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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Mining Resources Group Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or to the bank or stockbroker or other agent through whom the sale was effected for transmission to the purchaser.



CHINA MINING RESOURCES GROUP LIMITED

中國礦業資源集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00340)

**CONNECTED TRANSACTION –
SUBSCRIPTIONS OF NEW SHARES AND
POSSIBLE RELATED REPURCHASES OF SHARES**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

Hercules
Hercules Capital Limited

A notice convening a special general meeting of the Company to be held at 10:00 a.m., on 21 August 2007, at Room 1306, 13/F., Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong is set out on pages 44 to 45 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806-7, 18/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

* For identification purpose only

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“acting in concert”	shall have the meaning as ascribed to it in the Takeovers Code;
“associates”	shall have the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	any day (excluding Sunday and Saturday) on which banks are generally open for business in Hong Kong;
“Company”	China Mining Resources Group Limited (中國礦業資源集團有限公司*), a company incorporated in Bermuda, whose shares are listed on the Stock Exchange (Stock Code: 00340);
“Completion Date”	the date being the first anniversary date of the Subscription Agreement or, if such date is not a Business Day, the immediately preceding day which is a Business Day;
“concert parties”	in relation to a person, person(s) acting in concert with such person;
“connected person(s)”	shall have the same meaning as ascribed to it in the Listing Rules;
“Director(s)”	director(s) of the Company;
“Eighth Subscriber”	Mr. Qu Yanchun (曲彥春), a chief executive of a subsidiary of the Company;
“Eighth Subscription”	the subscription of 2,998,000 new Shares by the Eighth Subscriber as subscriber upon and subject to terms and conditions as set out in the Subscription Agreement;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;

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DEFINITIONS

“Fifth Subscriber”	Mr. Yin Guangyuan (尹光遠), a director of a subsidiary of the Company;
“Fifth Subscription”	the subscription of 4,640,000 new Shares by the Fifth Subscriber as subscriber upon and subject to terms and conditions as set out in the Subscription Agreement;
“First Placing”	the placing of new Shares as described in the announcement of the Company dated 10th July 2006;
“First Subscriber”	Mr. Wu King Shiu Kelvin (胡景邵), an executive Director of the Company;
“First Subscription”	the subscription of 60,000,000 new Shares by the First Subscriber as subscriber upon and subject to terms and conditions as set out in the Subscription Agreement;
“Final Lock-up Period”	the period commencing from and including the second anniversary date of the Subscription Agreement up to but excluding the third anniversary date of the Subscription Agreement;
“Final Lock-up Shares”	in relation to each of the Subscribers, such number of new Shares representing one-third of the number of new Shares (rounded upwards to the nearest whole number of Shares) subscribed by him pursuant to the Subscriptions;
“Fourth Subscriber”	Mr. Yeung Kwok Kuen (楊國權), an executive Director of the Company;
“Fourth Subscription”	the subscription of 20,000,000 new Shares by the Fourth Subscriber as subscriber upon and subject to terms and conditions as set out in the Subscription Agreement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Harbin Songjiang”	哈爾濱松江銅業(集團)有限公司 (Harbin Songjiang Copper (Group) Company Limited), a company which is incorporated in the PRC with limited liability and a subsidiary of the Company;

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent committee of the Board, comprising all of the independent non-executive Directors, namely, Messrs Chan Siu Tat, Wong Hon Sum and Chu Kang Nam, which has been established to consider and to advise the Independent Shareholders in relation to the Subscriptions and the Share Repurchases;
“Independent Financial Adviser”	Hercules Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities as defined under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders;
“Independent Shareholders”	the Shareholders other than the Subscribers and such Shareholders who are deemed by the Stock Exchange or the SFC (if applicable) to be interested in the Subscriptions, and/or the Share Repurchases, and their respective associates and concert parties;
“Initial Lock-up Period”	in relation to each of the Subscribers, the period commencing from and including the date of completion of the subscription of new Shares by him pursuant to the Subscriptions up to but excluding the date being the first anniversary date of the Subscription Agreement;
“Initial Lock-up Shares”	in relation to each of the Subscribers, all the new Shares subscribed by him pursuant to the Subscriptions;
“Intermediate Lock-up Period”	the period commencing from and including the first anniversary date of the Subscription Agreement up to but excluding the date being the second anniversary date of the Subscription Agreement;
“Intermediate Lock-up Shares”	in relation to each of the Subscribers, such number of new Shares representing two-third of the number of new Shares (rounded upwards to the nearest whole number of Shares) subscribed by him pursuant to the Subscriptions;
“Latest Practicable Date”	3 August 2007, being the latest practicable date prior to the printing of this circular for inclusion of certain information in this circular;

DEFINITIONS

“Lead Sun Group”	Lead Sun Investments Limited, a company which is incorporated in the British Virgin Islands and a subsidiary of the Company, together with its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“SGM”	the special general meeting of the Company to be held at 10:00 a.m. on 21 August 2007, notice of which is set out on pages 44 to 45 of this circular;
“Second Placing”	the placing of new Shares as described in the announcement of the Company dated 21 June 2007;
“Second Subscriber”	Mr. Dong Wenxue (董文學), an executive Director of the Company;
“Second Subscription”	the subscription of 55,440,000 new Shares by the Second Subscriber as subscriber upon and subject to terms and conditions as set out in the Subscription Agreement;
“Seventh Subscriber”	Mr. Su Qingyu (蘇慶玉), a chief executive of a subsidiary of the Company;
“Seventh Subscription”	the subscription of 3,312,000 new Shares by the Seventh Subscriber as subscriber upon and subject to terms and conditions as set out in the Subscription Agreement;
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company;
“Shareholders”	holders of Shares;
“Share Repurchases”	in relation to each of the Subscribers, the repurchase by the Company of his Initial Lock-up Shares or Intermediate Lock-up Shares or Final Lock-up Shares (as the case may be) pursuant to the Subscription Agreement;

DEFINITIONS

“Share Repurchase Code”	the Hong Kong Code on Share Repurchases;
“Share Repurchase Price”	HK\$1.10 per Share;
“Sixth Subscriber”	Mr. Qiao Hongbo (喬洪波), a director of a subsidiary of the Company;
“Sixth Subscription”	the subscription of 5,820,000 new Shares by the Sixth Subscriber as subscriber upon and subject to terms and conditions as set out in the Subscription Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscribers”	the First Subscriber, the Second Subscriber, the Third Subscriber, the Fourth Subscriber, the Fifth Subscriber, the Sixth Subscriber, the Seventh Subscriber and the Eighth Subscriber;
“Subscriptions”	the First Subscription, the Second Subscription, the Third Subscription, the Fourth Subscription, the Fifth Subscription, the Sixth Subscription, the Seventh Subscription and the Eighth Subscription;
“Subscription Agreement”	the subscription agreement dated 13 July 2007 entered into between the Company and the Subscribers relating to, amongst other things, the Subscriptions and the Share Repurchases;
“Subscription Price”	HK\$1.10 per new Share;
“subsidiary”	as defined in the Companies Ordinance (Chapter 32 of the laws of Hong Kong);
“Takeovers Code”	the Code on Takeovers and Mergers;
“Third Subscriber”	Mr. Wang Hui (王輝), an executive Director of the Company;
“Third Subscription”	the subscription of 4,860,000 new Shares by the Third Subscriber as subscriber upon and subject to terms and conditions as set out in the Subscription Agreement;
“Total Subscription Shares”	a total of 157,070,000 new Shares to be subscribed by the Subscribers pursuant to the Subscriptions; and
“Watson Wyatt”	Watson Wyatt Hong Kong Limited, an international human resources consulting firm.

LETTER FROM THE BOARD



CHINA MINING RESOURCES GROUP LIMITED

中國礦業資源集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00340)

Executive Directors:

Mr. Cai Yuan (*Chairman*)
Mr. Dong Wenxue (*Chief Executive Officer*)
Mr. Wu King Shiu Kelvin
Mr. Wang Hui
Mr. Yeung Kwok Kuen (*Chief Financial Officer*)

Non-executive Director:

Mr. Lam Ming Yung

Independent Non-executive Directors:

Mr. Chan Siu Tat
Mr. Chu Kang Nam
Mr. Wong Hon Sum

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Head office and principal place of
business in Hong Kong:*

Room 1306, 13th Floor
Bank of America Tower
12 Harcourt Road, Admiralty
Hong Kong

6 August 2007

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION –
SUBSCRIPTIONS OF NEW SHARES AND
POSSIBLE RELATED REPURCHASES OF SHARES**

INTRODUCTION

As set out in an announcement of the Company dated 17 July 2007, the Board announced that the Company had entered into the Subscription Agreement on 13 July 2007 with the Subscribers pursuant to which the Company has agreed to issue, and the Subscribers have agreed to subscribe as principal for, a total of 157,070,000 Shares at a price of HK\$1.10 per Subscription Share in cash, upon and subject to the terms and conditions of the Subscription Agreement.

* For identification purpose only

LETTER FROM THE BOARD

The Independent Board Committee comprising all the independent non-executive Directors, namely, Messrs. Chan Siu Tat, Chu Kang Nam and Wong Hon Sum, has been established to consider and to advise the Independent Shareholders in relation to the Subscriptions and the Share Repurchases. Hercules Capital Limited has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with further details in relation to the Subscriptions, the Share Repurchases and to set out a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in respect of the Subscriptions and the Share Repurchases, a letter of advice from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscriptions and the Share Repurchases.

