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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)

**DISCLOSEABLE TRANSACTION IN RELATION TO
THE ACQUISITION OF A GOLD MINE IN TONGGUAN COUNTY OF
SHAANXI PROVINCE**

THE ACQUISITION

On 26 October 2017, the Purchaser, the Vendor and the Guarantor entered into the Agreement, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell the Sale Shares at the Consideration of HK\$406,000,000, which shall be settled by a combination of Cash Consideration of HK\$30,000,000, and the issue of 4,700,000,000 Consideration Shares by the Company at the Issue Price of HK\$0.08 each as detailed in the paragraph headed “Consideration and Payment Terms”.

As at the date of this announcement, the Target Group, through the Project Company, holds the Exploration Licence and the Mining Licence in respect of the Gold Mine.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but all of the applicable percentage ratio are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

On 26 October 2017 (after trading hours), the Purchaser, the Vendor and the Guarantor entered into the Agreement, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell the Sale Shares at the Consideration of HK\$406,000,000, which shall be settled by a combination of Cash Consideration of HK\$30,000,000, and the issue of 4,700,000,000 Consideration Shares by the Company at the Issue Price of HK\$0.08 each as detailed in the paragraph headed “Consideration and Payment Terms”. The details of the Agreement are as follows:

THE ACQUISITION

The Agreement

Date 26 October 2017 (after trading hours)

Parties

The Purchaser: Combined Success, a direct wholly-owned subsidiary of the Company.

The Vendor: Golden Blossom, an investment holding company wholly-owned by Mr. Hu, which as at the date of this announcement holds 100% of the total issued share capital of the Target Company.

The Guarantor: Mr. Hu, being the ultimate beneficial owner of Golden Blossom.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendor together with the Guarantor are Independent Third Parties.

Asset to be acquired

Pursuant to the Agreement, the Purchaser agreed to purchase, and the Vendor agreed to sell the Sale Shares, representing 100% of the total issued share capital of the Target Company as at the date of this announcement.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

The Target Group is principally engaged in the exploration and mining of gold and related minerals. As at the date of this announcement, the Target Group, through the Project Company, holds the Exploration Licence and the Mining Licence in respect of the Gold Mine. Detailed information on the Target Group is set out in the paragraph headed “Information on the Target Group” of this announcement.

Consideration and Payment Terms

The Consideration shall be HK\$406,000,000, which will be settled by the Purchaser in the following manner:

- (i) HK\$30,000,000 to be paid in cash by the Purchaser to Golden Blossom (or its designated nominee) on the Completion Date; and
- (ii) HK\$376,000,000 by the allotment and issue of an aggregate 4,700,000,000 Consideration Shares by the Company at the Issue Price of HK\$0.08 per Consideration Share on the Completion Date to Golden Blossom.

It is the intention of the Company to finance the Cash Consideration by the internal resources of the Group.

Consideration Shares

The Consideration Shares represent (i) approximately 19.81% of the existing issued share capital of the Company, and (ii) approximately 16.54% of the Company's issued share capital as enlarged by the issue of the Consideration Shares. The Consideration Shares will be allotted and issued under the General Mandate. The Consideration Shares when allotted and issued shall be credited as fully paid and rank pari passu with all other Shares in issue in the share capital of the Company.

Application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares. The issue price of HK\$0.08 per Consideration Share represents:

- (i) a premium of 2.56% to the closing price of HK\$0.078 per Share as quoted on the Stock Exchange on 26 October 2017, being the date of the Agreement;
- (ii) a discount of 0.74% to the average closing price per Share as quoted on the Stock Exchange for the last 5 consecutive full trading days prior to the date of the Agreement on 26 October 2017, being approximately HK\$0.0806 per Share;
- (iii) a discount of 3.15% to the average closing price per Share as quoted on the Stock Exchange for the last 10 consecutive full trading days prior to the date of the Agreement on 26 October 2017, being approximately HK\$0.0826 per Share;
- (iv) a premium of 8.99% to the average closing price per Share as quoted on the Stock Exchange for the last 30 consecutive full trading days prior to the date of the Agreement on 26 October 2017, being approximately HK\$0.0734 per Share; and
- (v) a premium of approximately 45.45% over the unaudited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$0.055 based on the published unaudited consolidated accounts of the Company as at 30 June 2017 and the issued share capital of 23,722,722,211 Shares as at the date of this announcement.

