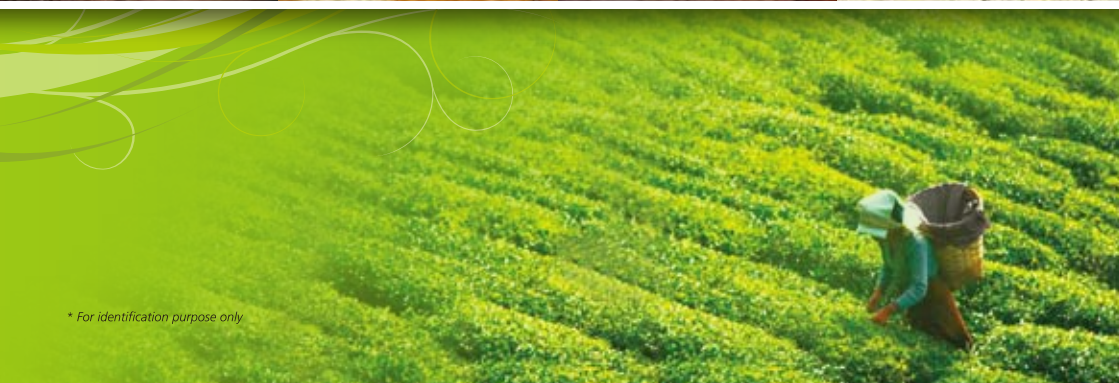




中國礦業資源集團有限公司\*  
China Mining Resources Group Limited  
(Incorporated in Bermuda with limited liability)  
Stock Code: 340

Interim Report  
2009



\* For identification purpose only

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# Corporate Information

## **DIRECTORS**

### **Executive Directors:**

You Xian Sheng (*Chairman*)

Chen Shou Wu (*Deputy Chairman and Chief Executive Officer*)

Wang Hui

Yeung Kwok Kuen (*Chief Financial Officer*)

### **Non-executive Director:**

Lam Ming Yung

### **Independent Non-executive Directors:**

Chan Sze Hon

Chu Kang Nam

Goh Choo Hwee

Lin Xiang Min

## **AUDIT COMMITTEE**

Chan Sze Hon (*Chairman*)

Chu Kang Nam

Goh Choo Hwee

## **REMUNERATION COMMITTEE**

Chan Sze Hon (*Chairman*)

Chu Kang Nam

Goh Choo Hwee

Yeung Kwok Kuen

## **COMPANY SECRETARY**

Leung Lai Ming

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

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

## **REGISTERED OFFICE**

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## **PRINCIPAL SHARE REGISTRAR**

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM 08  
Bermuda

## **HONG KONG BRANCH SHARE REGISTRAR**

Computershare Hong Kong Investor Services Limited  
46th Floor Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **AUDITORS**

Deloitte Touche Tohmatsu  
35/F One Pacific Place  
88 Queensway  
Hong Kong

## **PRINCIPAL BANKERS**

Industrial and Commercial Bank of China (Asia) Limited  
UBS AG  
China Construction Bank  
Agricultural Bank of China

## **STOCK CODE**

00340

## **COMPANY WEBSITE**

[www.chinaminingresources.com](http://www.chinaminingresources.com)

# Management Discussion and Analysis

## RESULTS REVIEW

For the six months ended 30 June 2009, China Mining Resources Group Limited (the “Company”) together with its subsidiaries (the “Group”) recorded a consolidated revenue of HK\$65,728,000 (six months ended 30 June 2008: HK\$274,613,000), a decrease of 76% over the corresponding period in 2008. The decrease in revenue was mainly due to significant fall of mining business revenue generated from Harbin Songjiang Copper (Group) Company Limited (“Harbin Songjiang”) and its subsidiaries (“Harbin Songjiang Group”), partially offset by new revenue contributed by the tea business as a result of the acquisition of 80% interest in King Gold Investments Limited (“King Gold”) (the “Acquisition”) and its subsidiaries (“King Gold Group”) during the period.

The Group’s unaudited profit attributable to equity shareholders amounted to HK\$8,286,000 (six months ended 30 June 2008: loss of HK\$465,239,000). In particular, impairment losses on property, plant and equipment and prepaid lease payments of HK\$55,408,000 (attributable to equity shareholders of HK\$41,600,000) and impairment losses on intangible assets, exploration and evaluation assets of HK\$12,318,000 (attributable to equity shareholders of HK\$9,248,000) were made during the period. The impaired assets had no significant contribution to the Group’s turnover for the six months ended 30 June 2009. On exclusion of the above impairment losses, the Group’s earnings before interest, taxes, depreciation and amortisation (“EBITDA”) for the six months ended 30 June 2009 was HK\$79,908,000 (six months ended 30 June 2008: HK\$108,522,000).

## REVIEW OF OPERATIONS

### Harbin Songjiang Group

Harbin Songjiang is based in Harbin, Heilongjiang Province, the People’s Republic of China (the “PRC”) and specialises in the mining and processing of molybdenum, copper and zinc, of which molybdenum accounts for the majority of its production and earnings.

Harbin Songjiang Group contributed HK\$36,501,000 (six months ended 30 June 2008: HK\$274,613,000) and HK\$97,337,000 (six months ended 30 June 2008: HK\$48,757,000) to the Group’s turnover and loss respectively for the six months ended 30 June 2009. The loss for the period was primarily due to impairment losses in aggregate of HK\$67,726,000 (six months ended 30 June 2008: HK\$63,184,000) made for assets of Harbin Songjiang Group.

# Management Discussion and Analysis

## REVIEW OF OPERATIONS (Continued)

### Harbin Songjiang Group (Continued)

#### *Turnover*

Mining business revenue for the six months ended 30 June 2009 decreased by 87% to HK\$36,501,000 compared to corresponding period in 2008. The reduction is triggered by the plunge in selling price, as evidenced from a nearly 64% drop in unit average selling price of molybdenum in the first half of year 2009 in the market. The impact of price decrease was coupled with a reduction in sales volume. In the light of the decrease in market price, management of Harbin Songjiang Group strategically slackened its selling efforts until the market price recovering. Furthermore, as stated in the annual report of the Company for the financial year ended 31 December 2008 (“2008 Annual Report”), the management of Harbin Songjiang Group has suspended the production of molybdenum mine for maintenance and improvement from December 2008, and the maintenance and improvement were precautionary measures taken in relation to the subsidence of a small area of land discovered above the hollow section of the mine on 14 December 2008. The production was resumed in August 2009, however, the management of Harbin Songjiang Group expected the production capacity of the molybdenum mine would be decreased following the land reclamation and cavity refill activities.

Revenue generated from ferro molybdenum, copper and zinc and others were HK\$29,352,000, HK\$7,047,000 and HK\$102,000 (six months ended 30 June 2008: HK\$216,892,000, HK\$51,164,000 and HK\$6,557,000), respectively. The average selling prices for ferro molybdenum and copper were HK\$109,933 per tonne and HK\$36,780 per tonne (six months ended 30 June 2008: HK\$308,800 per tonne and HK\$53,162 per tonne), respectively.

#### *Cost of Sales and Gross Profit*

The cost of sales of Harbin Songjiang Group for the six months ended 30 June 2009 was HK\$20,882,000 (six months ended 30 June 2008: HK\$143,438,000) and the gross profit margin was 43% (six months ended 30 June 2008: 48%). The decrease in gross profit margin was mainly caused by the sharp decrease in the selling price during the period.

# Management Discussion and Analysis

## REVIEW OF OPERATIONS (Continued)

### Harbin Songjiang Group (Continued)

#### *Impairment losses on exploration and evaluation assets*

The Group has performed exploration in certain locations in Inner Mongolia, Heilongjiang and Henan during the period and the period before. After evaluating the exploration results, the directors of the Company considered that it is not commercially viable to continue the exploration in such locations and the relevant exploration and evaluation assets should be impaired. Accordingly, an impairment loss of HK\$12,318,000 was recognised in the consolidated statement of comprehensive income during the period.