THE SUBSCRIPTION AGREEMENT

Date: 13 July 2007

Parties *Issuer:* the Company.

Subscribers: the Subscribers. Each of the First Subscriber, the Second Subscriber, the Third Subscriber and the Fourth Subscriber is an executive Director of the Company. Each of the Fifth Subscriber and the Sixth Subscriber is a director of Harbin Songjiang, a subsidiary of the Company. Each of the Seventh Subscriber and the Eighth Subscriber is a chief executive (within the meaning of the Listing Rules) of Harbin Songjiang, a subsidiary of the Company. As such, each of the Subscribers is a connected person of the Company.

1. Subscriptions

Pursuant to the Subscription Agreement, the Company has agreed to issue, and the Subscribers have agreed to subscribe for an aggregate of 157,070,000 Shares in cash upon and subject to the terms and conditions of the Subscription Agreement. Upon issue in full of the Total Subscription Shares, the Total Subscription Shares represent approximately 2.61% of the issued share capital of the Company as at the date of the Subscription Agreement, or approximately 2.54% of the issued share capital of the Company as enlarged by the Total Subscription Shares.

LETTER FROM THE BOARD

Each of the Subscribers agrees to subscribe as principal, and the Company agrees to issue, such number of new Shares as set out opposite his name below at the Subscription Price upon and subject to the terms and conditions of the Subscription Agreement:–

Subscribers	Number of new Shares
Mr. Wu King Shiu Kelvin (胡景邵)	60,000,000
Mr. Dong Wenxue (董文學)	55,440,000
Mr. Wang Hui (王輝)	4,860,000
Mr. Yeung Kwok Kuen (楊國權)	20,000,000
Mr. Yin Guangyuan (尹光遠)	4,640,000
Mr. Qiao Hongbo (喬洪波)	5,820,000
Mr. Su Qingyu (蘇慶玉)	3,312,000
Mr. Qu Yanchun (曲彥春)	2,998,000
Total:	<u>157,070,000</u>

The new Shares to be subscribed by each of the Subscribers pursuant to the Subscriptions shall, when fully paid, rank pari passu in all respects with the other Shares in issue on the date of the allotment and issue thereof in accordance with the terms of the Subscription Agreement, including the rights to all dividends and distributions declared, made or paid on or after such date.

2. Lock-up period

Pursuant to the Subscription Agreement, each of the Subscribers has undertaken and covenanted with the Company that, save and except pursuant to the Share Repurchases:–

- (i) during his Initial Lock-up Period, he shall not sell, transfer or dispose of or create any rights (including, but not limited to, the creation of any options, rights or interests or entering into any agreements or other arrangements that sell, transfers or disposes of, in whole or in part, any of the economic consequence of ownership) or pledge, charge, encumber or create any third party rights in any of his Initial Lock-up Shares and any further Shares subsequently acquired by him, or which he may become entitled to, in the event of a capitalisation issue, rights issue or the election of script dividend or otherwise by virtue of his ownership of the Initial Lock-up Shares;
- (ii) during the Intermediate Lock-up Period, he shall not sell, transfer or dispose of or create any rights (including, but not limited to, the creation of any options, rights or interests or entering into any agreements or other arrangements that sell, transfers or disposes of, in whole or in part, any of the economic consequence of ownership) or pledge, charge, encumber or create any third party rights in any of his Intermediate Lock-up Shares and any

LETTER FROM THE BOARD

further Shares subsequently acquired by him, or which he may become entitled to, in the event of a capitalisation issue, rights issue or the election of script dividend or otherwise by virtue of his ownership of the Intermediate Lock-up Shares; and

- (iii) during the Final Lock-up Period, he shall not sell, transfer or dispose of or create any rights (including, but not limited to, the creation of any options, rights or interests or entering into any agreements or other arrangements that sell, transfers or disposes of, in whole or in part, any of the economic consequence of ownership) or pledge, charge, encumber or create any third party rights in any of his Final Lock-up Shares and any further Shares subsequently acquired by him, or which he may become entitled to, in the event of a capitalisation issue, rights issue or the election of script dividend or otherwise by virtue of his ownership of the Final Lock-up Shares.

3. Share Repurchases

Pursuant to the Subscription Agreement, each of the Subscribers has undertaken and covenanted with the Company that:-

- (i) in the event that he ceases to be employed by a member of the Group for whatever reason during the Initial Lock-up Period, he shall immediately, upon request made by the Company (at its sole discretion) on or before the date being 7 Business Days after the date upon which he ceases to be so employed, tender his Initial Lock-up Shares to the Company for repurchasing at the Share Repurchase Price and cancellation by the Company together with such documents (if applicable, duly executed by him) as may be requested by the Company in order for the Company to effect such repurchase and cancellation;
- (ii) in the event that he ceases to be employed by a member of the Group for whatever reason during the Intermediate Lock-up Period, he shall immediately, upon request made by the Company (at its sole discretion) on or before the date being 7 Business Days after the date upon which he ceases to be so employed, tender his Intermediate Lock-up Shares to the Company for repurchasing at the Share Repurchase Price and cancellation by the Company together with such documents (if applicable, duly executed by him) as may be requested by the Company in order for the Company to effect such repurchase and cancellation); and
- (iii) in the event that he ceases to be employed by a member of the Group for whatever reason during the Final Lock-up Period, he shall forthwith immediately, upon request made by the Company (at its sole discretion) on or before the date being 7 Business Days after the date upon which he ceases to be so employed, tender his Final Lock-up Shares to the Company for repurchasing at the Share Repurchase Price and cancellation by the Company together with such documents (if applicable, duly executed by him) as may be requested by the Company in order for the Company to effect such repurchase and cancellation.

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The maximum number of Shares which the Company may repurchase from the Subscribers pursuant to the Share Repurchases is 157,070,000 Shares, being equivalent to the number of new Shares to be subscribed by the Subscribers pursuant to the Subscriptions.

The maximum number of Shares which the Company may repurchase from a Subscriber pursuant to the Share Repurchases is equivalent to the number of new Shares to be subscribed by such Subscriber pursuant to the Subscriptions as described under the section headed "Subscriptions" above. However, the number of Shares which may be requested by the Company to be repurchased from a Subscriber will depend on the timing upon which such Subscriber ceases to be employed by a member of the Group as more particularly described above and, in the event that such Subscriber remains to be so employed up to but excluding the last day of the Final Lock-Up Period, no Shares could be repurchased by the Company from such Subscriber pursuant to the Share Repurchases.

4. Subscription price

The Subscription Price of HK\$1.10 per Subscription Share represents a discount of approximately 34.13% to the closing price of HK\$1.67 per Share as quoted on the Stock Exchange on 12 July 2007 (being the last day of trading in the Shares on the Stock Exchange before the date of the Subscription Agreement), or a discount of approximately 37.50% to the average closing price of approximately HK\$1.76 per Share for the last 5 trading days up to and including 12 July 2007. The Subscription Price also represents a discount of approximately 27.63% to the closing price of the Shares of HK\$1.52 as at the Latest Practicable Date.

The total amount payable by the Subscribers pursuant to the Subscriptions amounts to HK\$172,777,000.00. In respect of each of the Subscriptions, the amount payable by the relevant Subscriber in connection therewith shall be paid on completion thereof which shall occur on the Completion Date or such earlier date which is a Business Day as may be notified by the relevant Subscriber in writing to the Company by 3 Business Days' prior notice.

Regarding the basis for determination of the Subscription Price of HK\$1.10, the Directors have taken into account of the average closing price of the Shares for the period from 6 July 2006 (being the date on which the Company first commenced the change of business to mining related business) to 11 March 2007 (being the date of the agreement in relation to acquisition of interests of Harbin Songjiang by the Company) of approximately HK\$1.397, which represents a period of approximately eight months. The Subscription Price of HK\$1.10 per Subscription Share represents a discount of approximately 21.3% to the aforementioned average closing price. The Directors consider that such reference period of approximately eight months is fair and reasonable.

LETTER FROM THE BOARD

5. Share Repurchase Price

The Share Repurchase Price of HK\$1.10 was determined after arm's length negotiations between the Company and the Subscribers which is equivalent to the Subscription Price paid in respect of each new Share to be subscribed by the Subscribers pursuant to the Subscriptions. As the Directors have considered and confirmed that no sub-division or consolidation of Shares and, if any, other transactions having the same effect to such sub-division or consolidation, will be undertaken by the Company within the next three years or during the various lock-up periods as described above, the Company considers that it would not be necessary to provide for adjustment to be made to the Share Repurchase Price in such event.

The Share Repurchase Price represents a discount of approximately 34.13% to the closing price of HK\$1.67 per Share as quoted on the Stock Exchange on 12 July 2007 (being the last day of trading in the Shares on the Stock Exchange before the date of the Subscription Agreement), or a discount of approximately 37.50% to the average closing price of approximately HK\$1.76 per Share for the last 5 trading days up to and including 12 July 2007. The Share Repurchase Price also represents a discount of approximately 27.63% to the closing price of HK\$1.52 as at the Latest Practicable Date.

Based on the latest audited financial statement of the Group for the year ended 31 December 2006, the net asset value of the Group was approximately HK\$1,932,420,000.00, equivalent to approximately HK\$0.41 per Share based on 4,720,780,853 Shares in issue as at 31 December 2006. The Share Repurchase Price represents a premium of approximately 168% to the aforesaid net asset value per Share.

