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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 2012**

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 2012, with the comparative figures in 2011, as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2012*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2012</b>	<b>2011</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited and restated)</b>
<b>Continuing operations</b>			
Revenue	3	79,878	117,642
Cost of sales		<u>(40,550)</u>	<u>(62,038)</u>
Gross profit		39,328	55,604
Other income		5,060	5,943
Other gains and losses		(3,014)	27,132
Selling and distribution expenses		(20,345)	(15,715)
Administrative expenses		(33,824)	(35,547)
Finance costs	4	<u>(10,189)</u>	<u>(15,066)</u>
(Loss) profit before tax		(22,984)	22,351
Income tax (expense) credit	5	<u>(1,398)</u>	<u>1,094</u>
(Loss) profit for the period from continuing operations	6	<u>(24,382)</u>	<u>23,445</u>
<b>Discontinued operation</b>			
Profit for the period from discontinued operation	7	<u>—</u>	<u>12,311</u>
(Loss) profit for the period		<u>(24,382)</u>	<u>35,756</u>

\* For identification purpose only

	<b>Six months ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited and restated)</b>
<b>Other comprehensive income (expense)</b>		
Exchange differences arising on translation	<b>12,458</b>	8,101
Fair value loss on available-for-sale investments	<b>(56,352)</b>	(38,216)
Actuarial (loss) gain on defined benefit pension plans	<b>(6,460)</b>	773
	<u>                    </u>	<u>                    </u>
Other comprehensive expense for the period, net of income tax	<b>(50,354)</b>	(29,342)
	<u>                    </u>	<u>                    </u>
Total comprehensive (expense) income for the period	<b>(74,736)</b>	6,414
	<u>                    </u>	<u>                    </u>
(Loss) profit for the period attributable to:		
Owners of the Company		
(Loss) profit for the period from continuing operations	<b>(21,794)</b>	29,085
Profit for the period from discontinued operation	<b>—</b>	12,311
	<u>                    </u>	<u>                    </u>
(Loss) profit for the period attributable to owners of the Company	<b>(21,794)</b>	41,396
	<u>                    </u>	<u>                    </u>
Non-controlling interests		
Loss for the period from continuing operations	<b>(2,588)</b>	(5,640)
	<u>                    </u>	<u>                    </u>
(Loss) profit for the period	<b>(24,382)</b>	35,756
	<u>                    </u>	<u>                    </u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	<b>(73,608)</b>	14,154
Non-controlling interests	<b>(1,128)</b>	(7,740)
	<u>                    </u>	<u>                    </u>
	<b>(74,736)</b>	6,414
	<u>                    </u>	<u>                    </u>
(Loss) earnings per share:	9	
From continuing and discontinued operations		
Basic	<b>(HK0.24) cent</b>	HK0.45 cent
	<u>                    </u>	<u>                    </u>
Diluted	<b>(HK0.24) cent</b>	(restated) HK0.35 cent
	<u>                    </u>	<u>                    </u>
From continuing operations		(restated)
Basic	<b>(HK0.24) cent</b>	HK0.32 cent
	<u>                    </u>	<u>                    </u>
Diluted	<b>(HK0.24) cent</b>	(restated) HK0.26 cent
	<u>                    </u>	<u>                    </u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

		<b>30 June 2012</b>	31 December 2011
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Audited)
<b>Non-current Assets</b>			
Property, plant and equipment		<b>125,801</b>	133,919
Prepaid lease payments		<b>31,336</b>	29,728
Goodwill		<b>88,295</b>	88,295
Other intangible assets		<b>161,863</b>	159,032
Biological assets		<b>8,628</b>	12,264
Available-for-sale investments		<b>164,552</b>	222,092
		<b>580,475</b>	645,330
<b>Current Assets</b>			
Inventories		<b>210,071</b>	182,431
Trade and other receivables	<i>10</i>	<b>183,553</b>	135,033
Prepaid lease payments		<b>532</b>	3,562
Short-term loan and loan interest receivables		<b>16,721</b>	16,230
Bank balances and cash		<b>106,558</b>	152,829
		<b>517,435</b>	490,085
<b>Current Liabilities</b>			
Trade and other payables	<i>11</i>	<b>262,014</b>	254,446
Tax liabilities		<b>61,025</b>	61,198
Bank borrowings		<b>79,769</b>	32,956
Other borrowings		<b>1,227</b>	1,221
Provisions		<b>6,116</b>	6,428
		<b>410,151</b>	356,249
<b>Net Current Assets</b>		<b>107,284</b>	133,836
<b>Total Assets less Current Liabilities</b>		<b>687,759</b>	779,166

