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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 INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

The board of directors (the “Board”) of China Mining Resources Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010, with the comparative figures in 2009, as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2010*

	Notes	Six months ended 30 June	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Revenue		90,678	65,728
Cost of sales		<u>(75,812)</u>	<u>(31,409)</u>
Gross profit		14,866	34,319
Other income		14,587	99,205
Distribution and selling expenses		(5,492)	(3,664)
Administrative expenses		(50,220)	(60,422)
Finance costs	4	(10,991)	(8,990)
Impairment losses on property, plant and equipment and prepaid lease payments		—	(55,408)
Impairment losses on exploration and evaluation assets		—	(12,318)
Impairment losses on goodwill	9	(444,218)	—
Impairment losses on other intangible assets	9	<u>(44,091)</u>	<u>—</u>
Loss before tax		(525,559)	(7,278)
Income tax credit (expense)	5	<u>9,412</u>	<u>(8,660)</u>
Loss for the period	6	<u>(516,147)</u>	<u>(15,938)</u>

\* For identification purpose only

		<b>Six months ended 30 June</b>	
		<b>2010</b>	2009
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited)
<b>Other comprehensive income (expense)</b>			
Exchange differences arising on translation		2,055	(259)
(Loss) gain on change in fair value of available-for-sale investments		(35,482)	9,631
Release upon disposal of available-for-sale investments		—	(11,137)
		<u>          </u>	<u>          </u>
Other comprehensive expense for the period		<b>(33,427)</b>	(1,765)
		<u>          </u>	<u>          </u>
Total comprehensive expense for the period		<b>(549,574)</b>	(17,703)
		<u>          </u>	<u>          </u>
<b>(Loss) profit for the period attributable to:</b>			
Owners of the Company		(495,055)	8,286
Non-controlling interests		(21,092)	(24,224)
		<u>          </u>	<u>          </u>
		<b>(516,147)</b>	(15,938)
		<u>          </u>	<u>          </u>
<b>Total comprehensive (expense) income for the period attributable to:</b>			
Owners of the Company		(528,855)	6,739
Non-controlling interests		(20,719)	(24,442)
		<u>          </u>	<u>          </u>
		<b>(549,574)</b>	(17,703)
		<u>          </u>	<u>          </u>
<b>(Loss) earnings per share</b>			
Basic	8	<b>(HK7.74 cents)</b>	HK0.14 cent
		<u>          </u>	<u>          </u>
Diluted		<b>(HK7.74 cents)</b>	HK0.13 cent
		<u>          </u>	<u>          </u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

		<b>30 June</b>	31 December
		<b>2010</b>	2009
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current Assets</b>			
Property, plant and equipment		<b>133,728</b>	121,192
Prepaid lease payments		<b>36,051</b>	37,447
Exploration and evaluation assets		—	—
Goodwill	9	<b>88,295</b>	511,381
Other intangible assets	9	<b>138,263</b>	182,374
Available-for-sale investments		<b>179,554</b>	214,199
		<u><b>575,891</b></u>	<u>1,066,593</u>
<b>Current Assets</b>			
Inventories		<b>266,736</b>	256,185
Trade and other receivables	10	<b>92,003</b>	105,531
Prepaid lease payments		<b>3,088</b>	3,167
Held-for-trading investments		<b>11,461</b>	6,746
Bank balances and cash		<b>468,270</b>	531,223
		<u><b>841,558</b></u>	<u>902,852</u>
<b>Current Liabilities</b>			
Trade and other payables	11	<b>200,304</b>	221,880
Amounts due to non-controlling shareholders		<b>150,500</b>	150,500
Tax payable		<b>59,877</b>	62,277
Deferred income		<b>330</b>	—
Bank borrowings		<b>57,162</b>	51,192
Other borrowings		<b>1,143</b>	1,137
Provisions		<b>41,877</b>	56,302
		<u><b>511,193</b></u>	<u>543,288</u>
<b>Net Current Assets</b>		<u><b>330,365</b></u>	<u>359,564</u>
<b>Total Assets less Current Liabilities</b>		<u><b>906,256</b></u>	<u>1,426,157</u>