#### *Impairment losses on property, plant and equipment and prepaid lease payments*

In view of increase of cost of production and decrease of market price of silicon, the directors of the Company decided to terminate the development of production of silicon-related products and the construction of related facilities, processing plant and production plant. Accordingly, the carrying amount of the related processing plant and production plant of approximately HK\$50,723,000 was recognised as impairment loss in the consolidated statement of comprehensive income during the period.

### King Gold Group

The Group commenced its tea business since 30 April 2009 after the acquisition of 80% interest in King Gold. King Gold Group is principally engaged in cultivation, research, production and sale of Chinese tea products, and its products are recognised in the PRC as premium tea products and widely distributed throughout the country.

The completion of the Acquisition during the period provided the Group with an immediate revenue stream and cash. During the post-acquisition period, King Gold Group contributed HK\$29,227,000 and HK\$13,731,000 to the Group's turnover and profit for the six months ended 30 June 2009 respectively.

### Rutile Mining

The rutile mine owned by the Group covers an area of two square kilometers with an estimated exploitation potential of approximately 1,900,000 tonnes. Depending on the development of market conditions, the construction of the rutile mine as held by it would be temporarily suspended due to the increase in construction costs and land premium in respect of the premises on which the plant of the rutile mine is to be situated and the neighboring land area, as well as the decrease in market price of rutile related products.

# Management Discussion and Analysis

## **REVIEW OF OPERATIONS** (Continued)

### **Rutile Mining** (Continued)

In this connection, it is difficult to predict whether the rutile mine will resume construction. A full impairment loss for the mining rights was already recognised in the consolidated income statement of the Group for the year ended 31 December 2008.

In addition, as stated in note 36 of the 2008 Annual Report of the Company, there are disputes between two former shareholders of Top Rank International Group Limited, which owns 90% equity interest in Shanxi Shenli Aerospace Titanium Company Limited, the company which holds the rutile mine. Based on advice from the Company's PRC legal adviser, there will be no effect to the Group's ownership and operations of the mine. Moreover, the litigations have already brought obsession to shareholders and investors of the Company, therefore we will continue to explore options to best utilise our rutile assets.

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

The Group invested in several Canada listed companies which were held for long-term investments and for the purposes of capital gain and dividend income during the six months ended 30 June 2009.

The Group has disposed through the market the shares of several Canada listed companies and other securities and has realised a net gain of approximately HK\$64,966,000 during the six months ended 30 June 2009.

### **Acquisition and disposal of convertible notes of China Shen Zhou Mining and Resources, Inc.**

The Group has acquired from Citadel Equity Fund Ltd. 6.75% senior convertible notes due 2012 in the principal amount of US\$28,000,000 ("Convertible Notes") issued by China Shen Zhou Mining & Resources, Inc ("CSZ"), whose shares are listed on NYSE Amex, for a total consideration of US\$7,000,000 on 9 April 2009. The Group has subsequently disposed the Convertible Notes at the consideration of US\$9,000,000 and has realised a net gain of approximately HK\$15,815,000 in August 2009.

# Management Discussion and Analysis

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

As at 30 June 2009, the Group had total assets and net assets of HK\$2,515,396,000 (31 December 2008: HK\$2,360,299,000) and HK\$1,463,004,000 (31 December 2008: HK\$1,257,595,000), respectively. The current ratio was 1.70, as compared to 1.74 as of year ended 31 December 2008.

The Group had bank balances and cash amounted to approximately HK\$574,578,000 (31 December 2008: HK\$1,000,408,000), of which most were denominated in Renminbi and Hong Kong dollars.

At the balance sheet date, the Group had (i) borrowings from minority shareholders of HK\$150,636,000 (31 December 2008: HK\$150,636,000) which were all interest-free, (ii) bank borrowings of HK\$181,696,000 (31 December 2008: HK\$170,535,000) which were interest-bearing at floating rates with reference to the prevailing borrowing rate quoted by the People's Bank of China and (iii) other loans of HK\$6,588,000 (31 December 2008: HK\$6,014,000), of which HK\$1,136,000 was interest-free and HK\$4,872,000 and HK\$580,000 were interest-bearing at 2.55% and 2.40% respectively per annum. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 25.6% (31 December 2008: 28.9%).

## **FOREIGN EXCHANGE RISK MANAGEMENT**

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

## **SHARE CAPITAL**

On 8 April 2009, the Company issued 104,132,000 new shares as part of the consideration paid for the acquisition of Convertible Notes (as stated in heading "Acquisition and disposal of convertible notes of China Shen Zhou Mining and Resources, Inc." as above).

As at 30 June 2009, the Company had 6,130,784,853 shares in issue with total shareholders' fund of the Group amounting to approximately HK\$613,078,000.



# Management Discussion and Analysis

## **CONTINGENT LIABILITIES**

Certain bank loans of the Group as at 30 June 2008 were guaranteed by a third party. In return, a subsidiary of the Group has provided guarantees for certain bank loans totaling HK\$56,760,000 (equivalent to RMB50,000,000) in favour of the same third party.

Save as disclosed above, the Group has no other contingent liabilities as at 30 June 2009.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

On 30 April 2009, the Group acquired 80% of the issued capital of King Gold for a total consideration of HK\$640,000,000, of which HK\$500,000,000 was settled by cash and the remaining balance of HK\$140,000,000 is to be satisfied by the issue and allotment of shares of the Company subject to adjustment as stated in the circular of the Company dated 27 March 2009.

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2009.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2009, the Group had 13 and 1,613 employees in Hong Kong and Mainland China respectively.

Employees are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include medical scheme, group insurance, mandatory provident fund for Hong Kong employees, social insurance packages for Mainland China employees, performance bonus and share option scheme.

According to the share option scheme adopted by the Company on 26 June 2002, share options may be granted to directors, employees and other eligible participants of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

# Management Discussion and Analysis

## **PROSPECTS**

The past six months has seen challenging for the Group, as the production of molybdenum mine was suspended for maintenance and improvement and the output of copper and the iron mines decreased due to the aging of the mines. The Group has tackled the challenges of the past months squarely and effectively and the management has done their utmost to mitigate the downside impact on the business. The production of molybdenum mine was resumed since August 2009. Furthermore, during the first half of 2009, the Group completed the previously announced acquisitions of King Gold Group and the Convertible Notes. King Gold Group has contributed an immediate stream of revenue to the Group. In addition, the Group has realised a gain of approximately HK\$64,966,000 through investments in shares of listed companies in Canada.

Above all, the Group remains well-positioned and well-prepared to exploit the investment opportunities available to the Group across our various business streams. In conclusion, despite the macroeconomic uncertainty, we are confident in the Group's continuing ability to deliver results.