For the years ended 31 December 2005 and 31 December 2006, the audited consolidated loss of the Group before taxation and minority interests were approximately HK\$55,125,000.00 and HK\$9,608,000.00, respectively. For the same periods, the audited consolidated loss of the Group after taxation and minority interests were approximately HK\$55,200,000.00 and HK\$8,244,000.00 respectively.

Pursuant to the Subscription Agreement, the Share Repurchase Price is equivalent to the Subscription Price. Taking into account of the future growth of the Company, the Board believes that it is unlikely that the market price of the Company will fall below HK\$1.10 per Share. However, in the event that the market price of the Shares drops below the Share Repurchase Price, the Company will take into account of the then circumstances (including the market conditions and business operations of the Group) and future growth of the Company to decide whether to request at its sole discretion to repurchase Shares from a Subscriber pursuant to the Share Repurchases in the event it is entitled to do so. The Directors are of the view that, in the interest of the Company and the Shareholders as a whole, it is unlikely that the Company will request at its discretion to repurchase Shares from a Subscriber pursuant to the Share Repurchases in such circumstances. The Directors will consider as to whether the Company shall exercise its discretion to repurchase Shares from the Subscribers pursuant to the Share Repurchases at a meeting of the board of

LETTER FROM THE BOARD

Directors, at which the interested Directors (if any) will abstain from voting from any resolution(s) in connection therewith. In the event that the Company has exercised its discretion to repurchase Shares from the Subscribers, the Company shall make an announcement in this regard.

The terms of the Subscription Agreement, including the Subscription Price and the Share Repurchase Price, were determined after arm's length negotiation between the Company and the Subscribers, taking into consideration of the market price per Share as set out in the section headed "Subscription Price" of this letter and the net asset value per Share as set out in the section headed "Share Repurchase Price" of this letter.

The Directors, having considered the factors as set out in the sections headed "Reasons for the Subscriptions and Use of Proceeds" and "Reasons for the Share Repurchases" in this letter, are of the view that the terms of the Subscription Agreement and the transactions contemplated thereunder, including the Subscription Price and the Share Repurchase Price, are fair and reasonable so far as the Shareholders are concerned and that the Subscriptions and the Share Repurchases are in the interests of the Company and the Shareholders as a whole.

6. Conditions

The Subscription Agreement is conditional upon:

- (a) the approval of the Subscription Agreement and the transactions contemplated thereunder, the Subscriptions and the Share Repurchases by the Independent Shareholders on a poll at a general meeting of the Company in accordance with the Listing Rules, and, if applicable, the Share Repurchase Code;
- (b) the approval by the Executive of the Share Repurchases or the Executive has confirmed that no approval by the Executive is required in relation to the Share Repurchases;
- (c) the granting of the listing of, and permission to deal in, the Total Subscription Shares by the Listing Committee of the Stock Exchange; and
- (d) (if any) such other consents and/or approvals as may be required by the Company in connection with the Subscriptions and the Share Repurchases.

None of the above conditions can be waived.

If the above conditions are not fulfilled on or prior to 30 November 2007 or such later date as may be agreed in writing between the parties to the Subscription Agreement, the Subscription Agreement shall terminate and none of the parties to the Subscription Agreement shall have any claims against any other parties thereto for costs, damages, compensation or otherwise save for any antecedent breaches.

LETTER FROM THE BOARD

In respect of condition set out in (b) above, the Company has obtained confirmation from the Executive that no approval by the Executive is required in relation to each and all of the Share Repurchases. In respect of condition set out in (c) above, an application has been made to the Stock Exchange for the listing of, and permission to deal in, the Total Subscription Shares. In respect of condition set out in (d) above, to the best knowledge of the Directors and as at the Latest Practicable Date, save for the above, the Directors are not aware that any other consents and/or approvals are required by the Company in connection with the Subscriptions and the Share Repurchases.

Pursuant to the Subscription Agreement, each of the Subscribers has undertaken to the Company that he shall, and shall procure his associates and concert parties to abstain from voting in connection with any resolution(s) to be proposed in relation to any of the matters in respect of the Subscription Agreement at the SGM.

7. Completion

In respect of each of the Subscriptions, completion thereof shall take place on the Completion Date or such earlier date which is a Business Day after the fulfillment of the conditions as referred to in the section headed "Conditions" above as may be notified by the relevant Subscriber in writing to the Company by 3 Business Days prior notice.

Each of the Subscribers has agreed with the Company that the Company shall not be bound or be required to complete the subscription of new Shares to be subscribed by him pursuant to the Subscriptions (the "**Relevant Subscription**") in the event that (i) he ceases to be employed by a member of the Group or (ii) a notice has been served to terminate such employment, on or before the date of completion of the Relevant Subscription.

REASONS FOR THE SUBSCRIPTIONS AND USE OF PROCEEDS

Each of the Subscribers is either a director of a member of the Group or a member of the senior management of the Group. The Company considers that they are very valuable to the Group and are crucial to the future growth of business of the Group. Also, the Company considers that the Subscriptions serve the most efficient way to link up the interest of the Subscribers with the Shareholders and as an incentive for the Subscribers to continue to contribute to the growth of the Group as the members of the senior management are investing their personal wealth into the Shares and can immediately benefit from the growth of the Company which can be reflected by the increase in the price of the Shares, and which may not be immediately realized by other incentive schemes, such as share option scheme.

The Directors also consider the Subscriptions to be in the best interest of the Company and the Shareholders as a whole since it will also raise new funds for the general working capital of the Group.

The net proceeds from the Subscriptions are estimated to be approximately HK\$172 million which will be used for general working capital of the Group.

LETTER FROM THE BOARD

REASONS FOR THE SHARE REPURCHASES

The Board believes that the proposed Share Repurchases encourages a long term and stable relationship between the Company and the Subscribers for the benefit of the growth of the Group's business.

After arm's length negotiations between the Company and the Subscribers, the Company has agreed to a Share Repurchase Price of HK\$1.10 per Share. The Share Repurchase Price is equivalent to the Subscription Price paid by the Subscribers in respect of each new Share to be subscribed pursuant to the Subscriptions which provides the benchmark for determining the Share Repurchase Price, bearing in mind that both the Subscriptions and the Share Repurchases are inherently linked together and the fact that the Share Repurchases from the Subscribers will only be made at the request of the Company in its sole discretion so that the relevant Subscriber cannot enjoy the benefit of the increase in price of the Shares subscribed by him pursuant to the Subscriptions which are subject to the Share Repurchases in the event that he ceases to be employed by the Group. The Company has agreed to a Share Repurchase Price of HK\$1.10 per Share which is equivalent to the Subscription Price, as such, there is no premium to the Share Repurchase Price in comparison with the Subscription Price.

The Company has appointed Watson Wyatt, an international human resources consulting firm and independent from the Company, to advise the Company on the Company's senior executive remuneration arrangements. Both the Company and Watson Wyatt believe that providing senior management with an opportunity to buy-into the Company, largely funded either through the roll-over from the proceeds of their prior holdings in Harbin Songjiang or their personal wealth, will enable the Company to motivate key executives to remain with the Company and align their interests with those of the Shareholders.

As the Company has arrived to an important stage of development of its mining projects, it is crucial for the Company to maintain a long-term and stable relationship with its senior management. As such, the Directors believed that a discount of approximately 35% of the Shares at its market price would be fair and reasonable in order to make an impact to incentivise the Subscribers to further contribute to the future growth of the Company and to allow the Company to pursue other future viable mining projects.

As such, the Directors consider that the Share Repurchases are in the best interests of the Company and the Shareholders as a whole.

SOURCE OF FUNDING FOR THE SHARE REPURCHASES

The funds required for the Share Repurchases will be financed out of internal resources of the Company, which funds are legally available for the purpose in accordance with the Bye-laws of the Company and the applicable laws in Hong Kong and Bermuda. Such funds include, but are not limited to, capital paid up on the Shares or funds otherwise available for dividend or distribution by the Company. The Company believes that the financing of the Share Repurchases will not have any adverse impact on the financial position of the Company.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately upon Completion:

Shareholders	As at the Latest Practicable Date		Immediately following Completion of the Subscriptions		Immediately following Completion of the Subscriptions and exercise of rights attached to the share options	
	Share options	Shares	Share options	Shares (%)	Share options	Share (%)
Subscribers						
Mr. Wu King Shiu Kelvin (胡景邵)	60,000,000	–	60,000,000	60,000,000 (0.97%)	–	120,000,000 (1.88%)
Mr. Dong Wenxue (董文學)	60,000,000	–	60,000,000	55,440,000 (0.90%)	–	115,440,000 (1.81%)
Mr. Wang Hui (王輝)	15,000,000	–	15,000,000	4,860,000 (0.08%)	–	19,860,000 (0.31%)
Mr. Yeung Kwok Kuen (楊國權)	30,000,000	–	30,000,000	20,000,000 (0.32%)	–	50,000,000 (0.78%)
Mr. Yin Guangyuan (尹光遠)	10,000,000	–	10,000,000	4,640,000 (0.08%)	–	14,640,000 (0.23%)
Mr. Qiao Hongbo (喬洪波)	10,000,000	–	10,000,000	5,820,000 (0.09%)	–	15,820,000 (0.25%)
Mr. Su Qingyu (蘇慶玉)	10,000,000	–	10,000,000	3,312,000 (0.05%)	–	13,312,000 (0.21%)
Mr. Qu Yanchun (曲彥春)	10,000,000	–	10,000,000	2,998,000 (0.05%)	–	12,998,000 (0.20%)
Sub-total		–		157,070,000 (2.54%)		362,070,000 (5.67%)

LETTER FROM THE BOARD

Shareholders	As at the Latest Practicable Date		Immediately following Completion of the Subscriptions		Immediately following Completion of the Subscriptions and exercise of rights attached to the share options	
	<i>Share options</i>	<i>Shares</i>	<i>Share options</i>	<i>Shares (%)</i>	<i>Share options</i>	<i>Share (%)</i>
Other						
Mr. Cai Yuan (蔡原) (Note 1)	2,000,000	508,650,000 (8.44%)	2,000,000	508,650,000 (8.23%)	–	510,650,000 (7.99%)
Mr. Luk Kin Peter Joseph (陸健) (Note 2)	–	235,234,000 (3.90%)	–	235,234,000 (3.80%)	–	235,234,000 (3.68%)
Public Shareholders	–	5,282,768,853 (87.66%)	–	5,282,768,853 (85.43%)	–	5,282,768,853 (82.66%)
Total		6,026,652,853 (100%)		6,183,722,853 (100%)		6,390,722,853 (100%)

Note 1: Mr. Cai Yuan, the chairman and executive Director, is the 100% beneficial owner of Greater Increase Investments Limited which holds 500,000,000 shares. Mr. Cai also holds 8,650,000 Shares under his name.

