,675
– Discontinued operations	3,334	153,385	–	156,719
	<u>29,009</u>	<u>153,385</u>	<u>–</u>	<u>182,394</u>
– Unallocated assets	114,647	–	–	114,647
	<u>143,656</u>	<u>153,385</u>	<u>–</u>	<u>297,041</u>
Capital expenditure incurred during the year				
– Continuing operations	328	–	–	328
– Discontinued operations	–	5	–	5
	<u>328</u>	<u>5</u>	<u>–</u>	<u>333</u>
– Unallocated	12	–	–	12
	<u>340</u>	<u>5</u>	<u>–</u>	<u>345</u>

4. Other revenue

	2006 \$'000	2005 \$'000
Continuing operations:		
Bad debt recovery	49	49
Interest income on bank deposits	4,128	1,012
Sundry revenue	73	170
	<u>4,250</u>	<u>1,231</u>
Discontinued operations: (note 7)		
Bad debt recovery	167	90
Interest income on bank deposits	240	161
Interest income from securities accounts	134	109
	<u>541</u>	<u>360</u>
	<u>4,791</u>	<u>1,591</u>

5. Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging/(crediting):

	2006 \$'000	2005 \$'000
(a) Finance costs:		
Continuing operations:		
– Finance charges on obligations under a finance lease	3	20
– Interest expense on financial liabilities measured at amortised cost	1,166	-
	<u>1,169</u>	<u>20</u>
Discontinued operations: (note 7)		
– Interest on bank loan wholly repayable within five years	1,978	1,740
– Interest paid for margin financing	498	159
	<u>2,476</u>	<u>1,899</u>
	<u>3,645</u>	<u>1,919</u>
	2006 \$'000	2005 \$'000
(b) Staff costs (excluding directors):		
Continuing operations:		
– Salaries, wages and other benefits	8,001	8,429
– Contributions to defined contribution retirement plan	208	325
– Equity-settled share-based payment expenses	-	697
	<u>8,209</u>	<u>9,451</u>
Discontinued operations: (note 7)		
– Salaries, wages and other benefits	299	155
– Contributions to defined contribution retirement plan	18	6
	<u>317</u>	<u>161</u>
	<u>8,526</u>	<u>9,612</u>
	2006 \$'000	2005 \$'000
(c) Other items:		
Continuing operations:		
– Auditors' remuneration	1,436	637
– Depreciation on property, plant and equipment		
– owned by the group	1,255	1,001
– held under a finance lease	-	430
– Net foreign exchange loss	449	49
– Operating lease charges		
– land and buildings	3,084	2,656
– office equipment	17	17
– Loss on disposal of property, plant and equipment	18	-
– Impairment loss on trade and other receivables	877	-
Discontinued operations:		
– Auditors' remuneration	42	113
– Depreciation on property, plant and equipment owned by the group	114	137
– Net foreign exchange loss	(28)	10
– Operating lease charges for land and buildings	-	94
– Rentals receivable from investment properties less direct outgoings of HK\$2,812,000 (2005: HK\$3,305,000)	(4,984)	(5,379)
– Impairment loss on trade and other receivables	-	3,866

6. Income tax

(a) Continuing operations:

(i) Taxation in the consolidated income statement represents:

	2006 \$'000	2005 \$'000
Current tax – PRC Income Tax		
Provision for the year	–	75
Deferred tax		
Origination and reversal of temporary differences	(366)	–
Tax (credit)/charge	<u>(366)</u>	<u>75</u>

The provision for PRC Income Tax has been calculated based on the estimated taxable income at the appropriate current rates of taxation ruling in the PRC.

No provision for Hong Kong Profits Tax has been made as the companies comprising the continuing operations have no assessable profit during the year.

(b) Discontinued operations: (note 7)

(i) Taxation in the consolidated income statement represents:

	2006 \$'000	2005 \$'000
Current tax – PRC Income Tax		
Provision for the year	512	847
Deferred tax		
Origination and reversal of temporary differences	805	(1,581)
Tax charge/(credit)	<u>1,317</u>	<u>(734)</u>

The provision for PRC Income Tax has been calculated based on the estimated taxable income at the appropriate current rates of taxation ruling in the PRC.

No provision for Hong Kong Profits Tax has been made as the companies comprising the discontinued operations either have no assessable profit during the year or have sufficient tax losses brought forward from previous years to fully set off the assessable profits.

7. Discontinued operations

The group's trading of investment and trading of pharmaceutical ingredients and chemicals operations were discontinued during the year.

Following the cessation of the trading activities, the group commenced the de-registration process with the Companies Registry in Hong Kong of the two subsidiaries, namely Fullgain International Investment Limited and INNOMAXX International Trading Company Limited.

In November 2006, the group's property investment operation was discontinued following the disposal of two subsidiaries, namely INNOMAXX Property (BVI) Limited and GITIC Properties Limited, as part of the considerations in connection with the acquisition of 57% equity interest in Lead Sun Investments Limited.