# Report on Review of Interim Financial Information

## **INTRODUCTION**

We have reviewed the interim financial information set out on pages 12 to 43, which comprises the condensed consolidated statement of financial position of China Mining Resources Group Limited (the “Company”) and its subsidiaries as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **SCOPE OF REVIEW**

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“HKSRE 2410”) issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

# Report on Review of Interim Financial Information

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period ended 30 June 2008 and the relevant explanatory notes disclosed in the interim financial information have not been reviewed in accordance with HKSRE 2410.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

11 September 2009

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2009</b>	<b>2008</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Continuing operations</b>			
Revenue		<b>65,728</b>	274,613
Cost of sales		<b>(31,409)</b>	(143,438)
Gross profit		<b>34,319</b>	131,175
Other income		<b>99,205</b>	16,917
Distribution and selling expenses		<b>(3,664)</b>	(3,020)
Administrative expenses		<b>(60,422)</b>	(106,437)
Finance costs	4	<b>(8,990)</b>	(13,197)
Impairment losses on property, plant and equipment and prepaid lease payments	10	<b>(55,408)</b>	(34,348)
Impairment losses on intangible assets, exploration and evaluation assets	10	<b>(12,318)</b>	(828,733)
Loss before tax		<b>(7,278)</b>	(837,643)
Income tax expense	5	<b>(8,660)</b>	(31,864)
Loss for the period from continuing operations	7	<b>(15,938)</b>	(869,507)
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	6	<b>—</b>	(414)
Loss for the period		<b>(15,938)</b>	(869,921)

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Notes	Six months ended 30 June	
		2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
<b>Other comprehensive (expense) income</b>			
Exchange differences arising on translation		(259)	305,793
Fair value loss on available-for-sale financial assets		(1,506)	(1,159)
Other comprehensive (expense) income for the period		(1,765)	304,634
Total comprehensive expense for the period		(17,703)	(565,287)
Profit (loss) for the period attributable to:			
Owners of the Company		8,286	(465,239)
Minority interests		(24,224)	(404,682)
		(15,938)	(869,921)
Total comprehensive income (expense) attributable to:			
Owners of the Company		6,739	(261,668)
Minority interests		(24,442)	(303,619)
		(17,703)	(565,287)
Earnings (loss) per share	9		
From continuing and discontinued operations			
Basic		<u>HK0.14 cents</u>	<u>(HK7.72 cents)</u>
Diluted		<u>HK0.13 cents</u>	<u>(HK7.72 cents)</u>
Earnings (loss) per share	9		
From continuing operations			
Basic		<u>HK0.14 cents</u>	<u>(HK7.71 cents)</u>
Diluted		<u>HK0.13 cents</u>	<u>(HK7.71 cents)</u>

# Condensed Consolidated Statement of Financial Position

At 30 June 2009

		<b>30 June 2009</b>	31 December 2008
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(audited)
<b>Non-current Assets</b>			
Property, plant and equipment	10	217,135	218,441
Prepaid lease payments		48,315	71,951
Exploration and evaluation assets	10	—	11,229
Goodwill		511,381	—
Intangible assets	11	625,484	546,777
Interests in jointly controlled entities		—	—
Available-for-sale investments	12	35,812	72,121
Deposit for acquisition of subsidiaries		—	100,000
Deposit for acquisition of property, plant and equipment		5,059	—
Other receivables		—	968
		<u>1,443,186</u>	<u>1,021,487</u>
<b>Current Assets</b>			
Inventories		247,209	209,050
Trade and other receivables	13	131,942	126,644
Prepaid lease payments		1,026	2,120
Held-for-trading investments		71,638	590
Bank balances and cash		574,578	1,000,408
		<u>1,026,393</u>	<u>1,338,812</u>
Assets held for sale	16	45,817	—
		<u>1,072,210</u>	<u>1,338,812</u>
<b>Current Liabilities</b>			
Amounts due to jointly controlled entities	15	476	758
Amounts due to minority shareholders	15	150,636	150,636
Trade and other payables	14	277,916	358,895
Tax liabilities		33,539	100,536
Bank borrowings	17	147,628	136,428
Other borrowings	17	1,716	1,137
Provisions	18	18,387	20,363
		<u>630,298</u>	<u>768,753</u>
<b>Net Current Assets</b>		<u>441,912</u>	<u>570,059</u>
<b>Total Assets less Current Liabilities</b>		<u>1,885,098</u>	<u>1,591,546</u>

# Condensed Consolidated Statement of Financial Position

At 30 June 2009

		<b>30 June 2009</b>	31 December 2008
	<i>Notes</i>	<i>HK\$'000</i> <b>(unaudited)</b>	<i>HK\$'000</i> (audited)
<b>Capital and Reserves</b>			
Issued capital	21	<b>613,078</b>	602,665
Share premium and reserves		<b>710,155</b>	529,615
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>1,323,233</b>	1,132,280
Minority interests		<b>139,771</b>	125,315
		<hr/>	<hr/>
<b>Total Equity</b>		<b>1,463,004</b>	1,257,595
		<hr/>	<hr/>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		<b>68,857</b>	42,077
Bank borrowings	17	<b>34,068</b>	34,107
Other borrowings	17	<b>4,872</b>	4,877
Deferred income	19	<b>68,705</b>	46,644
Other long term payables	20	<b>125,127</b>	85,642
Provisions	18	<b>120,465</b>	120,604
		<hr/>	<hr/>
		<b>422,094</b>	333,951
		<hr/>	<hr/>
		<b>1,885,098</b>	1,591,546
		<hr/>	<hr/>

The consolidated financial statements on pages 12 to 43 were approved and authorised for issue by the Board of Directors on 11 September 2009 and are signed on its behalf by:

**Chen Shou Wu**

*Director*

**Yeung Kwok Kuen**

*Director*



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Issued capital	Share premium	Contributed surplus	Statutory surplus reserve	Capital reserve	Share options reserve	Investment revaluation reserve	Translation reserve	Issuable shares	Accumulated losses	Attributable to owners of the company	Minority interests	Total
	HKS '000	HKS '000	HKS '000	HKS '000 (Note ii)	HKS '000 (Note iii)	HKS '000	HKS '000	HKS '000	HKS '000 (Note 24)	HKS '000	HKS '000	HKS '000	HKS '000
At 1 January 2008	602,665	3,080,571	152,150	26,372	—	142,976	—	161,233	—	(173,075)	3,992,892	1,660,142	5,653,034
Loss on change in fair value of available-for-sale investments	—	—	—	—	—	—	(1,159)	—	—	—	(1,159)	—	(1,159)
Exchange differences arising on translation	—	—	—	—	—	—	—	204,730	—	—	204,730	101,063	305,793
Loss for the period	—	—	—	—	—	—	—	—	—	(465,239)	(465,239)	(404,682)	(869,921)
Total comprehensive income for the period	—	—	—	—	—	—	(1,159)	204,730	—	(465,239)	(261,668)	(303,619)	(565,287)
Cancellation of discounted shares	—	—	—	—	—	(3,470)	—	—	—	17,756	14,286	—	14,286
Dividends paid to minority interests	—	—	—	—	—	—	—	—	—	—	—	(22,763)	(22,763)
Transfer	—	—	—	68,284	—	—	—	—	—	(68,284)	—	—	—
Reduction of share premium and contributed surplus (Note i)	—	(219,091)	(152,150)	—	—	—	—	—	—	371,241	—	—	—
Subtotal	—	(219,091)	(152,150)	68,284	—	(3,470)	—	—	—	320,713	14,286	(22,763)	(8,477)
At 30 June 2008 (unaudited)	602,665	2,861,480	—	94,656	—	139,506	(1,159)	365,963	—	(317,601)	3,745,510	1,333,760	5,079,270
Gain on change in fair value of available-for-sale investments	—	—	—	—	—	—	1,753	—	—	—	1,753	—	1,753
Exchange differences arising on translation	—	—	—	—	—	—	—	61,127	—	—	61,127	(6,987)	54,140
Loss for the period	—	—	—	—	—	—	—	—	—	(2,709,369)	(2,709,369)	(1,166,807)	(3,876,176)
Total comprehensive income for the period	—	—	—	—	—	—	1,753	61,127	—	(2,709,369)	(2,646,489)	(1,173,794)	(3,820,283)
Recognition of equity-settled share-based payments	—	—	—	—	—	51,015	—	—	—	(17,756)	33,259	—	33,259
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(1,132)	(1,132)
Cancellation of share options	—	—	—	—	—	(155,661)	—	—	—	155,661	—	—	—
Dividend paid to minority interests	—	—	—	—	—	—	—	—	—	—	—	(33,519)	(33,519)
Transfer	—	—	—	825	18,121	—	—	—	—	(18,946)	—	—	—
Subtotal	—	—	—	825	18,121	(104,646)	—	—	—	118,959	33,259	(34,651)	(1,392)
At 31 December 2008 and 1 January 2009 (audited)	602,665	2,861,480	—	95,481	18,121	34,860	594	427,090	—	(2,908,011)	1,132,280	125,315	1,257,595
Gain on change in fair value of available-for-sale investments	—	—	—	—	—	—	9,631	—	—	—	9,631	—	9,631
Release upon disposal of available-for-sale investments	—	—	—	—	—	—	(11,137)	—	—	—	(11,137)	—	(11,137)
Exchange differences arising on translation	—	—	—	—	—	—	—	(41)	—	—	(41)	(218)	(259)
Profit (loss) for the period	—	—	—	—	—	—	—	—	—	8,286	8,286	(24,224)	(15,938)
Total comprehensive income for the period	—	—	—	—	—	—	(1,506)	(41)	—	8,286	6,739	(24,442)	(17,703)