Note 2: Mr. Luk Kin Peter Joseph, was an executive Director until his resignation on 6 July 2007, is the 100% beneficial owner of Equity Valley Investments Limited which holds 226,584,000 Shares. Mr. Luk also holds 8,650,000 Shares under his name.

LISTING RULES AND SHARE REPURCHASE CODE IMPLICATIONS

As (i) Mr. Wu King Shiu Kelvin (胡景邵), Mr. Dong Wenxue (董文學), Mr. Wang Hui (王輝) and Mr. Yeung Kwok Kuen (楊國權) are executive Directors of the Company, (ii) Mr. Yin Guangyuan (尹光遠) and Mr. Qiao Hongbo (喬洪波) are directors of Harbin Songjiang, a subsidiary of the Company, and (iii) Mr. Su Qingyu (蘇慶玉) and Mr. Qu Yanchun (曲彥春) are chief executives (within the meaning of the Listing Rules) of Harbin Songjiang, a subsidiary of the Company, they are therefore connected persons of the Company. As such, the Subscription Agreement and transactions contemplated thereunder, the Subscriptions and the Share Repurchases constitute connected transactions for the Company under the Listing Rules and are subject to approval by the Independent Shareholders at a general meeting pursuant to the Listing Rules. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the Latest Practicable Date, none of the Subscribers, their respective associates and concert parties hold any shares in the Company. As such, the Directors are not aware that any person is required to abstain from voting in respect of the resolution(s) in relation to the Subscriptions and the Share Repurchases. In addition, pursuant to the Subscription

LETTER FROM THE BOARD

Agreement, each of the Subscribers has undertaken to the Company that he shall, and shall procure his associates and concert parties to abstain from voting in connection with any resolution(s) to be proposed in relation to any of the matters in respect of the Subscription Agreement at the SGM.

The Company have sought confirmation from the Executive as to whether the Share Repurchases are required to be approved by the Executive pursuant to the Share Repurchase Code and the Executive has confirmed that such approval is not required in relation to the Share Repurchases.

EQUITY FUND RAISING EXERCISE FOR THE PAST 12 MONTHS

Save for the First Placing pursuant to which an amount of approximately HK\$456,501,000.00 was raised to finance the acquisition of Lead Sun Group and further development of the related rutile mine, and the Second Placing pursuant to which an amount of approximately HK\$2,368,892,000.00 was raised to finance the acquisition of approximately 75.08% of equity interests in Harbin Songjiang and related expenses, the Company has not performed any other equity fund raising exercise in the past 12 months immediately before the date of this circular. To the best knowledge of the Directors, the First Placing and the Second Placing have been completed and the intended use of the funds and reasons thereof have not been changed. The actual amount of net proceeds under each of the First Placing and the Second Placing which have been utilised as at the Latest Practicable Date is approximately HK\$199 million and approximately HK\$1,946 million, respectively.

SPECIAL GENERAL MEETING

The SGM will be held at Room 1306, 13/F., Bank of America Tower, 12 Harcourt Road, Admiralty,, Hong Kong at 10:00 a.m. on 21 August 2007 to consider and, if thought fit, approve, among other matters, the Subscription Agreement and the transactions contemplated thereunder, the Subscriptions and the Share Repurchases.

A notice convening the SGM is set out in pages 44 to 45 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room 1806-7, 18/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the Latest Practicable Date, none of the Subscribers, their respective associates and concert parties hold any shares in the Company. As such, the Directors are not aware that any person is required to abstain from voting in respect of the resolution(s) in relation to the Subscription Agreement and the transactions contemplated thereunder, the Subscriptions and the Share Repurchases. In addition, pursuant to the Subscription Agreement, each of the Subscribers has undertaken to the Company that he shall, and shall procure his associates and concert parties to abstain from voting in connection with any resolution(s) to be proposed in relation to any of the matters in respect of the Subscription Agreement at the SGM.

The Independent Board Committee has been constituted to make recommendation to the Independent Shareholders in respect of the resolution(s) to approve the Subscriptions and the Share Repurchases. Hercules Capital Limited has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the Subscriptions and the Share Repurchases are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

PROCEDURE FOR DEMANDING A POLL

Pursuant to Bye-law 66 of the Bye-laws and the Listing Rules, a resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is required by the Listing Rules or is demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) by:

- (a) the chairman of such meeting; or
- (b) at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or
- (e) if required by the Listing Rules, any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent (5%) or more of the total voting right at such meeting provided that a meeting votes (on a show of hands) in the opposite manner to that instructed in those proxies.

LETTER FROM THE BOARD

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Shareholder.

RECOMMENDATION

The Directors consider that the terms of the Subscription Agreement and the transactions contemplated thereunder, the Subscriptions and the Share Repurchases are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

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



CHINA MINING RESOURCES GROUP LIMITED

中國礦業資源集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00340)

6 August 2007

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION –
SUBSCRIPTIONS OF NEW SHARES AND
POSSIBLE RELATED REPURCHASES OF SHARES**

We refer to the circular (the “Circular”) dated 6 August 2007 issued by the Company of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Subscriptions and the Share Repurchases, details of which are set out in the letter from the Board in the Circular. Hercules Capital Limited has been appointed as the independent financial adviser to advise us in this respect. Your attention is drawn to the letter from the Board as set out on pages 6 to 19 of the Circular and the letter of advice from Hercules Capital Limited as set out in pages 21 to 33 of the Circular.

The Independent Board Committee, having taken into account the factors and reasons considered by Hercules Capital Limited regarding the Subscriptions and the Share Repurchases and its conclusion and advice, considers the terms of the Subscription Agreement and the transactions contemplated thereunder, the Subscriptions and the Share Repurchases to be fair and reasonable so far as the Company and the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. On this basis, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder, the Subscriptions and the Share Repurchases.

Yours faithfully,
for and on behalf of the
Independent Board Committee
Chan Siu Tat Chu Kang Nam Wong Hon Sum
Independent non-executive directors

* *For identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter, prepared for the purpose of inclusion in this circular, prepared by Hercules in connection with the Subscriptions and the Share Repurchases.

Hercules **Hercules Capital Limited**

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

6 August 2007

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sirs,

CONNECTED TRANSACTION – SUBSCRIPTIONS OF NEW SHARES, AND POSSIBLE RELATED REPURCHASES OF SHARES

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Subscriptions and the Share Repurchases, details of which are set out in the letter from the Board contained in the circular dated 6 August 2007 to the Shareholders (the “Circular”) of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context otherwise requires.

In an announcement dated 17 July 2007, the Board announced that the Company had entered into the Subscription Agreement pursuant to which the Company has agreed to issue, and the Subscribers have agreed to subscribe as principal for, a total of 157,070,000 Shares at a price of HK\$1.10 per Subscription Share in cash, upon and subject to the terms and conditions of the Subscription Agreement. As (i) Mr. Wu King Shiu Kelvin (胡景邵), Mr. Dong Wenxue (董文學), Mr. Wang Hui (王輝) and Mr. Yeung Kwok Kuen (楊國權) are executive Directors; (ii) Mr. Yin Guangyuan (尹光遠) and Mr. Qiao Hongbo (喬洪波) are directors of Harbin Songjiang, a subsidiary of the Company; and (iii) Mr. Su Qingyu (蘇慶玉) and Mr. Qu Yanchun (曲彥春) are chief executives (within the meaning of the Listing Rules) of Harbin Songjiang, a subsidiary of the Company, they are connected persons of the Company. As such, the Subscription Agreement and the transactions which it contemplates, the Subscriptions and the Share Repurchases, constitute connected transactions for the Company under the Listing Rules and are subject to approval by the Independent Shareholders, by way of poll, at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chan Siu Tat, Mr. Wong Hon Sum and Mr. Chu Kang Nam, has been formed to advise the Independent Shareholders on whether the Subscriptions and the Share Repurchases are in the interests of the Company and the Shareholders as a whole and the terms of the Subscription Agreement are fair and reasonable so far as the Shareholders are concerned. Hercules is engaged to advise the Independent Board Committee and the Independent Shareholders in these regards.