The results of the discontinued operations for the years ended 31 December 2006 and 2005 are as follows:

	<i>Note</i>	2006 \$'000	2005 \$'000
Turnover	2	138,207	175,204
Cost of sales		(138,580)	(163,513)
Gross (loss)/profit		(373)	11,691
Valuation gain/(loss) on investment properties		15,794	(31,000)
Other revenue	4	541	360
Impairment loss of trade and other receivables		–	(3,866)
Selling expenses		–	(4,042)
Administrative expenses		(1,219)	(1,969)
Profit/(loss) from operations		14,743	(28,826)
Finance costs	5	(2,476)	(1,899)
Profit/(loss) before taxation		12,267	(30,725)
Income tax	6	(1,317)	734
Profit/(loss) for the year		<u>10,950</u>	<u>(29,991)</u>

8. (Loss)/earnings per share**(a) Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the profit/(loss) attributable to ordinary equity shareholders of the company and the weighted average number of ordinary shares in issue during the year, calculated as follows:

(i) Loss attributable to ordinary equity shareholders of the company	2006	2005
	<i>\$'000</i>	<i>\$'000</i>
Continuing operations	(19,194)	(25,209)
Discontinued operations	10,950	(29,991)
	<u>(8,244)</u>	<u>(55,200)</u>
(ii) Weighted average number of ordinary shares	2006	2005
	<i>'000</i>	<i>'000</i>
Issued ordinary shares at 1 January	2,464,813	2,464,813
Effect of shares issued	373,120	–
Effect of share options exercised	7,310	–
Weighted average number of ordinary shares at 31 December	<u>2,845,243</u>	<u>2,464,813</u>

(b) Diluted loss per share

The diluted loss per share for both years is not presented as the company's potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss per share from continuing operations.

9. Trade and other receivables

	2006	2005
	<i>\$'000</i>	<i>\$'000</i>
Trade receivables	11,128	35,360
Other receivables	354	2,079
Deposits and prepayments	3,567	15,892
	<u>15,049</u>	<u>53,331</u>

Included in trade and other receivables are trade receivables (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	2006	2005
	<i>\$'000</i>	<i>\$'000</i>
0 to 30 days	2,309	3,033
31 to 60 days	1,469	962
61 to 90 days	1,435	817
Over 90 days	5,915	30,548
	<u>11,128</u>	<u>35,360</u>

10. Trade and other payables

	2006	2005
	<i>\$'000</i>	<i>\$'000</i>
Amount due to a minority shareholder	170	–
Trade payables	754	583
Receipts in advance	160	397
Accrued charges	8,958	6,771
Current portion of mining right payables	12,475	–
	<u>22,517</u>	<u>7,751</u>

The amount due to a minority shareholder is unsecured, interest-free and has no fixed terms of repayment. Included in trade and other payables are trade payables with the following ageing analysis as of the balance sheet date:

	2006 \$'000	2005 \$'000
0 to 30 days	467	543
31 to 60 days	270	16
Over 60 days	17	24
	754	583

11. Comparative figures

Certain comparative figures have been re-classified due to the following:

- (i) additions of “selling expenses” on the face of the consolidated income statement which management of the group considers that it would better reflect the substance of the underlying transactions; and
- (ii) compliance with the disclosure requirements of HKFRS 3, *Non-current assets held for sale and discontinued operations*.

12. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2006

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2006 and which have not been adopted in these financial statements.

The group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the company’s results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

	Effective for accounting periods beginning on or after
HKFRS 7, <i>Financial instruments: disclosures</i>	1 January 2007
Amendments to HKAS 1, <i>Presentation of financial statements: capital disclosures</i>	1 January 2007

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2006 (2005: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review

For the year under review, the Group reported a consolidated turnover of HK\$17,366,000 (2005: HK\$15,634,000) and gross profit of HK\$9,306,000 (2005: HK\$8,587,000) from continuing operations, representing an increase of 11% and 8% respectively as compared with last year. In line with the redefined corporate strategy on high-value added products, the trading activities and property investment operation were discontinued during the year and the profit from discontinued operations attributable to the Group amounted to HK\$10,950,000 (2005: loss of HK\$29,991,000). The Group performed an impairment review for goodwill which is allocated to the processing and storage of cord blood business. Due to the fact that there were new competitors entered into the market in recent years, an impairment loss of HK\$7,400,000 was made during the year. The Group’s loss attributable to shareholders was HK\$8,244,000 (2005: HK\$55,200,000).