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Issued capital	Share premium	Contributed surplus	Statutory surplus reserve	Capital reserve	Share options reserve	Investment revaluation reserve	Translation reserve	Issuable shares	Accumulated losses	Attributable to owners of the company	Minority interests	Total
	HKS'000	HKS'000	HKS'000	HKS'000 (Note ii)	HKS'000 (Note iii)	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000 (Note 24)	HKS'000	HKS'000	HKS'000
Shares issued	10,413	16,631	—	—	—	—	—	—	—	—	27,044	—	27,044
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	157,170	—	157,170	38,898	196,068
Cancellation of share options	—	—	—	—	—	(1,488)	—	—	—	1,488	—	—	—
Transfer	—	—	—	—	699	—	—	—	—	(699)	—	—	—
Subtotal	10,413	16,631	—	—	699	(1,488)	—	—	157,170	789	184,214	38,898	223,112
At 30 June 2009 (unaudited)	613,078	2,878,111	—	95,481	18,820	33,372	(912)	427,049	157,170	(2,898,936)	1,323,233	139,771	1,463,004

## Notes:

- (i) Pursuant to a special resolution passed at Annual General Meeting of the Company on 23 May 2008 and with the sanction of the Register of Companies of Bermuda dated 4 June 2008, share premium and contributed surplus were eliminated against an equal amount of accumulated losses of the Company effective on 23 May 2008.
- (ii) According to the relevant the People's Republic of China ("PRC") rules and regulations, subsidiaries of the Group established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to equity owners of these subsidiaries. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.
- (iii) Pursuant to regulations 《高危害行業企業安全生產費用財務管理暫行辦法》 in the PRC relating to the mining industry, the Group is required to transfer an amount to the capital reserve account. The amount is calculated based on the volume of ores excavated each year and at the applicable rate per tonne of ores ("Appropriation for Mining Company"). The utilisation of the amount in the capital reserve account will be used on modification and maintenance of safety equipment in accordance with the rules in the PRC Companies law and is not available for distribution to shareholders.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
		<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Notes</i>		<b>(unaudited)</b>	<b>(audited)</b>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>			
		<b>(96,133)</b>	<b>(91,758)</b>
<b>INVESTING ACTIVITIES</b>			
	Proceeds from disposal of available-for-sale investments	<b>100,335</b>	—
	Proceeds from disposal of a subsidiary	<b>6,132</b>	—
	Interest received	<b>1,015</b>	10,075
	Proceeds from disposal of property, plant and equipment	<b>615</b>	56
	Acquisition of subsidiaries	<b>(409,800)</b>	—
	Purchase of property, plant and equipment	<b>(18,314)</b>	(23,887)
	Purchase of exploration and evaluation assets	<b>(1,106)</b>	(6,513)
	Purchase of available-for-sale investment	—	(16,407)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>			
		<b>(321,123)</b>	<b>(36,676)</b>
<b>FINANCING ACTIVITIES</b>			
	Interest paid	<b>(8,990)</b>	(8,157)
	Repayment of bank borrowings and other borrowings	—	(11,352)
	Dividend paid to minority interests	—	(22,763)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>			
		<b>(8,990)</b>	<b>(42,272)</b>
	Net decrease in cash and cash equivalents	<b>(426,246)</b>	(170,706)
	Cash and cash equivalents at 1 January	<b>1,000,408</b>	1,247,594
	Effect of foreign exchange rate changes	<b>416</b>	15,735
	Cash and cash equivalents at end of the period	<b>574,578</b>	1,092,623

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 1. BASIS OF PREPARATION

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 December 2008. In addition, the following accounting policy has been adopted by the Group for the first time:

### **Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of the assets’ previous carrying amount and fair value less estimated costs to sell.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning on 1 January 2009.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **HKFRS 8 “Operating Segments”**

(effective for annual periods beginning on or after 1 January 2009)

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with the predecessor standard, HKAS 14 “Segment Reporting” (see note 3).

### **HKAS 1 (revised 2007) “Presentation of Financial Statements”**

(effective for annual periods beginning on or after 1 January 2009)

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

The Group has not early applied any new and revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised in 2008) may affect the Group’s accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised in 2008) will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary. The directors of the Company (the “Directors”) anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss. In the current period, a new reportable segment, Tea, is presented under HKFRS 8 which represents the business engaged in cultivating and sales of tea which the Group was acquired in April 2009 and becoming a new business to the Group in current period.

The Group's reportable segments under HKFRS 8 are as follows:

### **Continuing operations**

1. Molybdenum — mining, processing and sale of molybdenum
2. Copper and zinc — mining, processing and sales of copper and zinc
3. Others — mining, processing and sales of other minerals such as rutile, silicon and iron
4. Tea products — cultivating and sales of tea (a new division for the six months ended 30 June 2009)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 3. SEGMENT INFORMATION (Continued)

### Discontinued operation

#### *Cord blood — processing and storage of cord blood*

The Group was involved in the processing and storage of cord blood, which was reported as a separate segment under HKAS 14 in previous year. That operation was discontinued with effect from 21 November 2008 (Note 6).

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

### Six months ended 30 June 2009

	Continuing operations				Sub-total HK\$'000	Discontinued operation	Total HK\$'000
	Molybdenum HK\$'000	Copper and zinc HK\$'000	Tea products HK\$'000	Others HK\$'000		Cord blood HK\$'000	
<b>REVENUE</b>							
Segment revenue — external sales	<u>29,352</u>	<u>7,047</u>	<u>29,227</u>	<u>102</u>	<u>65,728</u>	—	<u>65,728</u>
<b>RESULT</b>							
Segment result	<u>2,090</u>	<u>(769)</u>	<u>18,700</u>	<u>(14,834)</u>	5,187	—	5,187
Unallocated corporate income					86,892	—	86,892
Unallocated corporate expenses					(90,367)	—	(90,367)
Finance costs					<u>(8,990)</u>	—	<u>(8,990)</u>
Loss before tax					<u>(7,278)</u>	—	<u>(7,278)</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 3. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2008

	Continuing operations			Sub-total <i>HK\$'000</i>	Discontinued operation	Total <i>HK\$'000</i>
	Molybdenum <i>HK\$'000</i>	Copper and zinc <i>HK\$'000</i>	Others <i>HK\$'000</i>		Cord blood <i>HK\$'000</i>	
<b>REVENUE</b>						
Segment revenue —						
external sales	<u>216,892</u>	<u>51,164</u>	<u>6,557</u>	<u>274,613</u>	<u>12,416</u>	<u>287,029</u>
<b>RESULT</b>						
Segment result	<u>99,960</u>	<u>(4,482)</u>	<u>31,819</u>	127,297	(348)	126,949
Unallocated						
corporate income				12,168	—	12,168
Unallocated						
corporate expenses				(963,911)	—	(963,911)
Finance costs				<u>(13,197)</u>	<u>—</u>	<u>(13,197)</u>
Loss before tax				<u>(837,643)</u>	<u>(348)</u>	<u>(837,991)</u>