In formulating our recommendations, we have reviewed, *inter alia*, (i) the Subscription Agreement; (ii) the report prepared by Watson Wyatt Hong Kong Limited (“**Watson Wyatt**”) concerning the Company’s senior executive remuneration arrangements; and (iii) the terms of pre-IPO option schemes and restricted shares contained in prospectuses posted on the Stock Exchange website since 1 January 2007. We have undertaken other studies, analyses and investigations that we deemed appropriate. We have relied on such information and representations made to us, and the opinions expressed, by the Directors and management of the Company and have assumed that all information and representations made or referred to in the Circular, are true and accurate at the time they were made and as at the date of the Circular, and will continue to be true and accurate at the date of the SGM. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to doubt the truthfulness, accuracy and completeness of the information, representations and opinions provided to us. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statements in the Circular misleading. We consider that we have reviewed sufficient information to reach an informed view in order to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subjects of and parties to the Subscription Agreement.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into consideration in assessing the Subscriptions and the Share Repurchases and arriving at our opinion are set out below.

A. Overview

Pursuant to the Subscription Agreement, the Company has agreed to issue, and the Subscribers have agreed to subscribe for an aggregate of 157,070,000 Shares in cash upon and subject to the terms and conditions of the Subscription Agreement. The Total Subscription Shares represent approximately 2.61% of the issued share capital of the Company as at the Latest Practicable Date, or approximately 2.54% of the issued share capital of the Company as enlarged by the Subscriptions. These Shares will be subject to lock-up, where one-third will be free from lock-up at the first anniversary date of the Subscription Agreement and an additional one-third of the Shares will be released from lock-up every one year following the first anniversary date of the Subscription Agreement. According to the Company, any further Shares

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

subsequently acquired by the Subscriber, or which the Subscriber may become entitled to, in the event of a capitalisation issue, rights issue or the election of script dividend or otherwise by virtue of the Subscriber's ownership of the Shares subscribed by the Subscribers pursuant to the Subscriptions will be subject to lock-up in the aforesaid manner until the third anniversary date of the Subscription Agreement. The Subscription Price of HK\$1.10 per Share represents a discount of approximately 34.13% to the closing price of HK\$1.67 per Share as quoted on the Stock Exchange on 12 July 2007, which was the last day of trading in the Shares on the Stock Exchange prior to the announcement of the Subscriptions. The Subscription Agreement permits the Company to repurchase the Shares at a price which is equivalent to the Subscription Price if the Subscribers cease to be employed by the Company before, but excluding, the third anniversary date of the Subscription Agreement, where the Initial Lock-up Shares will be subject to the Share Repurchases during the Initial Lock-up Period, the Intermediate Lock-up Shares will be subject to the Share Repurchases during the Intermediate Lock-up Period and the Final Lock-up Shares will be subject to the Share Repurchases during the Final Lock-up Period.

B. Background of the Group

The Group is principally engaged in the mining business including exploration and exploitation of natural rutile and processing and trading of rutile and titanium related products, mining and processing of molybdenum, copper and zinc as well as provision of umbilical cord blood storage service.

As noted in the Company's 2006 annual report, the Group discontinued the trading activities and property investment operation in 2006 and has been implementing a redefined corporate strategy with an emphasis on high-value added products. The Group commenced its mining business in November 2006 through the acquisition of a 57% equity interest in Lead Sun Investments Limited which is principally engaged in exploration and exploitation of natural rutile and processing and trading of rutile and titanium related products. In March 2007, the Company announced the acquisition of a 75.08% equity interest in Harbin Songjiang, a PRC-based company which specialises in mining and processing of molybdenum, copper and zinc. As stated in the Company's 2006 annual report, the Board expects that the acquisition of Harbin Songjiang will provide the Group with an immediate revenue stream and brings in a team of experts in the mining industry which will strengthen its operational capabilities in mining activities. In addition, targeting to become a substantial participant and ultimately a leading player in the mining sector, the Group will be continuously searching for other opportunities to build a portfolio of strong mining businesses with an emphasis on high value added products.

C. Reasons for the Subscriptions and the Share Repurchases

Subscriptions

Each of the Subscribers is either a director of a member of the Group or a member of the senior management of the Group. According to the Company, (i) Mr. Wu King Shiu Kelvin (胡景邵) has about twelve years of experience in the finance and investment industry and has extensive experience in mergers and acquisitions of mining and resources related companies; he is responsible for strategic planning and assessment of mergers and acquisitions opportunities for the Group and was instrumental in the Harbin Songjiang transaction; (ii) Mr. Dong Wenxue (董文學) is a mining expert who has had over thirty-seven years of experience in the mining industry, he is responsible for the overall strategies, management and operations of the Group's mining business; (iii) Mr. Wang Hui (王輝) joined Harbin Songjiang in April 2002, he is responsible for management and operations of the Group's mining business; (iv) Mr. Yeung Kwok Kuen (楊國權) has over ten years of experience in handling accounting and finance matters and he is responsible for accounting and finance matters for the Group; and (v) Mr. Yin Guangyuan (尹光遠), Mr. Qiao Hongbo (喬洪波), Mr. Su Qingyu (蘇慶玉) and Mr. Qu Yanchun (曲彥春) joined the Group as a result of the acquisition of Harbin Songjiang and they possess profound knowledge and experience in the mining industry and/or corporate management and operations, the Subscribers are thus the key personnel to manage and operate the Group's existing mining business and to help the Group to pursue other viable mining projects. The Company considers that they are very valuable to the Group and are crucial to the future business growth of the Group. The Subscriptions serve the most efficient way to link up the interests of the Subscribers with the Shareholders and as an incentive for the Subscribers to continue to contribute to the growth of the Group as the members of the senior management are investing their personal wealth into the Shares and can immediately benefit from the growth of the Company which can be reflected by the increase in the price of the Shares, and which may not be immediately realised by other incentive schemes, such as share option scheme.

The Directors also consider the Subscriptions to be in the best interests of the Company and the Shareholders as a whole since it will also raise new funds of approximately HK\$172 million for the general working capital of the Group.

Share Repurchases

As the Company has arrived at an important stage of development of its mining projects, it is crucial for the Company to maintain a long-term and stable relationship with its senior management. The Board believes that the possible Share Repurchases encourage a long term and stable relationship between the Company and the Subscribers for the benefit of the growth of the Group's business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the section headed “Reasons for the Share Repurchases” in the letter from the Board, both the Subscriptions and the Share Repurchases are inherently linked together and the Share Repurchases from the Subscribers will only be made at the request of the Company in its sole discretion so that the relevant Subscriber cannot enjoy the benefit of the increase in price of the Shares subscribed by him pursuant to the Subscriptions which are subject to the Share Repurchases in the event that he ceases to be employed by the Group. In view of the foregoing, we consider the Subscriptions together with the Share Repurchases form a unique incentive and penalty mechanism to ensure the continued service of the Subscribers, who are either a director of a member of the Group or a member of the senior management of the Group, to contribute to the growth of the Group. In contrast to a scheme of restricted stocks which does not require any cash outlay from the recipients, this mechanism requires the Subscribers to buy into the Company with the roll-over from the proceeds of their prior holdings in Harbin Songjiang or their personal wealth. It is stated in the letter from the Board that both the Company and Watson Wyatt, an international human resources consulting firm independent from the Company appointed to advise the Company on the Company’s senior executive remuneration arrangements, believe that providing senior management with an opportunity to buy into the Company, largely funded either through the roll-over from the proceeds of their prior holdings in Harbin Songjiang or their personal wealth will enable the Company to motivate key executives to remain with the Company and align their interests with those of the Shareholders.

We have been advised by management of the Company that they had considered other equity incentive plans such as stock option schemes and are of the view that (i) compared to the Subscriptions and the Share Repurchases mechanism, stock options do little to instill a sense of ownership as the grantees may focus on inflating the stock price to increase their potential gain in the short term at the expense of long-term investors, rather than taking a longer-term view that will help the Company to achieve its goals; (ii) the Subscriptions and the Share Repurchases mechanism, which results in actual ownership of part of the Company and aligns the interests of the Subscribers and investors with respect to all the rights of a Shareholder, is a better tool for motivating the Subscribers than stock options to make them more focused on meeting the Company’s objectives, in particular, the share options previously granted to the Subscribers are out of the money and except for the share options, the Subscribers do not hold any Shares as at the Latest Practicable Date; (iii) the Subscriptions therefore demonstrate much deeper commitment on the part of the Subscribers with respect to the risks involved compared to stock options as they have to pay for the Shares in cash now and the Shares are subject to lock-ups; and (iv) from the angle of accounting treatment, the Subscriptions and the Share Repurchases mechanism only requires the amortisation of the value of the Shares under the Subscriptions over the three year term, whereby stock options would result in expenses being incurred to adversely impact the Company’s financial performance in the current year as the Company’s share option scheme stipulates that the options are vested immediately upon granting. Therefore, notwithstanding the fact that the Subscribers have previously been granted share options, the Company entered into the Subscription Agreement to further motivate them to strive for the future development and expansion of the Group by providing the Subscribers with the opportunity to own equity interests in the Company.

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Based on the above, we concur with management of the Company that the Subscriptions and the Share Repurchases mechanism would better align the interests of the Company and the Shareholders with those of the Subscribers than other equity incentive plans.