	<b>30 June 2010 HK\$'000 (unaudited)</b>	31 December 2009 HK\$'000 (audited)
<b>Capital and Reserves</b>		
Share capital	679,116	613,078
Share premium and (deficits) reserves	<u>(126,893)</u>	<u>434,199</u>
Equity attributable to owners of the Company	552,223	1,047,277
Non-controlling interests	<u>64,109</u>	<u>84,828</u>
<b>Total Equity</b>	<u>616,332</u>	<u>1,132,105</u>
<b>Non-current Liabilities</b>		
Deferred income	32,135	32,435
Bank borrowings	62,879	68,256
Other borrowings	4,905	4,880
Provisions	85,547	67,747
Deferred tax liabilities	14,628	25,070
Other long term payables	<u>89,830</u>	<u>95,664</u>
	<u>289,924</u>	<u>294,052</u>
	<u><b>906,256</b></u>	<u><b>1,426,157</b></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with the Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

## 2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009, except for as below.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>2</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>3</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>4</sup>
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
- <sup>2</sup> Effective for annual periods beginning on or after 1 February 2010
- <sup>3</sup> Effective for annual periods beginning on or after 1 July 2010
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2011
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 *Financial Instruments* 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.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment, are as follows:

Molybdenum	—	mining, processing and sales of molybdenum
Copper and zinc	—	mining, processing and sales of copper and zinc
Others	—	mining, processing and sales of other minerals such as rutile, silicon and iron
Tea products	—	production and sales of tea products

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

#### Six months ended 30 June 2010

	Molybdenum <i>HK\$'000</i>	Copper and zinc <i>HK\$'000</i>	Others <i>HK\$'000</i>	Tea products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>REVENUE</b>					
Segment revenue — external sales	<u>29,968</u>	<u>4,124</u>	<u>9,849</u>	<u>46,737</u>	<u>90,678</u>
<b>RESULT</b>					
Segment result	<u>8,883</u>	<u>(3,023)</u>	<u>6,269</u>	<u>(482,614)</u>	(470,485)
Unallocated corporate income					3,154
Unallocated corporate expenses					(47,237)
Finance costs					<u>(10,991)</u>
Loss before tax					<u>(525,559)</u>

**Six months ended 30 June 2009**

	Molybdenum <i>HK\$'000</i>	Copper and zinc <i>HK\$'000</i>	Others <i>HK\$'000</i>	Tea products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>REVENUE</b>					
Segment revenue — external sales	<u>29,352</u>	<u>7,047</u>	<u>102</u>	<u>29,227</u>	<u>65,728</u>
<b>RESULT</b>					
Segment result	<u>2,090</u>	<u>(4,905)</u>	<u>(78,424)</u>	<u>18,700</u>	(62,539)
Unallocated corporate income					92,948
Unallocated corporate expenses					(28,697)
Finance costs					<u>(8,990)</u>
Loss before tax					<u>(7,278)</u>

Segment result represents the profit (loss) earned by each segment without allocation of central administration costs, directors' salaries, change in fair value of held-for-trading investments, gain on disposal of available-for-sale investments, gain on disposal of a subsidiary, interest income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's assets by operating segment:

	<b>30 June 2010 <i>HK\$'000</i> (unaudited)</b>	31 December 2009 <i>HK\$'000</i> (audited)
Molybdenum	<b>414,387</b>	417,283
Copper and zinc	<b>7,142</b>	15,655
Others	<b>3,246</b>	20,488
Tea products	<b>337,397</b>	865,972
Unallocated assets	<b>655,277</b>	650,047
	<u><b>1,417,449</b></u>	<u>1,969,445</u>

## Other segment information

For the six months ended 30 June 2010

	Molybdenum HK\$'000	Copper and zinc HK\$'000	Others HK\$'000	Tea products HK\$'000	Sub-total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Depreciation of property, plant and equipment	293	—	—	1,796	2,089	1,524	3,613
Amortisation of prepaid lease payments	44	—	16	1,599	1,659	—	1,659
Amortisation of other intangible assets	540	—	—	—	540	—	540
Impairment losses on goodwill	—	—	—	444,218	444,218	—	444,218
Impairment losses on other intangible assets	—	—	—	44,091	44,091	—	44,091
Reversal of allowance for inventories	—	—	(793)	(41)	(834)	—	(834)
Write-off of inventories	—	—	—	4,361	4,361	—	4,361
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

For the six months ended 30 June 2009

	Molybdenum HK\$'000	Copper and zinc HK\$'000	Others HK\$'000	Tea products HK\$'000	Sub-total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Depreciation of property, plant and equipment	4,442	1,661	384	482	6,969	2,617	9,586
Amortisation of prepaid lease payments	173	—	498	173	844	—	844
Impairment losses on property, plant and equipment	—	1,637	51,860	—	53,497	1,362	54,859
Impairment losses on prepaid lease payments	—	—	549	—	549	—	549
Impairment losses on exploration and evaluation assets	—	—	12,318	—	12,318	—	12,318
Reversal of allowance for inventories	(28,577)	(2,323)	(161)	—	(31,061)	—	(31,061)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>