Segment profit represents the profit earned by each segment without allocation of gain on fair value of held-for-trading investments, gain on disposal of available-for-sale investments, impairment losses on property, plant and equipment, prepaid lease payments, intangible assets and exploration and evaluation assets, interest income and finance costs. This is the measure reported to management for the purposes of resource allocation and performance assessment.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 4. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Continuing operations:</b>		
Interest on bank and other borrowings wholly repayable within five years	5,071	8,157
Imputed interest on long term payable and provisions	3,919	5,040
	<u>8,990</u>	<u>13,197</u>

## 5. INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Continuing operations:</b>		
Current tax:		
People's Republic of China (the "PRC")		
Enterprise Income Tax	1,895	71,019
	<u>1,895</u>	71,019
Deferred taxation:		
Current period	6,765	(39,157)
Attributable to a change in tax rate	—	2
	<u>8,660</u>	<u>31,864</u>
<b>Discontinued operation:</b>		
Deferred taxation:		
Hong Kong	—	53
Attributable to change in tax rate	—	13
	<u>—</u>	<u>66</u>
Income tax expense relating to continuing and discontinued operations	<u>8,660</u>	<u>31,930</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 5. INCOME TAX EXPENSE (Continued)

No provision for Hong Kong Profits Tax has been made in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2009 as the Group had no assessable profit arising in Hong Kong.

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

## 6. DISCONTINUED OPERATION

On 21 November 2008, the Group entered into a sale agreement to dispose of a subsidiary, Cell Therapy Technologies Center Limited ("CTTC"), which was engaged in the Group's processing and storage of cord blood operation. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 21 November 2008, on which date control of CTTC was passed to the acquirer.

The results of the processing and storage of cord blood operations for the period from 1 January 2008 to 30 June 2008, which have been included in the condensed consolidated statement of comprehensive income, were as follows:

	<b>Six months ended 30 June 2008</b> <i>HK\$'000</i>
Revenue	12,416
Cost of sales	<u>(5,125)</u>
Gross profit	7,291
Other income	135
Selling and distribution expenses	(3,298)
Administrative expenses	<u>(4,476)</u>
Loss before tax	(348)
Income tax expense	<u>(66)</u>
Loss for the period	<u>(414)</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 7. LOSS FOR THE PERIOD

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

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2009	2008	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation on property, plant and equipment	9,586	12,754	—	598	9,586	13,352
Amortisation of prepaid lease payments	844	3,250	—	—	844	3,250
Amortisation of intangible assets	—	53,437	—	—	—	53,437
Net foreign exchange (gain) loss	(3,798)	1,522	—	—	(3,798)	1,522
Impairment losses recognised in respect of						
— property, plant and equipment	54,859	5,098	—	—	54,859	5,098
— prepaid lease payments	549	25,035	—	—	549	25,035
— construction in progress	—	4,215	—	—	—	4,215
— exploration and evaluation assets	12,318	12,613	—	—	12,318	12,613
— intangible assets	—	816,120	—	—	—	816,120
(Reversal of) impairment loss on trade and other receivables	(1,083)	446	—	—	(1,083)	446
Government grants	(17,155)	(5,824)	—	—	(17,155)	(5,824)
Interest income	(1,015)	(10,075)	—	—	(1,015)	(10,075)
Gain on disposal of a subsidiary (Note 25)	(6,056)	—	—	—	(6,056)	—
Gain on held-for-trading investments	(16,172)	—	—	—	(16,172)	—
Gain on disposal of available-for-sale investments	(64,966)	—	—	—	(64,966)	—

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 8. DIVIDENDS

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

## 9. EARNINGS (LOSS) PER SHARE

### From continuing and discontinued operations

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

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Earnings</b>		
Profit (loss) for the period attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	<u>8,286</u>	<u>(465,239)</u>
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b>6,075,248</b>	6,026,653
Effect of dilutive potential ordinary shares:		
Issuable shares ( <i>Note 24</i> )	<b>220,126</b>	N/A
Options	<u>272,021</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>6,567,395</u>	<u>6,026,653</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 9. EARNINGS (LOSS) PER SHARE (Continued)

### From continuing operations

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

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Earnings</b>		
Profit (loss) for the period attributable to equity holders of the Company	8,286	(465,239)
Less: Loss for the period from discontinued operation	—	(414)
Profit (loss) for the purposes of basic and diluted earning (loss) per share from continuing operations	<u>8,286</u>	<u>(464,825)</u>

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

### From discontinued operation

For the period ended 30 June 2008, basic loss per share from discontinued operation was HK\$0.0069 cents per share, based on the loss for the period from discontinued operation of approximately HK\$414,000 and the denominators detailed above for basic loss per share from continuing and discontinued operations.

No diluted loss per share had been presented for prior period as the exercise of the share options would result in a decrease in the loss per share.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND EXPLORATION AND EVALUATION ASSETS

During the six months ended 30 June 2009, the Group acquired property, plant and equipment and exploration and evaluation assets, other than from acquisition of subsidiaries (see note 24), of approximately HK\$18,314,000 and HK\$1,106,000, respectively. During the six months period ended 30 June 2008, the Group acquired property, plant and equipment and exploration and evaluation assets of approximately HK\$23,887,000 and HK\$6,513,000, respectively.

In view of the decrease in market price of silicon-related products, the directors of the Company have determined that the operations of Xinganmeng Songjiang Mining Co. Ltd (“Xinganmeng Songjiang”), the subsidiary of Group should be suspended. Accordingly, full impairment loss of related production plant of approximately HK\$50,723,000 and prepaid lease payments of approximately HK\$549,000 were recognised in the consolidated statement of comprehensive income during the current period.

In addition, in view of the decrease in market price of copper, iron and zinc related products, the directors of the Company have determined that the Group will terminate the operation of copper mine, iron mine and zinc mine by the end of 2009. Accordingly, full impairment loss in respect of the related processing plant and production plant of approximately HK\$4,136,000 was recognised in the consolidated statement of comprehensive income during the current period.

The Group performed exploration in certain locations in Inner Mongolia, Heilongjiang and Henan, the PRC, during the period. After evaluating the exploration results, the directors of the Company considered that it is not commercially viable to continue the exploration in such locations, and the related exploration and evaluation assets were impaired. Accordingly, full impairment loss of the carrying amount of approximately HK\$12,318,000 was recognised in the consolidated statement of comprehensive income during the current period.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 11. INTANGIBLE ASSETS

	Mining rights and exploration rights		Brand name		Total	
	Six months ended	Year ended	Six months ended	Year ended	Six months ended	Year ended
	30 June 2009 <i>HK\$'000</i>	31 December 2008 <i>HK\$'000</i>	30 June 2009 <i>HK\$'000</i>	31 December 2008 <i>HK\$'000</i>	30 June 2009 <i>HK\$'000</i>	31 December 2008 <i>HK\$'000</i>
At beginning of the period/year	<b>546,777</b>	4,772,044	—	—	<b>546,777</b>	4,772,044
Additions	—	74	—	—	—	74
Acquisition through business combination (Note 24)	—	—	<b>79,374</b>	—	<b>79,374</b>	—
Exchange adjustments	<b>(667)</b>	304,484	—	—	<b>(667)</b>	304,484
Amortisation during the period	—	(127,455)	—	—	—	(127,455)
Impairment loss recognised in the consolidated statement of comprehensive income	—	(4,387,571)	—	—	—	(4,387,571)
Disposal	—	(14,799)	—	—	—	(14,799)
At end of the period/year	<b>546,110</b>	<b>546,777</b>	<b>79,374</b>	—	<b>625,484</b>	<b>546,777</b>

*Note:* Brand name acquired through business combination during the period is carried at provisional value and is to be finalised upon the completion of valuation undertaken by an independent valuer.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 12. AVAILABLE-FOR-SALE INVESTMENTS