	<b>30 June 2012</b>	31 December 2011
<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current Liabilities</b>		
Deferred income	57,259	53,835
Other borrowings	5,266	5,238
Provisions	107,782	104,060
Deferred tax liabilities	6,887	8,303
Other long term payables	53,921	76,525
Non-redeemable convertible preference shares	52,513	52,338
	<u>283,628</u>	<u>300,299</u>
<b>Net Assets</b>	<b><u>404,131</u></b>	<b><u>478,867</u></b>
<b>Capital and Reserves</b>		
Share capital	913,878	913,878
Share premium and reserves	(703,449)	(629,841)
	<u>210,429</u>	<u>284,037</u>
Equity attributable to owners of the Company	210,429	284,037
Non-controlling interests	193,702	194,830
	<u>404,131</u>	<u>478,867</u>
<b>Total Equity</b>	<b><u>404,131</u></b>	<b><u>478,867</u></b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as 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”).

### 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKAS”s) issued by the HKICPA:

Amendment to HKFRS 1	First-time Adoption of Hong Kong Financial Report in Standards- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendment to HKFRS 7	Financial Instruments: Disclosures – Transfer of Financial Assets
Amendment to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs and HKASs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new or revised HKASs, HKFRSs, amendments and interpretation that have been issued but are not yet effective.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 - 2011 Cycle <sup>1</sup>
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities <sup>1</sup> Mandatory effective date of HKFRS 9 and transition disclosures <sup>2</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance <sup>1</sup>
HKFRS 9	Financial instruments <sup>2</sup>
HKFRS 10	Consolidated financial statements <sup>1</sup>
HKFRS 11	Joint arrangements <sup>1</sup>
HKFRS 12	Disclosure of interests in other entities <sup>1</sup>
HKFRS 13	Fair value measurement <sup>1</sup>
Amendments to HKAS 1	Presentation of items of other comprehensive income <sup>3</sup>
HKAS 19 (Revised in 2011)	Employee benefits <sup>1</sup>
HKAS 27 (Revised in 2011)	Separate financial statements <sup>1</sup>
HKAS 28 (Revised in 2011)	Investments in associates and joint ventures <sup>1</sup>
Amendments to HKAS 32	Offsetting financial assets and financial liabilities <sup>4</sup>
HK(IFRIC*) — Int 20	Stripping costs in the production phase of a surface mine <sup>1</sup>

\* IFRIC represent the International Financial Reporting Interpretations Committee

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2014.

Save as disclosed in the annual report of the Company for the year ended 31 December 2011, the directors of the Company anticipate that the application of the other new and revised standards and amendments issued but not yet effective will have no material impact on the results and the financial position of the Group.

### 3. SEGMENT INFORMATION

Information reported to the Group's chief executive officer, being the chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of segment performance focuses on type of goods delivered. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Tea products	—	production and sales of tea
Molybdenum	—	mining, processing and sales of molybdenum
Online video business ("iTV")	—	Online video broadcasting (a new business in 2010 and not yet commence business)

During the year ended 31 December 2011, the operating segment of mining, processing and sales of other minerals such as rutile, silicon and iron was discontinued. The segment information reported in the following does not include any amounts for this discontinued operation, which is described in more detail in Note 7.

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

#### Six months ended 30 June 2012

##### *Continuing operations*

	Tea products <i>HK\$'000</i> (Unaudited)	Molybdenum <i>HK\$'000</i> (Unaudited)	iT <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
<b>REVENUE</b>				
Segment revenue — external sales	<u>62,968</u>	<u>16,910</u>	<u>—</u>	<u>79,878</u>
<b>RESULT</b>				
Segment profit (loss)	<u>5,780</u>	<u>(4,443)</u>	<u>(2,391)</u>	<u>(1,054)</u>
Unallocated corporate income				1,043
Unallocated corporate expenses				(12,784)
Finance costs				<u>(10,189)</u>
Loss before tax				<u>(22,984)</u>