The Company considers the Issue Price, which was determined after arm's length negotiation between the Company and the Vendor, fair and reasonable having considered, among other things, (i) that the issue of Consideration Shares as part of the Consideration would enable the Company to acquire the controlling interest in the Gold Mine without causing an undue burden on the Company's cash flow; (ii) that the Issue Price represents a significant premium over the unaudited net asset value attributable to the Shareholders per Share as at 30 June 2017; and (iii) the reasons for and benefits of the Acquisition as described in the paragraph headed "Reasons for and benefits of the Acquisition".

Basis of the Consideration

The consideration in respect of the Acquisition is HK\$406,000,000, which is slightly lower than the Valuation provided by GCA. The Consideration was determined by the Vendor and the Purchaser after arm's length negotiations taking into account, among other things, (i) the financial performance, business growth and prospects of the Project Company; (ii) the recent trend of international gold price and the contributing factors of its rally; (iii) the factors as set out in the section headed "Reasons for and Benefits of the Acquisition"; and with reference to (iv) the independent technical assessment prepared by SRK of the exploration and resources/reserves estimation on the Gold Mine, an Independent Technical Report of the Gold Mine prepared by SRK in accordance with the JORC Code and (v) the Valuation Report of the mineral interests held by the Target Group using market approach prepared by GCA.

Taking into account of the above, in particular, that the Consideration represents a discount to the Valuation, the Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon the satisfaction (or waiver, if applicable) of all of the following conditions:

- (i) the Purchaser shall have completed, to its sole and absolute satisfaction, a due diligence review on the Target Group (in particular the Project Company) in respect of their business operation, financial status, asset/liabilities and other related issues to be determined by the Purchaser;
- (ii) the Purchaser having obtained from a qualified PRC legal adviser a legal opinion with respect to the Target Group (in particular the legality of the reorganization of the Target Group, the validity of the Mining Licence and the Exploration Licence, and the application of a mining licence as a holder of an exploration licence), and that the Purchaser being satisfied with such legal opinion;
- (iii) from the date of signing of the Agreement till Completion, there not being any abnormal operations or any material adverse changes in the business, prospects, operations, performance or finance in respect of the Target Group;

- (iv) the warranties given by the Vendor in the Agreement remaining true, accurate and not misleading at the date of the Agreement and up to and including Completion Date in all material aspects;
- (v) the obtaining of all necessary consents and approvals in respect of the Acquisition from the relevant governmental or regulatory bodies, and no governmental or regulatory bodies has issued any orders, laws, regulations to disallow or restrain the Completion from taking place; and
- (vi) the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Consideration Shares.

The Purchaser shall have the right to waive the conditions precedent above (save for the condition (vi) which cannot be waived). Save as aforesaid, if the conditions precedent as set out in the Agreement have not been fulfilled (or, where applicable, waived by the Purchaser) on or before 31 December 2017, neither the Purchaser nor the Vendor shall be obliged to proceed with Completion.

Completion

Completion shall take place on Completion Date.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company. The results and assets and liabilities of the Target Group will be consolidated with, and accounted for as subsidiaries, in the Company's consolidated financial statements.

GENERAL MANDATE TO ISSUE THE CONSIDERATION SHARES

The maximum number of Shares which may be allotted and issued under the General Mandate is 4,744,544,442 Shares. Up to the date of this announcement, the General Mandate has not been utilized since its grant. The issue of the Consideration Shares is not subject to Shareholders' approval.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in the BVI with limited liability on 15 August 2017. As at the date of this announcement, it is 100% owned by the Vendor. The principal asset of the Target Company is its indirect 90% equity interests in the Project Company. The Target Group is principally engaged in the exploration and mining of gold and related minerals. As at the date of this announcement, the Project Company holds the Exploration Licence and the Mining Licence in respect of the Gold Mine.