	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Available-for-sale equity investments listed in overseas stock exchange	<u>35,812</u>	<u>72,121</u>

## 13. TRADE AND OTHER RECEIVABLES

	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Trade receivables	77,182	68,686
<i>Less:</i> Allowance for doubtful debts	<u>(4,050)</u>	<u>(4,055)</u>
	<u>73,132</u>	<u>64,631</u>
Other receivables	48,637	49,926
<i>Less:</i> Allowance for doubtful debts	<u>(13,800)</u>	<u>(14,967)</u>
	<u>34,837</u>	<u>34,959</u>
Deposits and prepayments	<u>23,973</u>	<u>27,054</u>
Total trade and other receivables	<u>131,942</u>	<u>126,644</u>

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



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 13. TRADE AND OTHER RECEIVABLES (Continued)

The following is an analysis of trade receivables net of allowance for doubtful debts at the balance sheet date:

	<b>30 June</b> <b>2009</b> <i>HK\$'000</i> <b>(unaudited)</b>	31 December 2008 <i>HK\$'000</i> (audited)
0 — 60 days	<b>49,443</b>	17,847
61 — 90 days	<b>3,736</b>	26,179
Over 90 days	<b>19,953</b>	20,605
	<hr/> <b>73,132</b> <hr/>	<hr/> 64,631 <hr/>

## 14. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	<b>30 June</b> <b>2009</b> <i>HK\$'000</i> <b>(unaudited)</b>	31 December 2008 <i>HK\$'000</i> (audited)
0 — 90 days	<b>11,172</b>	13,823
Over 90 days	<b>6,865</b>	7,668
	<hr/> <b>18,037</b> <hr/>	<hr/> 21,491 <hr/>

## 15. AMOUNTS DUE FROM (TO) JOINTLY CONTROLLED ENTITIES/MINORITY SHAREHOLDERS

The amounts are unsecured, non-interest bearing and repayable on demand.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 16. ASSETS HELD FOR SALE

On 19 March 2009, Harbin Songjiang Copper (Group) Company Limited (“Harbin Songjiang”), a subsidiary of the Company, entered into an agreement with 哈爾濱市阿城區人民政府, pursuant to which Harbin Songjiang agreed to dispose of certain of its assets, including land use right and property, plant and equipment, for a consideration of RMB30,000,000 (equivalent to approximately HK\$34,068,000). The transfer of ownership is still in progress and the disposal has not yet been completed up to the date that these condensed financial statements are approved for issue.

During the period, in view of the decrease in market price of silicon-related products, the directors of the Company have determined to suspend the operation of Xinganmeng Songjiang. Xinganmeng Songjiang has appointed a property agency to dispose of its staff quarters included in property, plant and equipment. The proceeds of disposal are expected to exceed the carrying amount of the relevant assets and accordingly, no impairment loss has been recognised.

## 17. BANK AND OTHER BORROWINGS

During the current period, no new bank and other borrowings were obtained by the Group (New bank borrowings obtained of approximately HK\$79,500,000 and new other borrowings of approximately HK\$4,870,000 for the six months ended 30 June 2008).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 18. PROVISIONS

In accordance with relevant PRC rules and regulations, the Group is obliged to carry out land reclamation and cavity refill for the Group's existing mine. The provision for land reclamation and cavity refill costs has been determined by the directors of the Company based on their best estimation and such costs are expected to be incurred during the period from 2009 to 2012.

	<b>Six months ended 30 June 2009 HK\$'000</b>	Year ended 31 December 2008 HK\$'000
At beginning of the period/year	<b>140,967</b>	—
Utilisation of provisions during the period/year	<b>(2,115)</b>	—
Charged to the consolidated statement of comprehensive income (included in cost of sales)	—	140,967
	<hr/>	<hr/>
At end of the period/year	<b>138,852</b>	140,967
	<hr/>	<hr/>
Shown as current liabilities	<b>18,387</b>	20,363
Shown as non-current liabilities	<b>120,465</b>	120,604
	<hr/>	<hr/>
	<b>138,852</b>	140,967
	<hr/>	<hr/>

## 19. DEFERRED INCOME

Deferred income included in non-current liabilities represents government grants received by the Group as of the end of the reporting period. Certain government grants are received by the Group in respect of acquisition of property, plant and equipment and prepaid lease payments, such government grants are recognised in the statement of financial position initially and recognised in the consolidated statement of comprehensive income as other income over the useful lives of the assets. During the six months ended 30 June 2008, the government grants amounting to HK\$16,439,600 were received and recognised in the consolidated statement of comprehensive income (Nil for the six months ended 30 June 2009).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 20. OTHER LONG TERM PAYABLES

Other long term payables comprised of:

	<b>30 June 2009 HK\$'000</b>	31 December 2008 HK\$'000
Mining right payables	<b>154,254</b>	194,082
Less: Amount included under “Trade and other payables” (Note 14)	<b>(29,127)</b>	(108,440)
	<b>125,127</b>	85,642

Other long term payables comprised of mining right payables, pursuant to mining rights premium agreements entered into between the Group and the relevant government authorities of the PRC in respect of the mining rights of Shanxi Dai County Rutile mine and Wudaoling Molybdenum mine amounting to approximately HK\$76,711,000 and HK\$179,386,000 respectively. The carrying amounts of mining rights payables in respect of Shanxi Dai County Rutile mine and Wudaoling Molybdenum mine have been determined using discount rate of 5.73% and 6.80% respectively. The final instalments are payable on or before 30 June 2012 and 22 May 2016 respectively.

## 21. SHARE CAPITAL

	Six months ended 30 June 2009		Year ended 31 December 2008	
	Number of shares '000 (unaudited)	Nominal value HK\$'000 (unaudited)	Number of shares '000 (audited)	Nominal value HK\$'000 (audited)
Ordinary shares of HK\$0.1 each				
<i>Authorised:</i>				
At beginning and end of the period/year	<b>10,000,000</b>	<b>1,000,000</b>	10,000,000	1,000,000
<i>Issued and fully paid:</i>				
At beginning of the period/year	<b>6,026,653</b>	<b>602,665</b>	6,026,653	602,665
Issued in consideration for the acquisition of held-for-trading investments	<b>104,132</b>	<b>10,413</b>	—	—
At the end of the period/year	<b>6,130,785</b>	<b>613,078</b>	6,026,653	602,665

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 22. SHARE OPTION SCHEME

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	<b>Number of share options</b>
Outstanding at 1 January 2009	304,600,000
Cancelled during the period	<u>(13,000,000)</u>
Outstanding at 30 June 2009	<u>291,600,000</u>

No expense is recognised for both periods. All expenses have been recognised at the date of grant as the options granted were vested immediately at the date of grant.

## 23. CONTINGENCIES AND COMMITMENTS

### Capital commitments

	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	<u>28,175</u>	<u>15,031</u>

### Litigations

As set out in the announcement of the Company dated 8 August 2007, the Company became aware of a litigation instituted in 深圳市中級人民法院 (Shenzhen City Middle People's Court) (the "Shenzhen City Court") between two former shareholders of Top Rank International Group Limited ("Top Rank"), a subsidiary of the Company (the "Unrelated Litigation"). Insofar as the Company is aware and based on legal advice obtained from the Company's PRC legal adviser, the Unrelated Litigation involves a dispute between two individuals, both of whom are third parties independent of the Company and its connected persons, regarding the transfer of 20% of the issued share capital in Top Rank; none of the Company, Top Rank, or any other subsidiaries of the Company or any of their respective directors and/or employees is a party to the Unrelated Litigation; and the Unrelated Litigation does not involve any allegation against the Company, any of its subsidiaries, or their respective directors and/or employees.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 23. CONTINGENCIES AND COMMITMENTS (Continued)

### Litigations (Continued)

As far as the Company is aware, the Unrelated Litigation involves a dispute regarding the transfer of 20% of the issued share capital in Top Rank (the “Share Transfer”) amongst former shareholders of Top Rank, and the plaintiff has made allegations with respect to the authenticity and the legality of the procedures involving the Share Transfer. As advised by the PRC legal adviser of the Company, insofar as Top Rank is concerned, the Shenzhen City Court has made orders (the “Orders”) for the former handling agent of Top Rank to (i) preserve the records relating to registration, annual audit and transfer of shares; and (ii) prohibit from arranging for or assisting in the transfer of shares in Top Rank. Based on legal advice sought by the Company from its PRC legal adviser, none of the assets or shares of any member of the group were sealed up or frozen pursuant to any court orders.