#### Six months ended 30 June 2011

##### *Continuing operations*

	Tea products <i>HK\$'000</i> (Unaudited)	Molybdenum <i>HK\$'000</i> (Unaudited and restated)	iT <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited and restated)
<b>REVENUE</b>				
Segment revenue — external sales	<u>48,156</u>	<u>69,486</u>	<u>—</u>	<u>117,642</u>
<b>RESULT</b>				
Segment profit (loss)	<u>12,323</u>	<u>55,952</u>	<u>(2,678)</u>	65,597
Unallocated corporate income				10,013
Unallocated corporate expenses				(38,193)
Finance costs				<u>(15,066)</u>
Profit before tax				<u>22,351</u>

Segment profit (loss) represents the result from each segment without allocation of central administration costs, directors' salaries, other income (mainly includes interest income on bank deposits) gain on disposal of property, plant and equipment, and prepaid lease payments, gain on disposal of subsidiary, loss on disposal of available-for-sale investments, foreign exchange gain (loss) and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of performance focuses on type of goods delivered.

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

	<b>30 June 2012 HK\$'000 (Unaudited)</b>	31 December 2011 HK\$'000 (Audited)
Tea products	371,106	427,622
Molybdenum	349,792	346,060
iTV	38,485	38,700
Unallocated assets	338,527	323,033
	<b><u>1,097,910</u></b>	<b><u>1,135,415</u></b>

## Other segment information

### Continuing Operations

#### For the six months ended 30 June 2012

	Tea Products HK\$'000 (Unaudited)	Molybdenum HK\$'000 (Unaudited)	iTV HK\$'000 (Unaudited)	Sub-total HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets excluding financial instruments	15,785	341	4,315	20,441	47	20,488
Depreciation of property, plant and equipment	2,339	4,942	210	7,491	355	7,846
Amortisation of prepaid lease payments	1,438	70	—	1,508	—	1,508
Amortisation of other intangible assets	419	1,265	295	1,979	—	1,979
(Gain) loss on disposal of property, plant and equipment	—	(264)	135	(129)	2	(127)
Reversal of impairment loss recognised in respected of trade and other receivables	(5,128)	(45)	—	(5,173)	—	(5,173)
Impairment loss recognised in respected of trade and other receivables	2,173	—	—	2,173	—	2,173
	<b><u>2,173</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>2,173</u></b>	<b><u>—</u></b>	<b><u>2,173</u></b>



**For the six months ended 30 June 2011**

	Tea products <i>HK\$'000</i> (Unaudited)	Molybdenum <i>HK\$'000</i> (Unaudited)	iTV <i>HK\$'000</i> (Unaudited)	Sub-total <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Amounts included in the measure of segment profit or loss or segment assets:						
Depreciation of property, plant and equipment	2,047	1,918	208	4,173	351	4,524
Amortisation of prepaid lease payments	1,889	92	—	1,981	—	1,981
Amortisation of other intangible assets	—	824	—	824	—	824
Gain on disposal of prepaid lease payments	—	(37,919)	—	(37,919)	—	(37,919)
Loss (gain) on disposal of property, plant and equipment	—	48	—	48	(1,568)	(1,520)
Loss on disposal of available-for-sale investments	—	—	—	—	191	191
Reversal of allowance for inventory	—	(825)	—	(825)	—	(825)
Impairment loss recognised in respect of trade and other receivables	1,306	262	—	1,568	—	1,568
	<u>1,306</u>	<u>262</u>	<u>—</u>	<u>1,568</u>	<u>—</u>	<u>1,568</u>

**4. FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Continuing operations</b>		
Imputed interest on long-term payables and provisions	<b>3,997</b>	7,663
Interest on bank and other borrowings wholly repayable within five years	<b>2,052</b>	3,287
Interest on non-redeemable convertible preference shares	<b>4,140</b>	4,116
	<u><b>10,189</b></u>	<u>15,066</u>

## 5. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
Current tax:		
PRC Enterprise Income Tax	2,642	839
Deferred tax:		
Current period	<u>(1,244)</u>	<u>(1,933)</u>
	<u>1,398</u>	<u>(1,094)</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.

Under the Law of the PRC on Enterprise Income Tax, (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, Wuyi Star Tea Industrial Co., Ltd. (“Wuyi”), 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. This subsidiary of the Group was in its fifth profit-making year in 2011 and hence PRC income tax was calculated at 12.5% which is 50% of the standard tax rate, on the estimated assessable profit of the subsidiary for 2011. For 2012, the PRC income tax was calculated at 25%.