#### 4. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on bank and other borrowings wholly repayable within five years	3,451	5,071
Imputed interest on long term payables and provisions	7,540	3,919
	<u>10,991</u>	<u>8,990</u>

#### 5. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax:		
People's Republic of China (the "PRC") Enterprise Income Tax	1,050	1,895
Deferred tax:		
Current period	<u>(10,462)</u>	<u>6,765</u>
	<u>(9,412)</u>	<u>8,660</u>

No provision for Hong Kong Profits Tax has been made for both periods as the Group had no assessable profit arising in Hong Kong.

For the PRC Enterprise Income Tax, the relevant tax rate for the Group's subsidiaries in the PRC is 25% for both periods.

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. That subsidiary of the Company was in its fourth profit-making year in 2010 and hence PRC income tax was calculated at 12.5% which is 50% of the standard tax rate, on the estimated assessable profit of that subsidiary for both periods.

## 6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Depreciation of property, plant and equipment	<b>3,613</b>	9,586
Amortisation of prepaid lease payments	<b>1,659</b>	844
Amortisation of other intangible assets	<b>540</b>	—
Net foreign exchange loss (gain)	<b>677</b>	(3,798)
Impairment losses recognised in respect of		
— property, plant and equipment	—	54,859
— prepaid lease payments	—	549
— exploration and evaluation assets	—	12,318
— other intangible assets	<b>44,091</b>	—
— goodwill	<b>444,218</b>	—
Reversal of impairment loss on trade and other receivables	<b>(65)</b>	(1,083)
Government grants	<b>(6,948)</b>	(17,155)
Interest income	<b>(1,246)</b>	(1,015)
Gain on disposal of a subsidiary	—	(6,056)
Gain from change in fair value of held-for-trading investments	<b>(346)</b>	(16,172)
Gain on disposal of available-for-sale investments	—	(64,966)
Reversal of allowance for inventories	<b>(834)</b>	(31,061)
Write-off of inventories	<b>4,361</b>	—
	<b><u>4,361</u></b>	<b><u>—</u></b>

## 7. DIVIDENDS

No dividends were paid, declared or proposed during the reported period. The directors do not recommend the payment of an interim dividend.

## 8. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Earnings</b>		
(Loss) profit for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	<b><u>(495,055)</u></b>	<b><u>8,286</u></b>
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>6,394,936</b>	6,075,248
Effect of dilutive potential ordinary shares:		
Issuable shares	—	220,126
Options	—	272,021
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<b><u>6,394,936</u></b>	<b><u>6,567,395</u></b>

The computation of diluted loss per share for the six months ended 30 June 2010 does not include the potential ordinary shares arising from the Company's share options because the exercise prices of these share options were higher than the average market price of the Company's shares for the period. The effect of issuable shares is also not included in the computation as it would result in a decrease in loss per share.

## 9. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill		Other intangible assets					
			Mining rights and exploration rights		Brand name		Total	
	Six months ended	Year ended	Six months ended	Year ended	Six months ended	Year ended	Six months ended	Year ended
	30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 2010	31 December 2009
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At beginning of the period/year	511,381	—	102,943	546,777	79,431	—	182,374	546,777
Additions	21,132	—	—	30	—	—	—	30
Acquired on acquisition of subsidiaries	—	511,381	—	—	—	79,374	—	79,374
Exchange adjustments	—	—	507	337	13	57	520	394
Amortised to profit or loss	—	—	(540)	(2,978)	—	—	(540)	(2,978)
Amortised to exploration and evaluation assets	—	—	—	(37)	—	—	—	(37)
Impairment loss recognised in profit or loss	(444,218)	—	—	(441,186)	(44,091)	—	(44,091)	(441,186)
At end of the period/year	<u>88,295</u>	<u>511,381</u>	<u>102,910</u>	<u>102,943</u>	<u>35,353</u>	<u>79,431</u>	<u>138,263</u>	<u>182,374</u>

The goodwill and brand name are arising from the acquisition of King Gold Investments Limited and its subsidiaries (“King Gold Group”) in 2009. The principal operation of King Gold Group (a Cash Generating Unit) is the production and sales of tea products.