According to legal advice obtained by the Company from its legal adviser in the British Virgin Islands and based on the statutory records of Top Rank, Lead Sun Investments Limited (“Lead Sun”), a subsidiary of the Company, has since 1 June 2006 been the legal owner of the entire issued share capital of Top Rank. As such, according to the Company’s PRC legal adviser, the Orders do not have any effect on the ownership of Top Rank by Lead Sun as such Orders were made after Lead Sun has become the owner of Top Rank. For the reasons above and based on legal advice obtained from the Company’s BVI legal adviser and the PRC legal adviser, the directors of the Company are of the view that the Company has proper and valid title in Top Rank, which owns 90% equity interest in Shanxi Shenli Aerospace Titanium Company Limited (“Shanxi Shenli”), a subsidiary of the Company which holds the mine.

To the best knowledge of the directors of the Company, all the claims made by the plaintiff in respect of the Unrelated Litigation were rejected by the Shenzhen City Court pursuant to a judgement (民事判決書(2007)深中法民四初字第20號) made on 17 December 2007.

On 9 August 2007, the Company received a writ issued by the Shenzhen City Court on 6 August 2007 together with a statement of claim dated 2 August 2007 pursuant to which Mr. Tang Yan was the plaintiff (the “Plaintiff”), and Mr. Tse Michael Nam (“Mr. Tse”) and Mr. Huang Shi Lin (“Mr. Huang”), being two former shareholders (previously holding 80% and 20%, respectively, of the issued share capital) of Top Rank, together with Lead Sun, Shanxi Shenli and the Company were named as defendants in a litigation concerning the transfer of shares in Top Rank, amongst former shareholders of Top Rank (the “Litigation”).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 23. CONTINGENCIES AND COMMITMENTS (Continued)

### Litigations (Continued)

Pursuant to the statement of claim dated 2 August 2007, the Plaintiff claimed for an order involving the following: (i) to invalidate the agreement effecting the transfer of shares from the former shareholders to Lead Sun; (ii) Mr. Tse to transfer the shares in Top Rank back to the Plaintiff at US\$1; (iii) the defendants to issue an apology to the plaintiff; and (iv) the defendants to jointly bear the legal costs in relation to the Litigation.

As advised by the PRC legal adviser of the Company, the direct claims made to the Company only involve (iii) and (iv) above, and which is to issue an apology to the Plaintiff and bear legal costs in relation to the Litigation.

A judgement was made by the Shenzhen City Court on 17 December 2007 (the “Judgement”) pursuant to which: (1) all claims of the Plaintiff were rejected; (2) the counter-claims of each of Lead Sun and Shanxi Shenli were rejected; (3) as the Company has no direct relationship whatsoever in relation to the dispute involving the Share Transfer, the joining of the Company as one of the co-defendants by the Plaintiff is not appropriate, and as such, the Plaintiff was ordered to bear the notarisation and translation costs of the Company which were necessarily incurred by the Company in connection with the Litigation; and (4) the other counter-claims of the Company were rejected.

On 6 March 2008, the Company received a copy of the Application for Civil Appeal (民事上訴狀) (the “Application”) dated 3 March 2008 issued by the Plaintiff and which has been lodged with the Guangdong Province High Court, pursuant to which the Plaintiff has made an application to the Guangdong Province High Court to appeal for the revocation of the orders (2) and (3) of the Judgement made against the Plaintiff as stated above and for the support of all claims of the Plaintiff. The court hearing was held in June 2008 and as at the date hereof, the Company has not received any judgement issued by the Guangdong Province High Court in relation to the Application.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 23. CONTINGENCIES AND COMMITMENTS (Continued)

### **Litigations** (Continued)

Based on advice from the Company's PRC legal adviser, it is unlikely that the PRC courts will support the Plaintiff's claims against the Company and its relevant subsidiaries. The directors of the Company do not anticipate any significant adverse impact on the financial position or operating results of the Group resulting from the Application up to the date of this report. The directors of the Company are of the view that the Group has proper and valid defences to the claims, and accordingly, no provision has been accounted for in this interim financial report.

## 24. ACQUISITION OF A SUBSIDIARIES

On 30 April 2009, the Group acquired 80% of the issued share capital of King Gold Investments Limited and its subsidiaries ("King Gold Group") for a cash consideration of HK\$500,000,000 and 660,377,358 ordinary shares of the Company with a par value of HK\$0.1 each to be issued upon the issue of the audited financial statement of King Gold Group for the year ending 31 December 2009 (the "Acquisition"). The Acquisition has been accounted for using the purchase method. The amount of provisional goodwill and intangible assets-brand name arising from the acquisition were HK\$511,381,000 and HK\$79,374,000 respectively.

The sole asset of King Gold Investments Limited is 100% interest in Desire Star (China) Tea Industrial Co, Ltd ("Desire Star"), which is incorporated in the PRC. Desire Star is principally engaged in the cultivation, production, sales and research of oolong tea, green tea, jasmine tea, black tea and in particular, WuYi rock-essence tea in the PRC.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 24. ACQUISITION OF A SUBSIDIARIES (Continued)

The net assets acquired in the transaction, and the provisional goodwill arising, are as follows:

	<b>Acquiree's carrying amount before combination</b>	<b>Provisional fair value adjustments</b>	<b>Provisional fair value</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired:			
Property, plant and equipment	46,810	(1,450)	45,360
Prepaid lease payments	8,366	2,437	10,803
Intangible assets — brand name	—	79,374	79,374
Other receivables	5,308	—	5,308
Inventories	21,353	—	21,353
Trade and other receivables	57,316	—	57,316
Bank balances and cash	28,902	—	28,902
Trade and other payables	(18,445)	—	(18,445)
Tax payable	(2,048)	—	(2,048)
Bank borrowings	(11,339)	—	(11,339)
Other borrowings	(1,701)	—	(1,701)
Deferred tax liabilities	—	(20,090)	(20,090)
Deferred income	(306)	—	(306)
	<u>134,216</u>	<u>60,271</u>	194,487
Minority interests			(38,898)
Provisional goodwill			<u>511,381</u>
			<u>666,970</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 24. ACQUISITION OF A SUBSIDIARIES (Continued)

	<b>Acquiree's carrying amount before combination <i>HK\$'000</i></b>	<b>Provisional fair value adjustments <i>HK\$'000</i></b>	<b>Provisional fair value <i>HK\$'000</i></b>
Total consideration satisfied by:			
Cash			500,000
Directly attributable costs			9,800
Shares to be issued			<u>157,170</u>
			<u>666,970</u>
Net cash outflow arising on acquisition:			
Cash consideration paid during the period			(409,800)
Transfer from deposit for acquisition of subsidiaries			(100,000)
Bank balances and cash acquired			<u>28,902</u>
			<u>(480,898)</u>

Pursuant to the sale and purchase agreement, the consideration was determined on a provisional basis. If the actual audited consolidated net profit after tax of the King Gold Group ("Actual Profit") for the year ending 31 December 2009 is equal to or more than HK\$80,000,000 ("Guarantee Profit"), there shall be no adjustment to the consideration and 660,377,358 ordinary shares of the Company shall be issued by the Company to the vendor. The consideration shall be adjusted downward if the Actual Profit is less than Guarantee Profit. Details of the Acquisition are set out in the announcement and circular of the Company dated 7 January 2009 and 27 March 2009 respectively.