## 6. (LOSS) PROFIT FOR THE PERIOD

### Continuing operations

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

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	7,846	4,524
Amortisation of prepaid lease payments	1,508	1,981
Amortisation of other intangible assets	1,979	824
(Reversal of) impairment loss recognised in respect of trade and other receivables	(3,000)	1,568
Government grants	(2,616)	(3,088)
Interest income	(1,974)	(1,572)
Loss on changes in fair value less estimated point-of-sales cost for biological assets	3,469	—
Costs of inventories recognised as an expense	40,550	62,038
Loss on disposal of available-for-sale investments	—	191
Gain on disposal of property, plant and equipment and prepaid lease payments	(127)	(39,439)

## 7. DISCONTINUED OPERATION

During the year ended 31 December 2011, the Group discontinued the operation of mining, processing and sales of other minerals such as rutile, silicon and iron after disposal of a subsidiary, Xinganmeng Songjiang Mining Co. Ltd. (“Xinganmeng”). The disposal was effected in order to generate cash flows for the expansion of the Group’s other businesses. The disposal was completed on 26 April 2011, on which date control of Xinganmeng was passed to the acquirer.

During the six months ended 30 June 2011, the profit for the period from discontinued operation for Xinganmeng is analysed as follows:

	Six months ended 30 June 2011 HK\$'000 (Unaudited)
Gain on disposal of mining, processing and sales of other minerals such as rutile, silicon and iron operations	12,311

The results of the mining, processing and sales of other minerals such as rutile, silicon and iron operations, which have been included in the condensed consolidated statement of comprehensive income, were as follows:

	<b>Six months ended</b>
	<b>30 June 2011</b>
	<i>HK\$'000</i>
	(Unaudited)
Revenue	—
Cost of sales	—
	<hr/>
Gross profit	—
Other income	—
Other gains and losses	—
Selling and distribution expenses	—
Administrative expenses	—
Finance costs	—
	<hr/>
Profit for the period	—
	<hr/> <hr/>

#### **8. DIVIDENDS**

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

## 9. (LOSS) EARNINGS PER SHARE

### *From continuing and discontinuing operations*

The calculation of basic and diluted (loss) earnings per share attributable to the owners of the Company for the period from continuing and discontinuing operations is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited and restated)
(Loss) profit for the period attributable to owners at the Company and (loss) earnings for the purposes of basic (loss) earnings per share	<b>(21,794)</b>	41,396
Effect of dilutive potential ordinary shares:		
Interest on non-redeemable convertible preference shares ( <i>Note</i> )	—	4,116
(Loss) profit for the purpose of diluted (loss) earnings per share	<b>(21,794)</b>	45,512
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	<b>9,138,782</b>	9,138,782
Effect of dilutive potential ordinary shares:		
Non-redeemable convertible preference shares ( <i>Note</i> )	—	3,776,190
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	<b>9,138,782</b>	12,914,972

### **From continuing operations**

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

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited and restated)
(Loss) profit for the period attributable to owners of the Company	<b>(21,794)</b>	41,396
Less: Profit for the period from discontinued operation	—	(12,311)
(Loss) profit for the purposes of basic and diluted (loss) earnings per share from continuing operations	<b>(21,794)</b>	29,085

The denominators used are the same as those detailed above for basic and diluted (loss) earnings per share.

Notes:

- (1) The computation of diluted loss per share for the six months ended 30 June 2012 does not assume the conversion of the Company's outstanding share options and non-redeemable convertible preference share since their exercise would result in a decrease in loss per share for the period.
- (2) The computation of diluted earnings per share for the six months ended 30 June 2011 does not assume the conversion of the Company's outstanding share options for the period as the exercise prices of these options are higher than average market price of the shares of the Company.

### From discontinued operation

Basic earnings per share for the discontinued operation for the six months period ended 30 June 2012 is Nil (six months ended 30 June 2011: HK\$0.13 cent) and diluted earnings per share for the discontinued operation for the six months period ended 30 June 2012 is Nil (six months ended 30 June 2011: HK\$0.09 cent), based on the profit for the period from the discontinued operation of approximately Nil (six months ended 30 June 2011: HK\$12,311,000) and the denominators detailed above for both basic and diluted (loss) earnings per share.