Save that the Target Group has acquired 90% equity interests of the Project Company since its incorporation in 2017, none of the members of the Target Group (other than the Project Company) has conducted any business activities since its incorporation nor have any other material assets as at the date of this announcement.

Set out below is a summary of the unaudited financial information on the Project Company prepared in accordance with the PRC Generally Accepted Accounting Principles for the two years ended 31 December 2016:

	For the year ended	
	31 December	
	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	—	—
Net loss (before and after taxation)	634	459

The unaudited net asset value of the Project Company as at 31 December 2015 and 31 December 2016 was approximately RMB5,705,000 and RMB5,246,000, respectively.

No mining activities were undertaken at the Gold Mine.

THE GOLD MINE

The Gold Mine is located in Tongguan County in the Shaanxi Province of the PRC.

As at the date of this announcement, the Project Company has a portfolio of mineral tenements comprising one Exploration Licence (Q315E) and one Mining Licence (Q315M) covering a total area of 7.63km² and 1.2782km² respectively. Set out below is the Mineral Resource statement for the Gold Mine as of 1 June 2017 as extracted from the Independent Technical Report:

Q315 vein in Mining Licence area

Domain	Classification	Inventory (t)	Au Grade (g/t)	Au Metal (t)	Au Metal (oz)
#3	Indicated	127,000	7.23	0.92	29,620
	Inferred	8,000	4.64	0.04	1,197
#7	Indicated	82,000	10.27	0.84	27,166
	Inferred	36,000	5.04	0.18	5,853
Total	Indicated	209,000	8.42	1.76	56,785
	Inferred	44,000	4.97	0.22	7,050

Q315 vein in Exploration Licence area

Domain	Classification	Inventory (t)	Au Grade (g/t)	Au Metal (t)	Au Metal (oz)
#3	Indicated	734,000	6.78	4.98	160,533
	Inferred	129,000	6.91	0.89	28,755
#4	Indicated	185,000	6.37	1.18	38,015
	Inferred	33,000	7.94	0.26	8,452
#5	Indicated	123,000	16.25	2.00	64,476
	Inferred	52,000	15.02	0.78	25,195
#7	Indicated	135,000	3.28	0.44	14,284
	Inferred	43,000	4.38	0.19	6,075
Total	Indicated	1,177,000	7.30	8.60	277,307
	Inferred	257,000	8.26	2.12	68,477

Notes:

1. Differences may occur due to rounding.
2. 1.00 g/t Au cut-off grade applied for the resource block model.

The Exploration Licence

Details of the Exploration Licence held by the Target Group are summarised below:

Licence holder	Exploration Licence number	Exploration area (km ²)	Valid period
Project Company	T61120090602030474	7.63	13 May 2017 – 13 May 2019

The Mining Licence

Details of the Mining Licence held by the Target Group are summarised below:

Licence holder	Mining Licence number	Mining area (km ²)	Valid period
Project Company	C6100002011034120109779	1.2782	9 June 2017 – 9 June 2019

Other licences and permits

Mining licence

According to the Mineral Resources Law of the PRC (中華人民共和國礦產資源法) issued by the Standing Committee of the National People's Congress, which became effective from 1 October 1986 and as amended on 29 August 1996 and 27 August 2009, the Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey (礦產資源勘查區塊登記管理辦法) issued by the State Council, which became effective from 12 February 1998 and as amended on 29 July 2014 and the Administrative Measures on Registration of Mineral Resources Exploitation (礦產資源開採登記管理辦法) issued by the State Council, which became effective from 12 February 1998 and as amended on 29 July 2014, enterprises engaged in the mining of mineral resources shall obtain a mining licence and enterprises engaged in exploration of mineral resources shall obtain an exploration licence. A mining licence holder has the right to conduct mining activities and to construct structures that are related to its mining activities within the licenced mining area, whereas an exploration licence holder has the right to explore mineral resources within the area covered under the licence. Furthermore, according to Tian Yuan, under the current PRC laws, holders of an exploration licence are entitled to explore mineral resources within the area covered by the relevant exploration licence, and have the rights to apply for the mining licence to carry out mining activities within the said area upon demonstrating the existence of minable resources and undertaking the necessary application procedures.

