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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)**

**MEMORANDUM OF UNDERSTANDING  
IN RESPECT OF  
THE PROPOSED ACQUISITION OF  
THE ENTIRE INTERESTS IN  
FULLIGHT INVESTMENTS LIMITED**

This announcement is made pursuant to rule 13.09 of the Listing Rules.

Further to the announcements of the Company dated 25 June 2007, 17 July 2007 and 21 December 2007, respectively, the Board is pleased to announce that after market close on 20 June 2008, the Company entered into the Memorandum of Understanding with the Vendor in respect of the Proposed Acquisition. Subject to the entering into of the Formal Agreement pursuant to which various conditions are expected to be fulfilled as referred to in the section headed "Conditions to the entering into of the Formal Agreement" of this announcement, the Company (or a wholly owned subsidiary as nominated by the Company) intends to purchase from the Vendor and the Vendor intends to sell to the Company (or a wholly owned subsidiary as nominated by the Company) the Sale Interests.

The Memorandum of Understanding does not constitute legally binding commitments between the Company and the Vendor as to the Proposed Acquisition, which is subject to the execution and completion of the Formal Agreement, except as referred to in the section headed "Exclusivity" of this announcement.

The consideration for the Sale Interests is expected to be satisfied by way of cash and/or shares and/or equity-linked securities to be paid or issued by the Company, or otherwise, which shall be subject to agreement between the Company and the Vendor. In the event that the consideration of the Proposed Acquisition is to be satisfied by issue and allotment of Consideration Shares to the Vendor, the Consideration Shares shall be subject to lock-up provisions which are to be determined and agreed by the Company and the Vendor upon the entering into of the Formal Agreement. However, the consideration for the Proposed Acquisition and the settlement method are yet to be determined and agreed between the Company and the Vendor.

Based on information provided by the Vendor, the FL Group comprises Fullight which is an investment holding company with the PRC JV Company as its only subsidiary. The principal activities of the FL Group are rutile related business and, upon signing of the Formal Agreement, the FL Group's principal asset is expected to comprise the Mine (including the Mine Interests) which has not yet commenced operation. Natural rutile is the most effective raw material for titanium chloride and high grade titanium sponge which have been applied in industrial and consumption applications.

\* For identification purpose only

**Shareholders and potential investors of the Shares should note that the Proposed Acquisition may or may not materialise.** The Proposed Acquisition, if materialises, may constitute a notifiable transaction for the Company under the provisions of Chapter 14 of the Listing Rules and the Company shall comply with the relevant disclosures and/or shareholders' approval requirements of the Listing Rules where appropriate. **Shareholders and potential investors of the Shares should exercise caution when dealing in the Shares.**

Further announcement will be made by the Company provided that the Formal Agreement is entered into.

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

References are made to the announcements of the Company dated 25 June 2007, 17 July 2007 and 21 December 2007, respectively, in relation to the Exclusivity Agreement (as supplemented and amended by the Supplemental Agreements) in connection with the Proposed Acquisition. To proceed further with the Proposed Acquisition, after market close on 20 June 2008, the Company and the Vendor have entered into the Memorandum of Understanding, details of which are set out below.

## **THE MEMORANDUM OF UNDERSTANDING**

**Date:** 20 June 2008

**Parties:** Purchaser The Company

Vendor The legal and beneficial owner of the entire issued share capital of Fulllight, being an individual. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendor is an Independent Third Party.

### **Proposed Acquisition**

Pursuant to the Memorandum of Understanding and subject to the entering into of the Formal Agreement, the Company (or a wholly-owned subsidiary as nominated by the Company) intends to purchase from the Vendor and the Vendor intends to sell to the Company (or a wholly-owned subsidiary as nominated by the Company) the Sale Interests (which shall include indirect interests in (a) 85% of the entire registered capital/equity interests in the PRC JV Company; and (b) 85% of the Mine Interests).

The Company currently expects that the consideration is to be determined by reference to the reserve base and resources of natural rutile in the Mine in accordance with a technical report to be prepared and issued to the Company by an international technical consultant acceptable to the Company. According to a geological report issued by 中國冶金地質總局西北地質勘察院 in relation to the Mine which has been provided to the Company by the Vendor during the preliminary due diligence process, the Mine is expected to have not less than 5 million tonnes of natural rutile resources and, as such, the Directors believe that the Mine will be one of the largest natural rutile mine in the PRC.