D. Basis of the Subscription Price and the Share Repurchase Price

Subscription Price

The Subscription Price of HK\$1.10 per Share represents a discount of approximately 34.13% to the closing price of HK\$1.67 per Share as quoted on the Stock Exchange on 12 July 2007, which was the last day of trading in the Shares on the Stock Exchange prior to the announcement of the Subscriptions, or a discount of approximately 37.50% to the average closing price of approximately HK\$1.76 per Share for the last 5 trading days up to and including 12 July 2007. The Subscription Price also represents a discount of approximately 27.63% to the closing price of HK\$1.52 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Based on the latest audited financial statement of the Group for the year ended 31 December 2006, the net asset value of the Group was approximately HK\$1,932,420,000.00, equivalent to approximately HK\$0.41 per Share based on 4,720,780,853 Shares in issue as at 31 December 2006. The Subscription Price represents a premium of approximately 168% to the aforesaid net asset value per Share.

As stated in the letter from the Board, the Directors have taken into account of the average closing price of the Shares for the period from 6 July 2006 (being the date on which the Company first commenced the change of business to mining related business) to 11 March 2007 (being the date of the agreement in relation to acquisition of interest of Harbin Songjiang by the Company) of approximately HK\$1.397, which represents a period of approximately eight months, as a basis to determine the Subscription Price. The Subscription Price of HK\$1.10 per Share represents a discount of approximately 21.3% to the aforementioned average closing price.

The total amount payable by the Subscribers pursuant to the Subscriptions amounts to HK\$172,777,000.00. In respect of each of the Subscriptions, the amount payable by the relevant Subscriber in connection therewith shall be paid on completion thereof which shall occur on the Completion Date or such earlier date which is a Business Day as may be notified by the relevant Subscriber in writing to the Company by three Business Days' prior notice.

Share Repurchase Price

Pursuant to the Subscription Agreement, the Share Repurchase Price is equivalent to the Subscription Price. As stated in the letter from the Board, the Subscription Price provides the benchmark for determining the Share Repurchase Price as both the Subscriptions and the Share Repurchases are inherently linked together and the Share Repurchases will only be made at the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

request of the Company in its sole discretion so that the relevant Subscriber cannot enjoy the benefit of the increase in price of the Shares subscribed by him pursuant to the Subscriptions which are subject to the Share Repurchases in the event that he ceases to be employed by the Group.

It is also stated in the letter from the Board that in the event that the market price of the Shares drops below the Share Repurchase Price, the Company will take into account of the then circumstances (including the market conditions and business operations of the Group) and future growth of the Company to decide whether to request at its sole discretion to repurchase Shares from a Subscriber pursuant to the Share Repurchases in the event it is entitled to do so. The Directors are of the view that in the interests of the Company and the Shareholders as a whole, it is unlikely that the Company will request at its discretion to repurchase Shares from a Subscriber pursuant to the Share Repurchases in such circumstances. The Directors will consider as to whether the Company shall exercise its discretion to repurchase Shares from the Subscribers pursuant to the Share Repurchases at a meeting of the board of Directors, at which the interested Directors (if any) will abstain from voting from any resolution(s) in connection therewith. In the event that the Company has exercised its discretion to repurchase Shares from the Subscribers, the Company shall make an announcement in this regard.

As the Directors have considered and confirmed that no sub-division or consolidation of Shares and, if any, other transactions having the same effect to such sub-division or consolidation, will be undertaken by the Company within the next three years or during the various lock-up periods as described in the letter from the Board, the Company considers that it would not be necessary to provide for adjustment to be made to the Share Repurchase Price in such event.

Given that the Company has arrived at an important stage of development of its mining projects, it is crucial for the Company to maintain a long-term and stable relationship with its senior management, the Directors believed that a discount of approximately 35% of the Shares at its market price would be fair and reasonable in order to make an impact to motivate the Subscribers to further contribute to the future growth of the Company and to allow the Company to pursue other viable mining projects.

Given that the Subscriptions and the Share Repurchases mechanism, stock options and restricted stocks all share a common principle of providing incentives, motivation or reward to senior management to increase performance or contribution to the grantor, and attracting and retaining personnel of the right caliber with the necessary experience with such incentives schemes is a common practice by companies intend to get publicly listed, and we consider that the acquisition of Harbin Songjiang can in fact be viewed as a new era of development and progress for Harbin Songjiang and its management as Harbin Songjiang becomes one of the principal subsidiaries of a listed company, we have reviewed the terms of all pre-IPO share option schemes and restricted stocks (“**Comparables**”) included in the prospectuses of newly listed companies published on the Stock Exchange website

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

since 1 January 2007 up to the Latest Practicable Date to assess the fairness and reasonableness of the discount represented by the Subscription Price and the terms of the Subscriptions and the Share Repurchases. A summary of the terms of the Comparables is set out in the table below:

Release date of the prospectus	Company (stock code)	Incentive scheme	Discount represented by the subscription price ⁽¹⁾ %	Vesting	Upon cessation of employment of the grantee
22 June 2007	Delta Networks, Inc. (722)	share subscription scheme	71.0 ⁽²⁾ -79.0 ⁽³⁾	In 4 equal annual instalments on 1 April 2008, 1 April 2009, 1 April 2010 and 1 April 2011 ⁽⁴⁾	grantee will receive a refund of his payment in respect of the number of shares that do not vest, plus interest at the rate of 3% per annum
15 June 2007	Tao Heung Holdings Limited (573)	pre-IPO share option scheme	50.0	<ul style="list-style-type: none"> • 30% from the 2nd anniversary of the listing date to the day immediately preceding the 3rd anniversary of the listing date • 30% from the 3rd anniversary of the listing date to the day immediately preceding the 4th anniversary of the listing date • 40% from the 4th anniversary of the listing date to the day immediately preceding the 5th anniversary of the listing date 	options lapse
12 June 2007	Ka Shui International Holdings Limited (822)	pre-IPO share option scheme	40.0	<ul style="list-style-type: none"> • 30% from the 1st anniversary of the listing date to the day immediately preceding the 2nd anniversary of the listing date • 30% from the 2nd anniversary of the listing date to the day immediately preceding the 3rd anniversary of the listing date • 40% from the 3rd anniversary of the listing date to the day immediately preceding the 4th anniversary of the listing date 	options lapse

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Release date of the prospectus	Company (stock code)	Incentive scheme	Discount represented by the subscription price ⁽¹⁾ %	Vesting	Upon cessation of employment of the grantee
28 May 2007	Ta Yang Group Holdings Limited (1991)	pre-IPO share option scheme	37.1	In 5 equal annual instalments on the 1st anniversary of the listing date, the 2nd anniversary of the listing date, the 3rd anniversary of the listing date, 4th anniversary of the listing date, and the 5th anniversary of the listing date	grantee may exercise the option up to his entitlement as at the date of cessation within one month from such cessation
28 May 2007	Walker Group Holdings Limited (1386)	pre-IPO share option scheme	20.0	<ul style="list-style-type: none"> • 30% on the expiration of 12 months after the listing date and ending on the expiration of 48 months after the listing date • 30% on the expiration of 24 months after the listing date and ending on the expiration of 60 months after the listing date • 40% on the expiration of 36 months after the listing date and ending on the expiration of 72 months after the listing date 	grantee may exercise the option up to his entitlement as at the date of cessation whichever is the earlier of the date of expiry of the option period or the last day of the period of one month from such cessation
8 May 2007	Jiahua Stores Holdings Limited (602)	pre-IPO share option scheme	0.0	Unless otherwise determined by the board and specified in the offer letter at the time of the offer, there is neither any performance targets that need to be achieved by grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised	options lapse
24 April 2007	Capxon International Electronic Company Limited (469)	pre-IPO share option scheme	50.0	<ul style="list-style-type: none"> • 20% on each of the 1st and 2nd anniversary of the date of grant • 60% on the 3rd anniversary of the date of grant 	options lapse
19 March 2007	Ajisen (China) Holdings Limited (538)	pre-IPO share option scheme	15.0	In 4 equal annual instalments within four years from the expiry of the first anniversary of the listing date	options lapse

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Release date of the prospectus	Company (stock code)	Incentive scheme	Discount represented by the subscription price ⁽¹⁾ %	Vesting	Upon cessation of employment of the grantee
8 February 2007	China Huiyuan Juice Group Limited (1886)	pre-IPO share option scheme	0.0	<ul style="list-style-type: none"> • 30% on the 1st anniversary after the listing date • 30% on the 2nd anniversary after the listing date • 40% on the 3rd anniversary after the listing date 	options lapse
8 February 2007	Hong Long Holdings Limited (1383)	pre-IPO share option scheme	75.0 ⁽⁵⁾	<ul style="list-style-type: none"> • 30% within 2 years from the listing date • 30% in the 3rd year from the listing date • 40% in the 4th year from the listing date 	options lapse
25 January 2007	Fufeng Group Limited (546)	pre-IPO share option scheme	0.0	<p>For a specific company wholly-owned by an executive director:</p> <ul style="list-style-type: none"> • In 4 equal annual instalments within four years from the expiry of six months from the listing date <p>For all other grantees:</p> <ul style="list-style-type: none"> • In 3 equal annual instalments within three years from the expiry of two years and six months from the listing date 	options lapse
Maximum discount			75.0		
Minimum discount			0.0		
Average			32.9⁽⁶⁾		

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Release date of the prospectus	Company (stock code)	Incentive scheme	Discount represented by the subscription price ⁽¹⁾ %	Vesting	Upon cessation of employment of the grantee
	The Company	Subscriptions and Share Repurchases	34.1	In three equal annual instalments on the 1st anniversary date of the Subscription Agreement, the 2nd anniversary date of the Subscription Agreement, and the 3rd anniversary date of the Subscription Agreement	Initial Lock-up Shares will be subject to the Share Repurchases during the Initial Lock-up Period, the Intermediate Lock-up Shares will be subject to the Share Repurchases during the Intermediate Lock-up Period and the Final Lock-up Shares will be subject to the Share Repurchases during the Final Lock-up Period

Source: Stock Exchange website and respective company's prospectus

Notes:

1. For the Comparables, comparison is made to offer price. For the Company, comparison is made to the closing price of the Shares on 12 July 2007, which was the last day of trading in the Shares on the Stock Exchange prior to the announcement of the Subscriptions and the Share Repurchases.
2. Based on the maximum offer price of HK\$4.5 per share.
3. Based on the minimum offer price of HK\$3.25 per share.
4. The scheme was adopted on 21 August 2006.
5. Based on the maximum offer price.
6. Calculated based on the average discount of 75% of Delta Networks, Inc.