As advised by Tian Yuan, according to the information from the Project Company, the “Description Letter” issued by the Bureau of Land and Resources of Tongguan County (潼關縣國土資源局) and the appropriate review conducted by Tian Yuan, subsequent to the performance of relevant assessments and approval procedures in accordance with the Mineral Resources Law of the PRC (中華人民共和國礦產資源法), the Administrative Measures on Registration of Mineral Resources Exploitation (礦產資源開採登記管理辦法) and the Regulation of Shaanxi Province on the Administration of Mineral Resources (陝西礦產資源管理條例), the satisfaction of various application conditions for the establishment of mining rights and the submission of information required by relevant regulations and the Bureau of Land and Resources of Shaanxi Province (陝西國土資源廳), the Project Company will have no practical legal impediment in respect of obtaining the mining licences for the Gold Mine.

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Group is principally engaged in the exploration, mining, processing and sale of gold and related products and the production and sale of tea products.

As at the date of this announcement, the Group operates a processing plant with a daily processing capacity of 475 t in Tongguan County, Shaanxi Province of the PRC and additional ores from third parties are purchased to maintain sufficient ore feeds to operate the processing plant in its full

capacity and maximise the assets utilisation. The Group has been actively exploring opportunities to maintain a self-sufficient mineral portfolio as well as to future expand the gold mining operation.

As further disclosed in the announcement dated 14 June 2017, 27 September 2017 and the announcement of interim results for the six months ended 30 June 2017 of the Company, the first phase of the new processing plant with a daily processing capacity of 1,500 t is expected to be completed on or around June 2018. The significant increase in processing capacity will urge the need for increasing mineral portfolio owned by the Group for sufficient ore feeds.

According to the Independent Technical Report, the Project Company is located in relative proximity to the new processing plant and is estimated to contain total Mineral Resources of 1,687 kt (including Indicated Mineral Resources of 1,386 kt and Inferred Mineral Resources of 301 kt). The Group will be able to significantly expand its own mineral portfolio to support the sustainable development of the Group in respect of growth and profit potential through the Acquisition.

Accordingly, the Directors are of the view that the Acquisition is fair and reasonable and in the ordinary and usual course of business of the Group, and are in the interest of the Company and its shareholders as a whole.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is a summary of the shareholdings in the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Consideration Shares:

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Ms. Ho Ping Tanya	3,300,000,000	13.91	3,300,000,000	11.61
Fung Wai Enterprises Ltd.	3,300,000,000	13.91	3,300,000,000	11.61
Vendor	—	—	4,700,000,000	16.54
Other public Shareholders	17,122,722,211	72.18	17,122,722,211	60.24
Total	<u>23,722,722,211</u>	<u>100.00</u>	<u>28,422,722,211</u>	<u>100.00</u>

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but all of the applicable percentage ratio are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions have the following meanings ascribed to them respectively:

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Agreement
“Agreement”	the sale and purchase agreement entered into between the Purchaser, the Vendor and the Guarantor on 26 October 2017 in relation to the Acquisition
“Au”	gold
“Board”	the board of Directors of the Company
“Business Day(s)”	any day (except a Saturday, Sunday and public holiday) on which banks in Hong Kong are open to the general public for business
“BVI”	the British Virgin Islands
“Cash Consideration”	HK\$30,000,000, being the partial consideration for the Acquisition
“Company”	China Mining Resources Group Limited (中國礦業資源集團有限公司*), a limited company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the Acquisition contemplated under the Agreement
“Completion Date”	the fifth Business Day following the date on which the last conditions precedent set out in the Agreement has been fulfilled (or otherwise waived) or such other date as the parties may agree in writing