Continuing Operations

Rutile Mining

The Group commenced its business in mining since November 2006 upon the acquisition of 57% of Lead Sun Investments Limited and its subsidiaries (“Lead Sun Group”). Lead Sun Group is principally engaged in exploration and exploitation of natural rutile and processing and trading of rutile and titanium related products. The rutile mine covering an area of two square kilometers with an estimated exploration potential of approximately 1.9 million tonnes and plans to develop an annual production capacity of 21,400 tonnes of rutile concentrate. The Group also plans to build a facility to produce titanium chloride and titanium sponge from rutile concentrate. The rutile mine is under construction and did not generate revenue to the Group during the year.

Umbilical Cord Blood Storage

During the year, revenue from the umbilical cord blood storage service amounted to HK\$17,366,000 (2005: HK\$15,634,000), with an increase of 11%.

Discontinued Operations

Investment

The rental income generated from GITIC Plaza was HK\$7,796,000 for the ten months (2005: HK\$8,684,000). Upon the completion of the transfer of the entire issued share capital of a subsidiary which ultimately owns 100% interest of the GITIC Plaza as partial consideration for the acquisition of Lead Sun Group, the Group's property investment operation was discontinued in November 2006.

During the year under review, the Group invested in some listed securities. In line with the redefined corporate strategy, the trading of investment was discontinued during the year.

International Trade

Due to the low profit margin for the trading of pharmaceutical ingredients and chemicals and other miscellaneous products, the Group also discontinued the trading business during the year.

Prospects

In view of the sustaining reliance on the sufficient sources of natural resources for the development of China over the couple of years. The Group had acquired 57% of equity interest in Lead Sun which is principally engaged in rutile related business. Rutile is the raw material for titanium tetrachloride and titanium sponge. Titanium has a wide range of applications including aerospace, military, and industrial and consumer products. Given the continuing increase in the demand and application of titanium, we are confident that the investment will produce considerable return to the Group in the future.

Apart from the aforesaid acquisition of Lead Sun Group, the rutile operation, the Group continue to strive for strategic acquisition and had entered into an acquisition agreement to acquire a 75.08% equity interest in Harbin Songjiang Copper (Group) Company Limited ("Harbin Songjiang"), a PRC-based company which specializes in mining and processing of molybdenum, copper and zinc, as announced on 11 March 2007.

The completion of the acquisition of Harbin Songjiang will provide the Group with an immediate stream of revenue and brings in a team of experts in the mining industry which will strengthen our operational capabilities in mining activities.

The Group will be continuously searching for other opportunity to build a portfolio of strong mining businesses with an emphasis on high value added products. This is crucial for the Group's transformation into a substantial participant and ultimately a leading player in the mining sector.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2006, the Group had total assets and net assets amounted to HK\$2,172,179,000 (2005: HK\$297,041,000) and HK\$1,932,420,000 (2005: HK\$227,427,000) respectively. The current ratio was 2.2, as compared to 4.5 as of last year end. The Group had bank balances and cash, amounted to HK\$449,087,000 (2005: bank balance, cash and pledged deposits amounted to HK\$97,268,000), of which most of them were denominated in Hong Kong dollars. The Group had a total borrowing from minority shareholders of HK\$150,500,000 as at the balance sheet date and the total bank borrowing of HK\$32,910,000 as of last year end were fully repaid during the year. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 13.4% (2005: 14.5%). As part of the Group's assets and liabilities are denominated in Renminbi in order to minimize the foreign currency risk, the Group aims to utilize the fund for transactions that are denominated in the same currency.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Save as disclosed above for the acquisition of Lead Sun Group, disposal of a subsidiary which ultimately owns 100% of interests in GITIC Plaza as part of the consideration for acquiring Lead Sun Group which has been completed during the year, and other discontinued businesses, there were no material acquisitions or disposals of subsidiaries during the year.

Human Resources

As at 31 December 2006, the Group had 33 and 28 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 and performance bonus.

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.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities during the year ended 31 December 2006. 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 2006, the Company has applied the principles of the Code on Corporate Governance Practices (the "Code") as set out in the Appendix 14 of the Listing Rules and complied with all the applicable code provision of the Code, except for the deviation from the Code Provision A.4.1 as one of the independent non-executive directors was not appointed for a specific term but is subject to retirement by rotation in accordance with the Bye-law of the Company.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company comprises Dr. Tang Tin Sek, Mr. Chan Siu Tat and Mr. Wong Hon Sum, all of them are independent non-executive directors. The consolidated financial statements of the Group for the year ended 31 December 2006 have been reviewed by the audit committee.

APPRECIATION

On behalf of the Board, I would 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
Luk Kin Peter Joseph
Deputy Chairman & Chief Executive Officer

Hong Kong, 10 April 2007

As at the date of this announcement, the Board comprises Mr. Cai Yuan, Mr. Luk Kin Peter Joseph and Mr. Yeung Kwok Kuen as executive directors, Mr. Lam Ming Yung as non-executive director and Dr. Tang Tin Sek, Mr. Chan Siu Tat and Mr. Wong Hon Sum as independent non-executive directors.