## **Conditions to the entering into of the Formal Agreement**

Pursuant to the Memorandum of Understanding, the Company (or a wholly owned subsidiary as nominated by the Company) and the Vendor agree that the following conditions are expected to be fulfilled prior to the entering into of the Formal Agreement (which the Vendor has undertaken to use his reasonable endeavours to procure such conditions to be fulfilled on or before the Long Stop Date):

- (a) mine exploration licence(s) and/or mine exploitation licence(s) issued in the name of the PRC JV Company, in form and substance acceptable to the Company, which entitle the PRC JV Company to explore, exploit, extract, mine, produce of natural rutile located on or below the surface or otherwise within the Mine, having been validly issued by the proper PRC government authority to the PRC JV Company; and
- (b) the receipt by the Company of a technical report issued to the Company from an international technical expert acceptable to the Company in form and substance acceptable to the Company relating to the state and condition of the Mine covering such matters as may be required by to the Company, including that the Mine contains natural rutile resources of not less than 5 million tonnes.

## **The Formal Agreement**

Pursuant to the Memorandum of Understanding, the Company and the Vendor agree that they shall negotiate in good faith the detailed terms of the Formal Agreement for the sale and purchase of the Sale Interests and shall use their respective reasonable endeavours to enter into the Formal Agreement on or before the Long Stop Date based on the principles and understandings set out in the Memorandum of Understanding, which shall be subject to and conditional upon, amongst other things, conditions precedent to be fulfilled prior to completion of the Formal Agreement which are yet to be determined and agreed between the Company and the Vendor and, if required pursuant to the Listing Rules, shall include: (a) the passing of the resolution by shareholders of the Company in general meeting approving the Formal Agreement and the transactions contemplated thereunder; (b) if applicable, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in new Shares to be issued or which may be issued pursuant to any equity-linked securities of the Company to be provided to the Vendor by the Company to satisfy the consideration for the Sale Interests payable by the Company; and (c) the Company having notified the Vendor that it is satisfied with the due diligence exercise carried out or to be carried out by the Company and its professional advisers in connection with the Proposed Acquisition, the FL Group and the Mine.

## **Consideration**

The consideration for the Sale Interests is expected to be satisfied by way of cash and/or shares and/or equity-linked securities to be paid or issued by the Company, or otherwise, which shall be subject to agreement between the Company and the Vendor.

The Vendor has indicated his preference to receive equity or equity-linked securities to be issued by the Company as consideration for the Proposed Acquisition. In the event that the consideration of the Proposed Acquisition is to be satisfied by the issue and allotment of Shares to the Vendor and/or equity-

linked securities which may result in issue and allotment of Shares (the “**Consideration Shares**”), the Consideration Shares are expected to be subject to lock-up provisions which is to be determined and agreed by the Company and the Vendor upon the entering into of the Formal Agreement. However, the consideration for the Proposed Acquisition and the settlement method are yet to be determined and agreed between the Company and the Vendor.

### **Exclusivity**

Pursuant to the Memorandum of Understanding, the Vendor has undertaken to the Company that for a period from the date of the Memorandum of Understanding until (and including) the Long Stop Date: (i) he shall not, and shall procure members of the FL Group not to (1) negotiate or contact or solicit or accept any offer from or communicate in any manner with, any party (other than the Company) in relation to the Proposed Acquisition and/or the sale of interests of any members of the FL Group; (2) sell or transfer or in any manner deal with the whole or any part of the interests of the Vendor to be acquired pursuant to the Proposed Acquisition or interests of any members of the FL Group (including, but not limited to, the Mine (including the Mine Interests)) or create any Encumbrance thereon; and (3) sell or transfer, or otherwise dispose of or create any Encumbrance on all or any of the business of the FL Group; and (ii) he shall provide and shall procure the provision to the Company with such information and documents to carry out due diligence as may be required by the Company in connection with the Proposed Acquisition, the FL Group and the Mine (including the Mine Interests). In addition, the Company and the Vendor have further agreed that the Previous Agreements shall be terminated in all respects with effect from the date of the Memorandum of Understanding whereupon each party’s obligations and/or liabilities thereunder or arising therefrom shall cease, be discharged and of no further effect save for antecedent breaches in relation to any binding obligations of the parties thereunder.

Save for the abovementioned matters, the Memorandum of Understanding does not constitute legally binding commitments of the Vendor and the Company as to the Proposed Acquisition, which is subject to the execution and completion of the Formal Agreement by the Company and the Vendor.

### **INFORMATION ABOUT FL GROUP**

Based on the information provided by the Vendor, the FL Group comprises Fulllight which is an investment holding company with the PRC JV Company as its only subsidiary. The principal activities of the FL Group are rutile related business and, upon signing of the Formal Agreement, the FL Group’s principal asset is expected to comprise the Mine (including the Mine Interests) which has not yet commenced operation.