During the current period, the directors of the Company determine that there is impairment indicator on brand name due to the loss of two major customers in current period and consider the recoverable amount of the brand name is less than the carrying value. The recoverable amount of brand name has been determined on the basis of its fair value. Relief-from-royalty Method was applied in the valuation of the brand name. In applying the method, an estimate of a reasonable royalty rate was made assuming that the brand name was licensed at a fair rate as a result of arm’s length negotiations. Royalty rate of 3% was adopted in the valuation of brand name.

Apart from the brand name, the directors of the Company determine that there is impairment indicator on goodwill as well and that the recoverable amount of King Gold Group (being the Cash Generating Unit to which the goodwill and other intangible assets have been allocated) is less than the aggregate carrying amounts of the goodwill, other intangible assets and the net assets value of King Gold Group.

The recoverable amount of King Gold Group has been determined on the basis of value in use calculation and is based on certain key assumptions. The cash flow projections are prepared from financial budget approved by the management of the Group covering a ten-year period and a discount rate of 12.6%. Cash flows beyond the ten-year period are extrapolated using a 3% steady growth rate. This growth rate is based on the relevant growth forecasts and does not exceed the average long-term growth rate for the relevant industry. In addition, the cash flow projections are prepared based on the expected gross margins determined based on past performance and management’s expectations for the market development.

Impairment losses in respect of the goodwill and brand name of approximately HK\$444,218,000 and HK\$44,091,000, respectively, were recognised in the condensed consolidated statement of comprehensive income during the six months ended 30 June 2010.

## 10. TRADE AND OTHER RECEIVABLES

	<b>30 June 2010 HK\$'000 (unaudited)</b>	31 December 2009 HK\$'000 (audited)
Trade receivables	34,215	42,176
<i>Less: Allowance for doubtful debts</i>	<u>(5,448)</u>	<u>(4,612)</u>
	<u>28,767</u>	<u>37,564</u>
Other receivables	40,125	111,308
<i>Less: Allowance for doubtful debts</i>	<u>(12,773)</u>	<u>(61,801)</u>
	<u>27,352</u>	<u>49,507</u>
Deposits and prepayments	20,564	18,460
Loans to third parties	<u>15,320</u>	<u>—</u>
Total trade and other receivables	<u><b>92,003</b></u>	<u><b>105,531</b></u>

The Group normally allows credit period ranging from 90 to 180 days to its trade customers. Other receivables are unsecured, non-interest bearing and repayable on demand.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	<b>30 June 2010 HK\$'000 (unaudited)</b>	31 December 2009 HK\$'000 (audited)
0 — 60 days	15,186	27,390
61 — 90 days	2,686	160
91 — 180 days	1,133	5,600
Over 180 days	<u>9,762</u>	<u>4,414</u>
	<u><b>28,767</b></u>	<u><b>37,564</b></u>

## 11. TRADE AND OTHER PAYABLES

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

	<b>30 June 2010</b>	31 December 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(audited)</b>
0 — 90 days	7,422	6,814
Over 90 days	<b>6,898</b>	6,121
	<b>14,320</b>	12,935

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results Review

For the six months ended 30 June 2010, China Mining Resources Group Limited (the “Company”) together with its subsidiaries (the “Group”) recorded a consolidated revenue of HK\$90,678,000 (six months ended 30 June 2009: HK\$65,728,000), an increase of 38% over the corresponding period in 2009. The higher first half 2010 revenue were primarily due to a full six month results from the tea business revenue which generated from King Gold Investments Limited (“King Gold”) and its subsidiaries (“King Gold Group”) as the Group has commenced its tea business since 30 April 2009 after the acquisition of 80% interest in King Gold Group.

The Group’s unaudited loss attributable to owners of the Company amounted to HK\$495,055,000 (six months ended 30 June 2009: profit of HK\$8,286,000). In particular, the loss was mainly attributable to the impairment losses of HK\$444,218,000 on goodwill and the impairment losses of HK\$44,091,000 on brand name (attributable to owners of the Company of which HK\$35,273,000) in respect of the tea business. On exclusion of the above impairment losses, the Group’s loss before interest, taxes, depreciation and amortisation (“LBITDA”) was HK\$20,447,000 for the six months ended 30 June 2010 as compared to earning before interest, tax, depreciation and amortisation (“EBITDA”) of approximately HK\$79,908,000 for the corresponding period in the previous financial year.