We acknowledge that the following schemes were excluded in our analysis:

- (i) as disclosed in the prospectus of Meadville Holdings Limited (stock code: 3313), old shares were sold to employees and consultant at an unknown price to incentivise and reward them and part of the shares are subject to return condition;
- (ii) the executive and employee option plan of Sino Gold Mining Limited (stock code: 1862) as it is governed by the laws of the state of New South Wales, Australia and subject to the listing rules of the Australian Stock Exchange Limited ACN 008 624 691;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the employee share incentive scheme of Sino Gold Mining Limited as the subscription price and restrictions, if any, are not disclosed in the prospectus;
- (iv) the pre-IPO share option plan of CITIC 1616 Holdings Limited (stock code: 1883) as the conditions, restrictions and limitations may be placed on the options including, but not limited to, the subscription price, the time or times when the options will vest (which may be based on performance criteria), are in the sole discretion of the board and not disclosed in details in the prospectus.

As indicated in the table above, the discount represented by the subscription price of the Comparables range from 0% to 75.0%, with an average of approximately 32.9%. The discount represented by the Subscription Price is therefore in line with the market range. In addition, the vesting of the Shares subscribed by the Subscribers under the Subscriptions is generally in line with the market range. Furthermore, compared to the restricted stocks issued by Delta Networks, Inc., the terms of the Share Repurchases are no more favourable to the Subscribers than that offered by Delta Networks, Inc. to the grantees.

On the basis that (i) the terms of the Subscription Agreement, including the Subscription Price and the Share Repurchase Price, were determined after arm's length negotiation between the Company and the Subscribers; and (ii) Share Repurchase Price is equivalent to the Subscription Price; (iii) both the Subscriptions and the Share Repurchases are inherently linked together and the Share Repurchases from the Subscribers will only be made at the request of the Company in its sole discretion so that the relevant Subscriber cannot enjoy the benefit of the increase in price of the Shares subscribed by him pursuant to the Subscriptions which are subject to the Share Repurchases in the event that he ceases to be employed by the Group; and (iv) the terms of the Subscriptions and the Share Repurchases together form a unique incentive and penalty mechanism which is largely meant to provide incentive for the Subscribers to commit and devote to the benefit of the Company, which terms are generally in line with that of the Comparables, we consider the terms of the Subscription Agreement are fair and reasonable insofar as the Shareholders are concerned and the Subscriptions and the Share Repurchases are in the interests of the Company and the Shareholders as a whole.

E. Financial Effects of the Subscriptions and the Share Repurchases

The net proceeds from the Subscriptions are estimated to be of approximately HK\$172 million which will be used for general working capital of the Group, thereby improving the Group's cash and working capital positions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider the terms of the Subscription Agreement are fair and reasonable insofar as the Independent Shareholders are concerned and the Subscriptions and the Share Repurchases are in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to approve the Subscriptions and the Share Repurchases at the SGM.

Yours faithfully,
For and on behalf of
Hercules Capital Limited
Louis Koo
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and upon completion of the Subscriptions were as follows:

As at the Latest Practicable Date

Authorised share capital: HK\$

<u>10,000,000,000</u> Shares	<u>1,000,000,000</u>
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Issued share capital:

<u>6,026,652,853</u> Shares	<u>602,665,285.30</u>
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Upon completion of the Subscriptions (assuming rights attached to share options granted were not exercised)

Authorised share capital: HK\$

<u>10,000,000,000</u> Shares	<u>1,000,000,000</u>
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Issued share capital:

<u>6,183,722,853</u> Shares	<u>618,372,285.30</u>
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Upon completion of the Subscriptions (assuming rights attached to share options granted were fully exercised)

Authorised share capital: HK\$

<u>10,000,000,000</u> Shares	<u>1,000,000,000</u>
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Issued share capital:

<u>6,390,722,853</u> Shares	<u>639,072,285.30</u>
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Save for the share options to subscribe for 216,000,000 Shares granted under the share option scheme of the Company adopted on 26 June 2002, the Company did not have any other options, warrants and other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. DIRECTORS' INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of each Director or the chief executives (within the meaning of the Listing Rules) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares in the capital of the Company

Name of Director	Capacity	Number of shares in the capital of the Company	Total interests in underlying shares pursuant to share options	Approximate % of shareholding in the Company
Cai Yuan (蔡原) (note)	Beneficial owner and interest in controlled corporation	508,650,000	2,000,000	8.47%
Wu King Shiu Kelvin (胡景邵)	Beneficial owner	–	60,000,000	1.00%
Dong Wenxue (董文學)	Beneficial owner	–	60,000,000	1.00%
Wang Hui (王輝)	Beneficial owner	–	15,000,000	0.25%
Yeung Kwok Kuen (楊國權)	Beneficial owner	–	30,000,000	0.50%
Chan Siu Tat (陳少達)	Beneficial owner	–	2,000,000	0.03%

Name of Director	Capacity	Number of shares in the capital of the Company	Total interests in underlying shares pursuant to share options	Approximate % of shareholding in the Company
Chu Kang Nam (朱耿南)	Beneficial owner	–	2,000,000	0.03%
Wong Hon Sum (黃漢森)	Beneficial owner	–	2,000,000	0.03%
Lam Ming Yung (林明勇)	Beneficial owner	–	2,000,000	0.03%
Yin Guangyuan (尹光遠)	Beneficial owner	–	10,000,000	0.17%
Qiao Hongbo (喬洪波)	Beneficial owner	–	10,000,000	0.17%
Su Qingyu (蘇慶玉)	Beneficial owner	–	10,000,000	0.17%
Qu Yanchun (曲彥春)	Beneficial owner	–	10,000,000	0.17%

Note: Mr. Cai Yuan, the chairman, an executive Director, is the 100% beneficial owner of Greater Increase Investments Limited which holds 500,000,000 Shares. Mr. Cai also holds 8,650,000 Shares under his name.

Interest in share options

Name of Director/ chief executive	Date of grant of share options	Exercisable period	Exercise price per Share (HK\$)	Number of options outstanding
Cai Yuan (<i>note</i>) (蔡原)	06/07/2007	06/07/2007– 05/07/2010	1.82	2,000,000
Wu King Shiu Kelvin (胡景邵)	06/07/2007	06/07/2007– 05/07/2010	1.82	60,000,000
Dong Wenxue (董文學)	06/07/2007	06/07/2007– 05/07/2010	1.82	60,000,000
Wang Hui (王輝)	06/07/2007	06/07/2007– 05/07/2010	1.82	15,000,000

Name of Director/ chief executive	Date of grant of share options	Exercisable period	Exercise price per Share (HK\$)	Number of options outstanding
Yeung Kwok Kuen (楊國權)	06/07/2007	06/07/2007– 05/07/2010	1.82	30,000,000
Chan Siu Tat (陳少達)	06/07/2007	06/07/2007– 05/07/2010	1.82	2,000,000
Chu Kang Nam (朱耿南)	06/07/2007	06/07/2007– 05/07/2010	1.82	2,000,000
Wong Hon Sum (黃漢森)	06/07/2007	06/07/2007– 05/07/2010	1.82	2,000,000
Lam Ming Yung (林明勇)	06/07/2007	06/07/2007– 05/07/2010	1.82	2,000,000
Yin Guangyuan (尹光遠)	06/07/2007	06/07/2007– 05/07/2010	1.82	10,000,000
Qiao Hongbo (喬洪波)	06/07/2007	06/07/2007– 05/07/2010	1.82	10,000,000
Su Qingyu (蘇慶玉)	06/07/2007	06/07/2007– 05/07/2010	1.82	10,000,000
Qu Yanchun (曲彥春)	06/07/2007	06/07/2007– 05/07/2010	1.82	10,000,000

- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

- (c) Save for the acquisition of 75.08% of equity interest in Harbin Songjiang by the Company for a consideration of RMB1,807,881,000.00 as described in the circular of the Company dated 23 May 2007, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2006, the date to which the latest published audited financial statements of the Group were made up.
- (d) As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date.
- (e) As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

4. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at the Latest Practicable Date, so far as is known to the Directors, the following persons, other than a director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the shares in the capital of the Company

Name of Shareholder	Capacity	Number of shares in the capital of the Company	Approximate % of shareholding in the Company
Greater Increase Investments Limited (<i>note 1</i>)	Beneficial owner	500,000,000	8.30%
Kwok Man (郭敏) (<i>note 2</i>)	Beneficial owner and interest in controlled corporation	374,746,000	6.22%
Yeh Tung Ming (葉東明) (<i>note 3</i>)	Interest in controlled corporation	368,686,000	6.12%
Ng Hiu King (吳曉京) (<i>note 4</i>)	Interest in controlled corporation	344,108,000	5.71%

Note:

1. These shares are held by Greater Increase Investments Limited which is 100% beneficially owned by Mr. Cai Yuan, the chairman and an executive Director of the Company.
2. Out of 374,746,000 Shares, 368,686,000 Shares are held by Long Cheer Group Limited, which is 100% beneficially owned by Mr. Kwok Man. The remaining 6,060,000 Shares are held by Mr. Kwok Man personally.
3. These Shares are held by Fit Plus Limited which is 100% beneficially owned by Mr. Yeh Tung Ming.
4. These Shares are held by See Good Group Limited which is 100% beneficially owned by Mr. Ng Hiu King.