### **BENEFITS OF THE PROPOSED ACQUISITION**

As stated in the 2007 Annual report, the Company will continue to proactively seek for beneficial and synergistic acquisition opportunities, and aspires to become a leading player in the mining sector in Asia.

Should the Proposed Acquisition materialize and the natural rutile resources be proved to contain not less than 5 million tonnes in accordance with the aforementioned geological report of the Vendor, the Group is expected to be ranked as one of the largest natural rutile resources owners in the PRC.

The Directors believe that the Proposed Acquisition will enable the Company to leverage on its existing knowledge and expertise in the rutile and titanium production related businesses to enhance the future performance and investment returns of the Group.

## GENERAL

**Shareholders and potential investors of the Shares should note that the Proposed Acquisition may or may not materialize.** The Proposed Acquisition, if materializes, may constitute a notifiable transaction for the Company under the provisions of Chapter 14 of the Listing Rules and the Company shall comply with the relevant disclosures and/or shareholders' approval requirements of the Listing Rules where appropriate. Further announcement will be made by the Company provided that the Formal Agreement is entered into. **Shareholders and potential investors of the Shares should exercise caution when dealing in the Shares.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associate”	has the same meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors, including non-executive Directors and independent non-executive Directors;
“Company”	China Mining Resources Group Limited (Stock code: 00340), whose shares are listed on the Main Board of the Stock Exchange;
“connected person”	has the same meaning ascribed thereto under the Listing Rules;
“Consideration Shares”	as defined in the section headed “Consideration” of this announcement;
“Director(s)”	the director(s) of the Company;
“Encumbrances”	(a) any option, right to acquire, right of pre-emption, mortgage, charge, pledge, lien, charge, hypothecation, title creation, right of set off, counterclaim, trust arrangement or other security interest or arrangement or restriction of any kind;  (b) any arrangement whereby any rights are subordinated to any rights of any third party; or  (c) the interest of a vendor or lessor under any conditional sale agreement, lease, hire purchase agreement or other title retention arrangement;

“Exclusivity Agreement”	the exclusivity agreement dated 25 June 2007 and entered into between the Company and the Vendor setting out the exclusivity provision and other basic understanding between the parties thereto in connection with the Proposed Acquisition;
“First Supplemental Agreement”	a supplemental agreement to the Exclusivity Agreement dated 17 July 2007 entered into between the Company and the Vendor;
“FL Group”	Fullight and its subsidiaries from time to time, including the PRC JV Company;
“Formal Agreement”	a sale and purchase agreement to be entered into between the Company (and/or a wholly owned subsidiary as nominated by the Company) and the Vendor in relation to the Proposed Acquisition, which may or may not be subsequently entered into;
“Fullight”	Fullight Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly, legally and beneficially owned by the Vendor;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party”	a party which is independent of the Company and its connected persons;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	16 December 2008 (or any other date as may be agreed in writing between the Company and the Vendor);
“Memorandum of Understanding”	the memorandum of understanding dated 20 June 2008 entered into between the Company and the Vendor in relation to the Proposed Acquisition;
“Mine”	a natural rutile mine with an estimated total land area of 4.5 square kilometres located in the north-central portion of the Hubei Province;
“Mine Interests”	the interests in the land and buildings, exploitation licence and other rights and assets relating to the Mine that are or to be held/owned by the PRC JV Company;
“PRC”	People’s Republic of China which excludes Hong Kong, the Macau Special Administrative Region and Taiwan;

“PRC JV Company”	a joint venture company established in the PRC and the registered capital/equity interests of which is to be held as to 85% by Fullight and 15% by the PRC Party;
“PRC Party”	a company established in the PRC which is an Independent Third Party;
“Previous Agreements”	the Exclusivity Agreement (as supplemented and amended by the Supplemental Agreements);
“Proposed Acquisition”	the proposed acquisition by the Company of the Sale Interests (which shall include indirect interests in (a) 85% of the entire registered capital/equity interests in the PRC JV Company; and (b) 85% of the Mine Interests);
“Sale Interests”	the entire issued share capital of Fullight and all amounts owing from the Fullight to the Vendor and/or his associates on completion of the transactions contemplated under the Formal Agreement;
“Second Supplemental Agreement”	a second supplemental agreement to the Exclusivity Agreement dated 21 December 2007 entered into between the Company and the Vendor;
“Shares”	shares of HK\$0.10 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreements”	the First Supplemental Agreement and the Second Supplemental Agreement; and
“Vendor”	the legal and beneficial owner of the entire issued share capital of Fullight, being an individual and an Independent Third Party.

By Order of the Board  
**China Mining Resources Group Limited**  
**Cai Yuan**  
*Chairman*

20 June 2008, Hong Kong

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