CHINA MINING INTERNATIONAL LIMITED
中矿国际有限公司
(Incorporated in the Cayman Islands)
(Company Registration No. CT-140095)

REPLIES TO THE QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") IN RESPECT OF THE COMPANY'S RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 ("FY2013")

Unless otherwise stated, all capitalized terms herein shall have the same meanings as that ascribed in the unaudited results announcement of China Mining International Limited (the "Company", and together with its subsidiaries, the "Group") for FY2013 as made by the Company on 1 March 2014 (the "Results Announcement").

We append below our replies to the following queries raised by the SGX-ST on 14 March 2014 concerning the Results Announcement.

The SGX-ST's Query 1

It was noted that the impairment loss on property under development for sale was due to "lack of visibility in the fulfilment of certain conditions". Please elaborate on the conditions which could not be met and what are the consequences of such delay. Please also elaborate on the reasons for the lack of visibility and the steps that are being taken by the Company to fulfil such conditions and progress/status of such actions taken.

The Company's reply

On 15 November 2010, the Group's subsidiary, Xinxiang Huilong Real Estate Co., Ltd ("Xinxiang Huilong"), entered into a sale and purchase agreement (the "S&P") with an unrelated third party (the "Buyer") to dispose a piece of land located at Xinxiang New District, Western District of Xinxiang city (the "Xinxiang Land") for a total cash consideration of RMB52.07 million (the "Total Sales Consideration") arrived at based on the "as-it-is" status of the Xinxiang Land as at the date of the S&P. Of the Total Consideration, a cash deposit of RMB25.00 million (the "Deposit") had been received by Xinxiang Huilong, with the balance of RMB27.07 million remains to be paid once the Buyer has procured the necessary approval from the relevant Chinese authorities in having the land use right of the Xinxiang Land converted from its existing industrial use to residential/commercial use or otherwise in having the Xinxiang Land substituted with suitable land parcels with rights to residential/commercial use (the "Land Use Right Conversion"). Pursuant to the S&P, it is the responsibility of the Buyer, which is confident in executing such a task, to apply to the relevant Chinese authorities to have the Land Use Right Conversion carried out. The lack of visibility in the fulfilment of certain conditions relates to the protracted process and uncertainty by the relevant Chinese authorities in seeing the Land Use Right Conversion through due to reasons unknown to us.

Notwithstanding the impairment made to the Xinxiang Land, the Buyer, having already disbursed the Deposit, still endeavors to work with the relevant Chinese authorities to have the Land Use Right Conversion carried out.

The SGX-ST's Query 2

On the impairment loss on investment in joint ventures, the Company explained in its Results Announcement that:-

"The impairment, derived based on the valuation report issued by an independent Hong Kong-based valuation company, Roma Appraisals Limited, was due principally to the significant decline in the price of iron ore, where the trailing 1-year average and 2-year average prices of iron ore were about RMB1,077 and RMB1,085 per ton respectively as at 31 December 2013 compared to such relevant prices of about RMB1,092 and RMB1,235 per ton respectively as at 31 December 2012. The decreased iron ore prices were due primarily to the continuing decrease in market demand for iron ore amidst the slow-down of the PRC economy in FY2013."

(a) Please provide details of the iron ore and how these were valued. Please quantify the changes in assumptions used in the valuation to demonstrate how this resulted in the impairment of RMB71 million in FY2013 on top of an impairment of RMB151 million already incurred in FY2012.

The Company's reply

The change in the valuation of the 2 iron ore mines, respectively located in the Henan Province and Xinjiang Province, in FY2013 compared to FY2012 was principally attributed to:

(1) Changes in the iron ore price (the "Iron Ore Price Factor"). Despite the impairment of RMB151 million made in FY2012, the trailing 1-year average and 2-year average iron ore prices continued to decrease by about 1.4% and 12.2% respectively in FY2013 relative to FY2012; and
(2) Delay in the commencement of mining production of each mine in question (the "Delay Production Commencement Factor"). The Group is still in the process of procuring the necessary mining licenses for the 2 iron ore mines in order for mining production to commence. Due to the heavy processing schedules of the relevant Chinese authorities, the tedious and time consuming application processes have been met with many delays and, barring any further delay, are expected to be completed only in 2016/2017.

The valuation of each of the 2 iron ore mines was arrived at by the independent professional valuation firm, Roma Appraisals Limited ("RAL"), a member of ROMA Group Limited (Stock Code: 8072 HK), by discounting the cash flow stream capable of being generated by the mine concerned over a 28-year period using the discounted cash flow ("DCF") method. The DCF method is highly sensitive to any change in the underlying assumptions, including the Iron Ore Price Factor (which reduces the future cash flow streams capable to be fetched upon sales of the iron ores) and the Delay Production Commencement Factor (which defers the future cash flow streams capable to be generated from the sales of the iron ores).

Save for the Iron Ore Price Factor and the Delay Production Commencement Factor, the other assumptions adopted by RAL in the valuation of the iron ore mines for FY2013 remained the same as those used for FY2012.

(b) Practice Note 6.3 of the Listing Manual states where the mineral, oil and gas activity of the issuer and/or its subsidiaries, based on the issuer's latest audited consolidated financial statements:

(i) represents 50% or more of the total assets, revenue or operating expenses of the group; or

(ii) is the single largest contributor based on any of the tests in (i) above, the issuer may be considered to be principally in the business of exploration for or extraction of mineral, oil or gas assets,

The issuer is required to make an announcement when any of the above situation occurs and will thereafter be required to comply with all the continuing listing rules applicable to mineral, oil and gas companies."