## 10. TRADE AND OTHER RECEIVABLES

	<b>30 June 2012</b>	31 December 2011
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>92,079</b>	102,840
<i>Less:</i> Allowance for doubtful debts	<b>(8,212)</b>	(6,646)
	<b>83,867</b>	96,194
Other receivables	<b>68,542</b>	78,879
<i>Less:</i> Allowance for doubtful debts	<b>(54,890)</b>	(59,381)
	<b>13,652</b>	19,498
Deposits and prepayments	<b>86,034</b>	19,341
Total trade and other receivables	<b>183,553</b>	135,033

The Group normally allows credit period of 90 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 2012 <i>HK\$'000</i> (Unaudited)</b>	31 December 2011 <i>HK\$'000</i> (Audited)
0 — 30 days	3,955	34,432
31 — 60 days	15,952	3,954
61 — 90 days	2,102	16,964
Over 90 days	61,858	40,844
	<u>83,867</u>	<u>96,194</u>

#### 11. TRADE AND OTHER PAYABLES

	<b>30 June 2012 <i>HK\$'000</i> (Unaudited)</b>	31 December 2011 <i>HK\$'000</i> (Audited)
Trade payables	27,167	17,759
Other payables and accruals	234,847	236,687
	<u>262,014</u>	<u>254,446</u>

The following is an analysis of trade payables by age, presented based on the invoice date:

	<b>30 June 2012 <i>HK\$'000</i> (Unaudited)</b>	31 December 2011 <i>HK\$'000</i> (Audited)
0 — 90 days	18,091	14,024
91 — 180 days	336	266
181 — 365 days	4,798	368
Over 1 year	3,942	3,101
	<u>27,167</u>	<u>17,759</u>

## **EXTRACT OF INDEPENDENT AUDITOR'S REVIEW REPORT**

The following is an extract of the independent Auditor's Report on Review of Condensed Consolidated Financial Statements of the Group for the six months ended 30 June 2012:

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

### **Other Matters**

- (1) The condensed consolidated financial statements of the Group for the six months ended 30 June 2011 were reviewed by another auditor who expressed an unqualified conclusion on those statements on 29 August 2011.
- (2) Without qualifying our conclusion, we draw attention that Dongbei Special Steel Group Company Limited ("Dongbei Steel") is the Group's major customer in Molybdenum segment who accounted for approximately HK\$10,459,000 or 13.09% of the consolidated revenue for the six-month period ended 30 June 2012 and its respective trade receivable is approximately HK\$55,856,000 or 66.60% of the total trade receivables at 30 June 2012. Hence, the Group is exposed to operational risk and credit risk arising from dependency on Dongbei Steel.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Results Review**

For the six months ended 30 June 2012, China Mining Resources Group Limited (the "Company") together with its subsidiaries (the "Group") recorded a consolidated revenue of HK\$79,878,000 (six months ended 30 June 2011: HK\$117,642,000) and gross profit of HK\$39,328,000 (six months ended 30 June 2011: HK\$55,604,000), representing a decrease of 32% and 29% respectively as compared with the corresponding period in 2011. The decrease in revenue in the first half of 2012 was primarily due to the significant decrease of revenue generated from Harbin Songjiang Copper (Group) Company Limited ("Harbin Songjiang") and its subsidiaries ("Harbin Songjiang Group").

The Group's unaudited loss attributable to owners of the Company amounted to HK\$21,794,000 (six months ended 30 June 2011: profit of HK\$41,396,000).

The Group's loss before interest, taxes, depreciation and amortisation ("LBITDA") was HK\$4,462,000 for the six months ended 30 June 2012 (six months ended 30 June 2011: profit before interest, taxes, depreciation and amortisation of HK\$45,489,000).