Long position in the shares of other members of the Group

Name of shareholders	Name of company	Capacity	Number of shares in the capital of the company	Approximate % of shareholding
Long Cheer Group Limited	Lead Sun Investments Limited	Beneficial owner	140	14%
Fit Plus Limited	Lead Sun Investments Limited	Beneficial owner	140	14%
See Good Group Limited	Lead Sun Investments Limited	Beneficial owner	150	15%
忻州開發天陽鈦業 有限責任公司 (Xinzhou Tianyang Titanium Co., Ltd.)	山西神利航天鈦業 有限公司 (Shenxi Shenli Aerospace Titanium Co., Ltd.)	Beneficial owner	Not applicable	10%
杉杉投資控股有限公司 (ShanShan Investments Holding Co., Ltd.)	Harbin Songjiang	Beneficial owner	Not applicable	24.92%
赤峰金劍銅業有限公司 (Chi Feng Jin Jian Copper Company Limited)	赤峰松江金劍礦業 有限責任公司 (Chifeng Songjiang Jinjian Mining Limited Liability Company)	Beneficial owner	Not applicable	40%

Save as disclosed in this circular, so far as is known to the Directors, there is no other person who had an interest or short position in the shares and underlying shares of the Company which could fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group, within the two years preceding the Latest Practicable Date and are or may be material:

- (a) an agreement dated 26 May 2005 entered into between山西神利航天鈦業有限公司 (Shanxi Shenli Aerospace Titanium Co., Ltd.) (“**Shanxi Shenli**”) and the Dai County People’s Government of Shanxi Province in relation to the transfer of mining rights and assets in relation to a natural rutile mine known as 山西代縣金紅石礦 (the “**Mine**”) to Shanxi Shenli;
- (b) a mining rights premium agreement dated 30 June 2006 entered into between Shanxi Shenli and Xinzhou Bureau of Land and Resources pursuant to which Shanxi Shenli agreed to pay to Xinzhou Bureau Land and Resources the mining rights premium in relation to the Mine in the total sum of RMB67,464,724.8 which are payable in six installments;
- (c) a placing agreement dated 7 July 2006 entered into between the Company and Goldbond Securities Limited in relation to the placing of up to 1,150,000,000 Shares;
- (d) a formal sale and purchase agreement dated 12 July 2006 entered into between, among other persons, the Company and AIM Elite Limited, Long Cheer Group Limited, Fit Plus Limited and See Good Group Limited in relation to the acquisition of 57% equity interests in Lead Sun Investments Limited (“**Lead Sun**”) and all amount owing from Lead Sun to AIM Elite Limited, Long Cheer Group Limited, Fit Plus Limited and See Good Group Limited by the Company;
- (e) the sale and purchase agreement dated 11 March 2007 entered into between the Company as purchaser and 赤峰金劍銅業有限公司 (Chi Feng Jin Jian Copper Company Limited), 蘇慶玉 (Su Qingyu), 王世遠 (Wang Shiyuan), 吳延忠 (Wu Yanzhong), 賀啟奎 (He Qikui), 劉曉波 (Liu Xiaobo), 矯海龍 (Jiao Hailong), 韓殿生 (Han Diansheng), 鞠海坤 (Ju Haikun), 陳旭東 (Chen Xudong), 李洪勝 (Li Hongsheng), 董文學 (Dong Wenxue) and 陳士忠 (Chen Shizhong) as the vendors, in relation to the sale of 75.08% of the equity interest in Harbin Songjiang to the Company.

- (f) a joint venture deed dated 18 May 2007 entered into between the Company and GOVI Highpower Exploration, Inc., for the purpose of, inter alia, establishing a BVI JV Company, a Hong Kong Company and a PRC Company to undertake mining exploration and development projects in the Fujian province of the PRC;
- (g) a placing agreement dated 21 June 2007 entered into between the Company and Morgan Stanley & Co. International plc. in relation to the placing of up to 1,305,872,000 Shares; and
- (h) the Subscription Agreement.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

8. MATERIAL CHANGE

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2006, the date to which the latest published audited accounts of the Group were made up.

9. EXPERT AND CONSENT

- (a) The following is the qualification of the expert who has given opinions and advice which are included in this circular:

Name	Qualification
Hercules Capital Limited	a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities as defined under the SFO

- (b) Hercules Capital Limited does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

- (c) Hercules Capital Limited has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.
- (d) Hercules Capital Limited does not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2006, the date to which the latest published audited financial statements of the Group were made up.

10. MISCELLANEOUS

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at Room 1306, 13th Floor, Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong.
- (c) The company secretary of the Company is Ms. Leung Lai Ming. Ms. Leung is an associate member of both Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (d) The qualified accountant of the Company is Mr. Yeung Kwok Kuen. Mr. Yeung is a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.
- (e) The branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at Rooms 1806-7, 18/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company at Room 1306, 13th Floor, Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong, up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the audited consolidated financial statements of the Group for the two years ended 31 December 2006;

- (c) the letters of consent referred to under the paragraph headed “Expert and Consent” in this appendix;
- (d) a copy of the material contract(s) referred to in the paragraph headed “Material Contracts” in this appendix;
- (e) the letter from Hercules Capital Limited containing its advice to the Independent Shareholders and the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular; and
- (f) the letter of recommendation from the Independent Board Committee containing its advice to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular.

NOTICE OF SPECIAL GENERAL MEETING



CHINA MINING RESOURCES GROUP LIMITED

中國礦業資源集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00340)

NOTICE IS HEREBY GIVEN that a special general meeting of China Mining Resources Group Limited 中國礦業資源集團有限公司* (the “**Company**”) will be held at Room 1306, 13/F., Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong on 21 August 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company, with or without amendments:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the conditional subscription agreement (the “**Subscription Agreement**”, a copy of which having been produced at the meeting marked “A” and initialled by the Chairman of the meeting for the purpose of identification) dated 13 July 2007 and entered into between the Company and Mr. Wu King Shiu Kelvin (胡景邵), Mr. Dong Wenxue (董文學), Mr. Wang Hui (王輝), Mr. Yeung Kwok Kuen (楊國權), Mr. Yin Guangyuan (尹光遠), Mr. Qiao Hongbo (喬洪波), Mr. Su Qingyu (蘇慶玉) and Mr. Qu Yanchun (曲彥春) (collectively the “**Subscribers**”) in relation to (i) the subscriptions of a total of 157,070,000 new shares of HK\$0.10 each in the capital of the Company (the “**Total Subscription Shares**”) by the Subscribers and (ii) the repurchases of the Total Subscription Shares from the Subscribers by the Company, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the Subscriptions (as defined in the circular of the Company dated 6 August 2007 (the “**Circular**”), a copy of which having been produced to the meeting marked “B” and initialled by the Chairman of the meeting for the purpose of identification) and the allotment and issue of the Total Subscription Shares by the Company to the Subscribers upon and subject to the terms of the Subscription Agreement be and are hereby approved;
- (c) the Share Repurchases (as defined in the Circular) and the exercise of the discretion by the board of directors of the Company for and on behalf of the Company to effect each and all of the Share Repurchases for and on behalf of the Company in such manner as deemed appropriate by the board of directors of the Company, and upon and subject to the terms of the Subscription Agreement be and are hereby approved; and

* For identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

- (d) any one director of the Company, or any two directors of the Company if the affixation of the commons seal is required, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in the Subscription Agreement (including, but not limited to, completion thereof.), the Subscriptions, the Share Repurchases and matters contemplated thereunder.”

By the Order of the Board of
China Mining Resources Group Limited
Leung Lai Ming
Company Secretary

Hong Kong, 6 August 2007

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Notes:

1. A member entitled to attend and vote at the above meeting may appoint a proxy to attend and, on a poll vote on his behalf and such proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed. If you are not able to attend the above meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon.
3. In order to be valid, the form of proxy, together with any power of attorney or authority under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1806-7, 18/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Where there are joint holders of a share of the Company, any one of such holders may vote at the above meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders are present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.
5. Resolution numbered 1 shall be voted by way of poll by the Independent Shareholders (as defined in the Circular).

As at the date hereof, the Board of Directors of the Company comprises Mr. Cai Yuan, Mr. Dong Wenxue, Mr. Wang Hui, Mr. Wu King Shiu Kelvin and Mr. Yeung Kwok Kuen as Executive Directors, Mr. Lam Ming Yung as Non-executive Director and Mr. Chan Siu Tat, Mr. Chu Kang Nam and Mr. Wong Hon Sum as Independent Non-executive Directors.