The Company's reply

The relative figures computed on the bases pursuant to Practice Note 6.3 of the Listing Manual of the SGX-ST in relation to the mineral, oil and gas activity of the Group based on the latest audited consolidated accounts of the Company for the financial year ended 31 December 2012 are as follows:

	The Group RMB'000	**The Mining Joint Ventures RMB'000**	**Percentage**
	(i)	(ii)	(iii) = (ii) / (i)
Total Assets	713,728	155,250(2)	21.8%
Total Revenue	90,093	–(3)	N/M
Total Operating Expenses	44,865(1)	287(4)	0.6%

Notes:

(1) Aggregate of General and Administration Expenses and Selling Expenses
(2) The Investment Costs in the Mining Joint Venture as at 31 December 2012
(3) The 2 iron ore mines have yet to commence production as at 31 December 2012
(4) Share of losses of the Mining Joint Venture in FY2012
"N/M" denotes "Not Meaningful"

As inferred from the above computed percentages under column (iii), each being less than 50%, the Group is not construed to be principally engaged in the business of exploration for or extraction of mineral, oil or gas assets.

The SGX-ST's Query 3

Nothing that "equity accounted investment in joint ventures" has decreased significantly by 44% from RMB155 million in FY2013 to RMB84 million, please elaborate on the outlook and factors that may affect the equity accounted investment in joint ventures in the next reporting year and the next 12 months.

The Company's reply

Iron ore is expected to experience a decrease in market demand for the next 12 months, amidst a slowdown of the PRC economy made worst by the lackluster construction sector underpinned by the spate of cooling measures to curb property speculation. The weakness in iron ore demand is expected to exert a downward pressure on iron ore prices, a problem further magnified by the existing high levels of iron ore inventories held by steel mills and traders at ports, despite the credit tightening scenario in China (which has restricted the ability of steel mills to purchase iron ores) and the anti-pollution reforms introduced by the Chinese government in recent months (which are expected to lead to the closure of thousands of furnaces in an effort to reduce air pollution).

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Notwithstanding the above, the Group is of the view that the long-term outlook for iron ore remains positive. Looking further ahead, the PRC's demand for steel is likely to continue to grow due principally to the ongoing urbanization of China which is expected to underpin demand for high-density dwelling construction, which in turn is expected to provide a strong support for iron ore price. Besides, the PRC’s pollution controls are also expected to create a demand for high quality iron ore.

The SGX-ST’s Query 4

We note that the Group’s current liabilities include amounts due to related parties (non-trade) of RMB6 million. Please disclose the terms of the amounts due to related parties (non-trade).

The Company’s reply

The amount due to related parties (non-trade) is interest free, unsecured and repayable on demand.

The SGX-ST’s Query 5

Please provide details on the Group’s completed properties for sale, including but not limited to, percentage sold, collection, selling price trend, profile of sales and unsold units and delivery of units. Please also comment on the impact on the financial statements arising from the completion of sales.

The Company’s reply

The completed properties for sale of the Group as at 31 December 2013 comprised completed residential units for the Xinxiang Sunny Town Project (新乡阳光新城项目), with the requisite details tabulated as follows:

Estimated gross floor area as at 31 December 2013	Book value as at 31 December 2013	Total revenue recognized in FY2013	Total collection of sale proceeds in FY2013	Total estimated gross floor area sold in FY2013	Average sales price in FY2013
sqm	**RMB million**	**RMB million**	**RMB million**	**sqm**	**RMB per sqm**
69,177	120,709	77.3	71.36	33,131	2,326

Sales proceeds are recognised as sales deposits upon collection from the buyers. The proceeds are recorded as revenue together with the related costs as costs of sales only upon the delivery of the completed units to the buyers.

The SGX-ST’s Query 6

On page 11 of the Results Announcement, the Company explained that the decrease in properties under development for sale “by RMB74.4 million was attributed mainly to impairment of Xinxiang Project.” Please provide a discussion on the reasons and details for the impairment of Xinxiang Project.

The Company’s reply

Please refer to our reply to SGX-ST’s Query 1 above.

The SGX-ST's Query 7

On page 11 of the Results Announcement, the Company explained that "the amount due from joint venture of RMB3.7 million was attributed principally to advances made in FY2013 to the Mining Joint Ventures." Please provide the reasons for the advances, use of funds and status of this project and funds raised by the project.

The Company's reply

The advances were made to the joint ventures in support of their operational needs as the 2 iron ore mines owned by them have yet to commence operation due to the Delay Production Commencement Factor as explained in our reply to SGX-ST's Query 2 above. No fund has yet been raised from the capital market for the development and management of the 2 iron ore mines.

The SGX-ST's Query 8

On page 12 of the Results Announcement, the Company explained that "the amount due from joint venture partner of RMB25 million was attributed principally to a temporary advance". Please explain why the Company had to extend this advances to joint venture partner. Please quantify details of this advance.

The Company's reply

The advance to the joint venture partner was to aid in accelerating the procurement of all outstanding permits and licenses required of the 2 iron ore mines owned by the joint ventures, given that the procurement process so far has been rather tedious and time consuming. The advance was fully repaid to the Group on 24 February 2014 as the need to accelerate the process had been overtaken by the Company's proposed reverse takeover event, the details of which are contained in the Company's announcement of 11 July 2013.

The SGX-ST's Query 9

With respect to paragraph 10 of the Results Announcement, please discuss the factors or events that may affect the group in the next reporting year and next 12 months.

The Company's reply

Save for certain niche sectors and locations, the property market in China for the next 12 months generally remains challenging due to the extensive austerity measures and credit tightening initiatives introduced by the Chinese government in curbing property speculation.

As for the outlook and factors affecting the iron ore mining market for the next 12 months, please refer to our reply to SGX-ST's Query 3 above.

BY ORDER OF THE BOARD

Mr Li Bin
Chief Executive Officer & Executive Director

21 March 2014