## **Review of Operations**

### ***Harbin Songjiang Group***

Harbin Songjiang is based in Harbin, Heilongjiang Province, the People's Republic of China (the "PRC") and specialises in the mining, processing and sales of molybdenum. Harbin Songjiang Group contributed HK\$16,910,000 (six months ended 30 June 2011: HK\$69,486,000) and HK\$4,443,000 (six months ended 30 June 2011: profit of HK\$55,952,000, included a gain on disposal of prepaid lease payments of HK\$37,919,000) to the Group's revenue and loss respectively for the six months ended 30 June 2012. Mining business revenue for the six months ended 30 June 2012 decreased by 76% to HK\$16,910,000 compared to corresponding period in the previous financial year. The decrease was mainly due to the significant decrease in sales volume of ferro molybdenum during the six months ended 30 June 2012. Considering the current relative lower market price of ferro molybdenum, the management of Harbin Songjiang Group strategically minimised its selling efforts until the market price to be recovered. The sales volume of ferro molybdenum decreased from 440 tonnes for the six months ended 30 June 2011 to 118 tonnes for the six months ended 30 June 2012. The average selling price of ferro molybdenum fell to around HK\$143,000 per tonne during the six months ended 30 June 2012 (six months ended 30 June 2011: HK\$158,000 per tonne). The cost of sales of Harbin Songjiang Group for the six months ended 30 June 2012 was HK\$9,068,000 (six months ended 30 June 2011: HK\$40,769,000) and the gross profit margin was 46% (six months ended 30 June 2011: 41%). The increase in gross profit margin was primarily attributable to the lower unit production cost of ferro molybdenum due to tightened cost control posted by the management of Harbin Songjiang during the period.

### ***King Gold Group***

King Gold Investments Limited ("King Gold") and its subsidiaries ("King Gold Group") is principally engaged in cultivation, research, production and sale of Chinese tea products, and its products are selling under the brand names of "武夷" and "武夷星" which are well-recognised in the PRC as premium tea products widely distributed throughout the country. King Gold Group contributed HK\$62,968,000 and HK\$5,780,000 to the Group's revenue and profit for the six months ended 30 June 2012 respectively (six months ended 30 June 2011: revenue of HK\$48,156,000 and profit of HK\$12,323,000 respectively). For the six months ended 30 June 2012, King Gold Group generated revenue of HK\$62,968,000. This represented an increase of HK\$14,812,000 or 31% in revenue when compared with the revenue of HK\$48,156,000 generated in the first half of 2011. The increase in revenue was mainly attributable to the expansion of the distribution network within the market in the PRC during the first half of 2012. The cost of sales of King Gold Group increased from HK\$21,269,000 for the six months ended 30 June 2011 to HK\$31,482,000 for the six months ended 30 June 2012. The average gross profit margin for the current period was 50%, representing a decrease of 6% as compared with 56% in the first half 2011. The decrease in gross profit margin was mainly caused by the increase in the price of the raw materials being the tea leaves due to the general inflation in the agricultural products market of the PRC during the first half 2012.

## ***Year Joy Group***

Year Joy Investments Limited (“Year Joy”) indirectly owns 100% of the economic benefit from the operation of the iTV business of China iTV Network Co., Ltd. (“China iTV”), a company established in the PRC on 7 September 1998 with limited liability, through an exclusive business operation agreement. China iTV is mainly engaged in online video service which involves an online video platform that offers various contents and deliver various value-added services to the customers of the telecommunication companies in the PRC. It is expected that the iTV business will start generating revenue in the foreseeable future. Year Joy and its subsidiaries (“Year Joy Group”) contributed HK\$2,391,000 (six months ended 30 June 2011: loss of HK\$2,678,000) to the Group’s loss for the six months ended 30 June 2012, which was mainly attributable to operating expenses, e.g, staff costs, office expenses etc, of the iTV business during the period.

## **Investments in Canada listed mining companies and other securities**

The Group invested in several Canada listed mining companies for the purpose of long-term investments and capital gain and dividend income during the six months ended 30 June 2012. The investment portfolio of the Group, including available-for-sale investments, has recorded a depreciation during the first half of 2012. The net decrease in fair value of the investment portfolio during the six months ended 30 June 2012 was HK\$56,352,000 (30 June 2011: HK\$51,798,000 including decrease in fair value and net losses on disposal) and recorded in the change of investment revaluation reserve.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 June 2012, the Group had total assets and net assets of HK\$1,097,910,000 (31 December 2011: HK\$1,135,415,000) and HK\$404,131,000 (31 December 2011: HK\$478,867,000), respectively. The current ratio was 1.26, as compared to 1.38 as of year ended 31 December 2011.

As at 30 June 2012, the Group had bank balances and cash amounted to approximately HK\$106,558,000 (31 December 2011: HK\$152,829,000), of which most were denominated in Hong Kong dollar and Renminbi.