### Review of Operations

#### *Harbin Songjiang Group*

Harbin Songjiang Copper (Group) Company Limited (“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 and its subsidiaries (“Harbin Songjiang Group”) contributed HK\$43,941,000 (six months ended 30 June 2009: HK\$36,501,000) and HK\$12,129,000 (six months ended 30 June 2009: HK\$81,239,000) to the Group’s turnover and loss respectively for the six months ended 30 June 2010.

## *Revenue*

Mining business revenue for the six months ended 30 June 2010 increased by 20% to HK\$43,941,000 compared to corresponding period in the previous financial year. The increase was mainly attributable to the moderate recovery of the silicon market in PRC in the first half of 2010, the average selling price of silicon for the first half of 2010 was HK\$11,369 per tonne, up by 17% compared with the first half of 2009. In view of the recovery of the silicon market, the directors of the Company determined to sell out the silicon inventories to realise profit in the current period. As a result, the silicon turnover increased by HK\$9,747,000 to HK\$9,849,000 for the first half of 2010.

Revenue generated from ferro molybdenum, copper and zinc and others which included silicon, iron and rutile were HK\$29,968,000, HK\$4,124,000 and HK\$9,849,000 (six months ended 30 June 2009: HK\$29,352,000, HK\$7,047,000 and HK\$102,000), respectively. The average selling prices for ferro molybdenum was HK\$172,230 per tonne (six months ended 30 June 2009: HK\$109,933 per tonne).

## *Cost of Sales and Gross Profit*

The cost of sales of Harbin Songjiang Group for the six months ended 30 June 2010 was HK\$40,075,000 (six months ended 30 June 2009: HK\$20,882,000) and the gross profit margin was 9% (six months ended 30 June 2009: 43%). The decrease in gross profit margin was primarily due to the relatively higher unit cost of production of ferro molybdenum and silicon which sold during the period.

## *King Gold Group*

The Group commenced its tea business in 30 April 2009 after the acquisition of 80% interest in King Gold by the Group. King Gold Group is principally engaged in cultivation, research, production and sale of Chinese tea products, and its products are widely distributed throughout the country under the brand names of “武夷” and “武夷星”, which are well-recognised in the PRC as premium tea products.

King Gold Group contributed HK\$46,737,000 and HK\$482,614,000 to the Group's turnover and loss for the six months ended 30 June 2010 respectively. During the post acquisition period of first half 2009, King Gold group contributed approximately HK\$29,227,000 and HK\$18,700,000 to the Group's turnover and profit respectively. The loss in the first half 2010 was mainly due to the unexpected natural disasters of ice frozen and flood which took place in the period in the Group's Wuyishan (“武夷山”) production sites. As a result of the unexpected natural disasters, there was a significant increase in the cost of raw materials (being the tea leaves) of the tea products, which had led to significant decrease in gross profit margin and sales volume for the six months ended 30 June 2010 when compared with the full 6 months results of first half of 2009. In addition, impairment losses of approximately HK\$444,218,000 and HK\$44,091,000 were recognised in the consolidated statement of comprehensive income for the goodwill and brand name respectively during the period.

## *Revenue*

For the six months ended 30 June 2010, King Gold Group generated a revenue of HK\$46,737,000. This represented an increase of HK\$17,510,000 or 60% in revenue when compared with the HK\$29,227,000 revenue which generated in the post acquisition period of first half 2009. The increase was mainly attributable to the first half of 2010 result representing six months operations while the first half of 2009 result only representing post acquisition period of two months.

## *Cost of Sales and Gross Profit*

The cost of sales of King Gold Group increased from HK\$10,527,000 for the post acquisition period in the first half 2009 to HK\$35,737,000 for the six months ended 30 June 2010. The average gross profit margin for current period was 24%, compared to 64% in the same period last year. The decrease in gross profit margin was mainly caused by the sharp increase in the purchase price of the raw materials being the tea leaves due to natural disasters as mentioned in above.

## *Impairment losses on goodwill and brand name*

Goodwill and brand name are allocated to the Group's tea business cash-generating unit and they are arising from the acquisition of King Gold Group in 2009. In view of the deterioration of the Group's tea business for the six months ended 30 June 2010 caused by the aforementioned unexpected natural disasters, the directors of the Company determine that there is impairment indication of the goodwill and brand name of King Gold Group. A valuation was performed on a cash flow projection basis. Accordingly, impairment losses in respect of the goodwill and brand name of HK\$444,218,000 and HK\$44,091,000, respectively, were recognised in the consolidated statement of comprehensive income during the six period ended 30 June 2010.