“Connected Persons”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	the consideration in respect of the Acquisition, comprising the Cash Consideration and the Consideration shares
“Consideration Shares”	4,700,000,000 new Shares to be allotted and issued on the Completion Date to the Vendor at the Issue Price of HK\$0.08 per Share as partial consideration for the Acquisition
“Director(s)”	the director(s) of the Company
“Exploration Licence”	the licence authorizing the Project Company to conduct exploration activities at the Gold Mine
“Golden Blossom” or “Vendor”	Golden Blossom Investment Limited (盛金投資有限公司), an investment holding company incorporated in the Republic of Seychelles with limited liability, being ultimately and beneficially owned by Mr. Hu, which holds 100% of the total issued share capital of the Target Company as at the date of this announcement
“GCA”	Greater China Appraisal Limited, an Independent Third Party appointed by the Company as the independent valuer to prepare the Valuation Report
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting held on 31 May 2017, among other things, to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the annual general meeting
“Gold Mine”	a gold mine, project named Q315, operated by the Project Company and located in the Tongguan County in Shaanxi Province of the PRC
“Group”	the Company and its subsidiaries
“g/t”	gram(s) per tonne
“Guarantor”	Mr. Hu
“HK Company”	Ocean Faith Limited (洋實有限公司), a company incorporated in Hong Kong with limited liability and is wholly-owned by the Target Company

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Technical Report”	the mineral resource estimation report prepared by SRK on the Mineral Resource estimation of the Gold Mine in accordance with the JORC Code
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are third parties independent of the Company and its Connected Persons
“Indicated Mineral Resource(s)”	part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit (as defined under the JORC Code)
“Inferred Mineral Resource(s)”	part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes (as defined under the JORC Code)
“Issue Price”	the issue price of HK\$0.08 per Consideration Share
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition), as published by the Joint Ore Reserves Committee
“km”	kilometer(s)
“km ² ”	square kilometer(s)
“kt”	kilotonne(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mineral Resource(s)”	a concentration or occurrence of solid material of economic interest in or on the earth’s crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction (as defined under the JORC Code). The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories
“Mining Licence”	the licence authorising the Project Company to conduct exploitation activities at the Gold Mine
“Mr. Hu”	Mr. Hu Jianzhong (胡建中), the ultimate beneficial owner of Golden Blossom
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Project Company”	潼關縣德興礦業有限責任公司 (Tongguan County De Xing Mining LLC*), a company established in the PRC with limited liability which is owned as to 90% by the WFOE as at the date of this announcement
“Purchaser” or “Combined Success”	Combined Success Investments Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	100% of the total issued share capital of the Target Company as at the date of this announcement and at Completion
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SRK”	SRK Consulting (Hong Kong) Limited (斯羅柯礦業諮詢(香港)有限公司)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“t”	tonne(s)
“Target Company”	Pride Success Investment Limited (榮成投資有限公司), an investment holding company incorporated in the BVI with limited liability
“Target Group”	the Target Company and its subsidiaries from time to time, including without limitation, the HK Company, the WFOE and the Project Company
“Tian Yuan”	Tian Yuan Law Firm, the legal adviser to the Company as to PRC law
“Valuation”	a valuation on the 100% equity interest in the Target Group prepared by GCA. As at 30 September 2017, the valuation of the Target Group was HK\$425,054,000
“Valuation Report”	the valuation report prepared by the GCA regarding the valuation of the Target Group
“WFOE”	Shaanxi Xing Xiang Mining Technology Co., Ltd (陝西星祥礦業科技有限公司), a company established in the PRC as a wholly foreign-owned enterprise and is wholly-owned by the HK Company
“%”	per cent

By Order of the Board
China Mining Resources Group Limited
Yeung Kwok Kuen
Executive Director and Chief Financial Officer

Hong Kong, 26 October 2017

As at the date of this announcement, the Board comprises Mr. Fang Yi Quan, Mr. Yeung Kwok Kuen, Mr. Shi Xing Zhi and Mr. Shi Sheng Li as executive Directors, Mr. Chu Kang Nam, Mr. Ngai Sai Chuen, Mr. Liang Xu Shu and Mr. Leung Ka Wo as independent non-executive Directors.

* *For identification purpose only*