As at the balance sheet date, the Group had (i) bank borrowings of HK\$79,769,000 (31 December 2011: HK\$32,956,000) which were interest-bearing at floating rates with reference to the prevailing borrowing rate quoted by the People’s Bank of China and (ii) other loans of HK\$6,493,000 (31 December 2011: HK\$6,459,000), of which HK\$1,227,000 was interest-free and HK\$5,266,000 was interest-bearing at 2.55% per annum. The gearing ratio, as a ratio of total borrowings to shareholders’ fund was 41% (31 December 2011: 14%).

As at 30 June 2012, the Group has pledged a building and a prepaid lease payment with carrying values of approximately HK\$2,534,000 (31 December 2011: HK\$2,818,000) and HK\$19,971,000 (31 December 2011: HK\$20,117,000) respectively to secure general banking facilities grant to the Group.

## **FOREIGN EXCHANGE RISK MANAGEMENT**

As part of the Group's assets and liabilities are denominated in Hong Kong dollar and Canadian 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**

As at 30 June 2012, the Company had 9,138,782,211 ordinary shares and 3,776,190,000 convertible preference shares in issue with total shareholders' fund of the Group amounting to approximately HK\$12,914,972,000.

## **CONTINGENT LIABILITIES**

The Group has no material contingent liabilities as at 30 June 2012.

As disclosed in the announcement of the Company dated 8 November 2011, the Company has received a writ of summons issued by the High Court of Hong Kong Special Administrative Region on 8 November 2011 (the "Writ") pursuant to which Mr. Lin Min and Fujian Yuansheng Foods Industry Co. Ltd. ("Fujian Yuansheng") (named as the plaintiffs in the writ) alleged that, amongst other things, the Company and 27 other co-defendants and/or certain PRC government officials had acted in conspiracy in obtaining ownership and control of certain assets of the plaintiffs and they were claiming for, amongst other things, damages from all 28 defendants jointly and severally in the total amount of RMB1,589,000,000.

As the Company has not obtained any interests in Fujian Yuansheng and is seeking legal advice in response the Writ, in the opinion of the directors, the possible of an outflow of resources embodying economic benefit is remote.

## **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 2012.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2012, the Group had 13 and 929 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 and 25 May 2012, 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**

The Group has maintained a stable mining production during the first half 2012. In view of the relatively low market price of ferro molybdenum in the first half 2012, the sales of ferro molybdenum is strategically slowdown until the market price has recovered. Facing the challenges ahead, the Group will grasp the opportunities in molybdenum market and maintain a stable mining production to wait for the recovery of the molybdenum market.

The tea business maintained a stable growth in revenue during the current period and the Group made steady progress in expanding its distribution network of tea business in the PRC. The Group has established more own-operated stores and franchise stores during the period and planned to continue expanding its market channels in the foreseeable future. Going forward, the management remains cautious about the general consumer market in the PRC, and the Group will continue to develop new and exclusive tea products, expand its market channels through the establishment of more chain stores in the second half year of 2012.

For the online video business, the Group will continue to focus on the cooperation with the major telecommunication operators in the PRC and develop more value-added services, including, but not limited to, online video service, mobile value-added service to the customers of telecommunication operators. Moreover, the Group plans to purchase more popular Japanese animations to enhance its content library and redistribute to other online video companies. The ultimate goal for the online video business is to have a long-term and stable cooperative relationship with the PRC major telecommunications operators and continue to develop relevant internet and mobile value-added service applications to the end-users of the telecommunications operators.

During the first half of 2012, the global economy is still fluctuating and the PRC inflation pressure was further intensified. Under the ever-changing market environment, we overcome all difficulties with concerted efforts through strengthening our internal management process and promoting efficient cost control and capital utilization so as to enhance economic benefit. Looking ahead, we will continue our active development strategies, deepen market penetration, increase product innovation, develop new profit growth spots, in order to promote sales growth, increase market share and enhance our competitiveness in our business sectors, so that to generate the greatest return for shareholders.

## **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 the annual report of the Company for the financial year ended 31 December 2011. 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 Code and Corporate Governance Report (revised and took effect on 1 April 2012) as well as those of the former 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 2012.

### **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 2012.

### **Audit Committee**

The Audit Committee comprises 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 2012. 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 2012.

## **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 2012.

## **INTERIM DIVIDEND**

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2012.

## **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, 27 August 2012

*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, Mr. Yeung Kwok Kuen and Mr. Fang Yi Quan as executive Directors, Mr. Chong Cha Hwa, Mr. Chu Kang Nam and Mr. Lin Xiang Min as independent non-executive Directors.*