## **Liquidity, Financial Resources and Capital Structure**

As at 30 June 2010, the Group had total assets and net assets of HK\$1,417,449,000 (31 December 2009: HK\$1,969,445,000) and HK\$616,332,000 (31 December 2009: HK\$1,132,105,000), respectively. The current ratio was 1.646, as compared to 1.662 as of year ended 31 December 2009.

The Group had bank balances and cash amounted to approximately HK\$468,270,000 (31 December 2009: HK\$531,223,000), of which most were denominated in Hong Kong dollars and Renminbi.

As at the balance sheet date, the Group had (i) borrowings from non-controlling shareholders of HK\$150,500,000 (31 December 2009: HK\$150,500,000) all of which were interest-free, (ii) bank borrowings of HK\$120,041,000 (31 December 2009: HK\$119,448,000) 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\$6,048,000 (31 December 2009: HK\$6,017,000), of which HK\$1,143,000 was interest-free and HK\$4,905,000 was interest-bearing at 2.55% per annum. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 50.1% (31 December 2009: 26.4%).



## **Foreign Exchange Risk Management**

As part of the Group's assets and liabilities are denominated in Hong Kong dollar, Canadian dollar and United States dollar, in order to minimize the foreign currency risk, the Group aims to utilise the fund for transactions that are denominated in the same currency.

## **Share Capital**

On 19 April 2010, the Company issued 660,377,358 new shares as part of the consideration paid for the acquisition of 80% interest in King Gold Investments Limited as stated in the annual report of the Company for the financial year ended 31 December 2009 ("2009 Annual Report").

As at 30 June 2010, the Company had 6,791,162,211 shares in issue with total shareholders' fund of the Group amounting to approximately HK\$679,116,000.

## **Contingent Liabilities**

The Group has no material contingent liabilities as at 30 June 2010.

## **Material Acquisitions and Disposals of Subsidiaries and Associated Companies**

There were no material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2010.

## **Employees and Remuneration Policies**

As at 30 June 2010, the Group had 12 and 1,132 employees in Hong Kong and Mainland China respectively.

Employees of the Group 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**

After facing grim conditions of the suspension of the production of molybdenum mine in the first eight months of 2009, the mining business has recovered in the first half 2010. The Group has maintained a stable mining production scale and steady sales for the past six months. The group strategically continues to increase its natural resources assets and production capabilities to enhance our position in mining industry.

However the tea business has encountered unprecedented enormity natural disasters in the first half of 2010. The unexpected ice frozen and flood which took place in the Company's Wuyishan production site, has seriously affected the tea business performance in the first half of 2010. Moreover, we anticipate the competition in China's tea market will still be fierce. As one of the key national agricultural industrialized tea producers in China we believe the only way to inspire confidence in consumers is by providing them high-quality tea products that are reliable and safe. Through brand-building and further developing retail market in China, we will be able to enlarge our market share and enhance our competitive strengths.

Looking forward, the Group will continue to capture any opportunities to expand its business in the mining and tea business sectors, by way of strategic layout optimizations. Meanwhile, 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.

## **CORPORATE GOVERNANCE**

The Company is committed to comply with its established best practice in corporate governance and is acting in line with those practices as set out in 2009 Annual Report. The Board believes that good corporate governance is crucial to enhance the performance of the Group and to safeguard the interests of the shareholders of the Company.

### **Compliance with The Code on Corporate Governance Practices**

The Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the six months ended 30 June 2010.

### **Compliance with The Model Code for Securities Transactions**

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. Upon specific enquiries, all directors of the Company ("Directors") confirmed they had complied with the required standard set out in the Model Code during the six months ended 30 June 2010.

### **Audit Committee**

The Audit Committee comprises of three independent non-executive Directors. They are responsible for ensuring the quality and integrity of internal control, conducting review of the Group's accounting principles and practices, risk management and the Group's interim and annual accounts.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

The Company has not redeemed any of its securities during the six months ended 30 June 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the six months ended 30 June 2010.

## **AUDIT COMMITTEE**

The Audit Committee and management have reviewed the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 30 June 2010.

## **INTERIM DIVIDEND**

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2010.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This announcement is published in the Company's website ([www.chinaminingresources.com](http://www.chinaminingresources.com)) and the designated website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report will be available on the websites of the Company and the Stock Exchange in due course.

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

Hong Kong, 25 August 2010

*As at the date of this announcement, 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, Mr. Chan Sze Hon, Mr. Chu Kang Nam, Mr. Goh Choo Hwee and Mr. Lin Xiang Min as independent non-executive Directors.*