As part of the consideration for the acquisition of King Gold Group, comprises 660,377,358 ordinary shares of the Company with a par value of HK\$0.1 each which are to be issued only upon the Actual Profit for the year ending 31 December 2009 is equal to or more than HK\$80,000,000 and the amount is recorded in equity. The fair value of the ordinary shares of the Company, determined using the published price available at the date of the acquisition of HK\$0.238, amounted to HK\$157,169,811.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 24. ACQUISITION OF A SUBSIDIARIES (Continued)

King Gold Group contributed approximately profit of HK\$13,731,000 to the Group's results for the period between the date of acquisition and the reporting date.

If the acquisition had been completed on 1 January 2009, total group revenue and profit for the six months ended 30 June 2009 would have been increased by HK\$67,386,000 and HK\$25,057,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

## 25. DISPOSAL OF A SUBSIDIARY

On 24 May 2009, the Group disposed of 100% equity interest in Wuhai Derun Ferroalloy Limited Liability Company. The net assets of Wuhai Derun Ferroalloy Limited Liability Company at the date of disposal were as follows:

	<b>24 May 2009</b> <b>HK\$'000</b>
Net assets disposed of:	
Trade and other receivables	85
Exchange losses realised	(9)
	<hr/> 76
Gain on disposal	6,056
	<hr/> 6,132
Total consideration	6,132
Satisfied by:	
Cash	6,132
	<hr/> 6,132
Net cash inflow arising on disposal:	
Cash consideration	6,132
	<hr/> 6,132

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

## 26. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the condensed consolidated statement of financial position on pages 14 and 15, the Group also entered into the following transaction with related party during the period:

	Six months ended	
	30 June	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales of goods to minority shareholders		
— Chifeng Jinjian Copper Company Limited	—	35,457

## 27. EVENT AFTER THE END OF THE INTERIM PERIOD

On 27 August 2009, Harbin Songjiang Copper (Group) Company Limited (“Harbin Songjiang”), a subsidiary of the Company, entered into an agreement with two independent investors, pursuant to which the Harbin Songjiang has conditionally agreed to dispose entire equity interest of Inner Mongolia Zhongrun Magnesium Co. Ltd for a consideration of RMB20,000,000 (equivalent to approximately HK\$22,712,000) (the “Disposal”). The Disposal is not yet completed up to the date that these financial statements are approved for issue.

# Corporate Governance

The Company is committed to comply with established best practice in corporate governance and is in line with those practices as set out in the Company's 2008 Annual Report. The board of directors of the Company (the "Board") believes that good corporate governance is crucial to enhance the performance of the Group and to safeguard the interests of the shareholders.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the six months ended 30 June 2009.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Upon specific enquiries, all Directors confirmed they had complied with the required standard set out in the Model Code during the six months ended 30 June 2009.

## **BOARD OF DIRECTORS**

The Board is responsible for the formulation of the Group's business strategies and management objective, supervision of the management and evaluation of the effectiveness of management strategies. Implementation of strategies and day-to-day operations are delegated to the management. In order to better understand the respective accountabilities and contributions of the Board and management, the Company has adopted a written terms of reference specifying a schedule of matters which should be reserved to the Board and which should be delegated to management.

## **AUDIT COMMITTEE**

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

## **REMUNERATION COMMITTEE**

The Remuneration Committee comprises one Executive Director and three Independent Non-executive Directors. The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy, remuneration packages for the Directors and members of the senior management and on the establishment of a formal and transparent process for approving such remuneration policy.

# Disclosure of Interests and Other Information

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2009, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares of equity derivatives and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were recorded in the register required to be kept under Section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company were as follows:

### Interests in underlying shares of the Company — share options

Name	Number of share options	% of total issued shares
<i>Directors</i>		
You Xian Sheng	40,000,000	0.65%
Chen Shou Wu	35,000,000	0.57%
Wang Hui	35,000,000	0.57%
Yeung Kwok Kuen	35,000,000	0.57%
Lam Ming Yung	3,000,000	0.05%
Chan Sze Hon	3,000,000	0.05%
Chu Kang Nam	3,000,000	0.05%
Goh Choo Hwee	3,000,000	0.05%
Lin Xiang Min	3,000,000	0.05%
<i>Chief executives</i>		
Yin Guanguan	35,000,000	0.57%
Qiao Hongbo	10,000,000	0.16%
Qu Yanchun	10,000,000	0.16%
Leung Lai Ming	5,000,000	0.08%

# Disclosure of Interests and Other Information

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

Save as disclosed above, as at 30 June 2009, none of the directors of the Company, chief executives or their respective associates had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in "SHARE OPTION SCHEMES" below, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 30 June 2009, persons (other than directors or chief executives of the Company as disclosed herein) who had interests or short positions in the shares or underlying shares of equity derivatives of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

### Long position in shares in the capital of the Company

Name of Shareholders	Capacity	Personal interests	Corporate interests	Total number of shares in the capital of the Company	Approximate % of shareholding in the Company
Kwok Man	Beneficial owner and interest in controlled corporation	25,000,000	368,686,000 (Note 1)	393,686,000	6.42%
Ho Ho Wai	Interest in controlled corporation	—	660,377,358 (Note 2)	660,377,358	10.77%

# Disclosure of Interests and Other Information

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

(Continued)

*Notes:*

1. These shares are held by Long Cheer Group Limited which is 100% beneficially owned by Mr. Kwok Man.
2. Master Long Limited is a company wholly and beneficially owned by Mr. Ho Ho Wai. Pursuant to an agreement entered into between the Company, Master Long Limited and certain other parties in relation to the acquisition of 80% interests of King Gold Investments Limited, the Company would issue ordinary shares of HK\$0.10 each in the capital of the Company (“Shares”) of equivalent to an amount of HK\$140,000,000 (subject to adjustment) at an issue price of HK\$0.212 per Share (namely, 660,377,358 Shares) to Master Long Limited as part of consideration for the acquisition.

Save as disclosed above, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as required to be recorded in the register under section 336 of the SFO as at 30 June 2009.

## SHARE OPTION SCHEMES

Pursuant to ordinary resolutions of the shareholders of the Company passed on 11 March 1997, the Company adopted a share option scheme (the “Old Share Option Scheme”). The Old Share Option Scheme was terminated on 26 June 2002 such that no further options shall be granted under the Old Share Option Scheme but the options granted shall continue to be valid and exercisable in accordance with their terms of issue and, in all other respects, its provisions shall remain in full force and effect. Pursuant to ordinary resolutions of the shareholders of the Company passed on 26 June 2002, the Company adopted another share option scheme (the “New Share Option Scheme”).

At the beginning of the period, there were no outstanding share options under the Old Share Option Scheme.



# Disclosure of Interests and Other Information

## SHARE OPTION SCHEMES (Continued)

Summary of main terms of New Share Option Scheme are as follows:

1. The purpose of the New Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group.
2. The participants of the New Share Option Scheme are: (i) any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or advisers of or contractor to the Group or an entity in which any member of the Group holds any interest from time to time (“Invested Entity”); (ii) any discretionary trust who discretionary objects include any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity; and (iii) the option may be granted to any corporation wholly-owned by any person mentioned in (i).
3. As at 11 September 2009, the total number of Shares of the Company available for issue under the New Share Option Scheme was 613,078,485 (including 291,600,000 Shares that have been granted but not yet lapsed or exercised) representing approximately 10% of the issued share capital of the Company.
4. Unless otherwise approved by shareholders of the Company in general meeting, the total number of issued Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme to each participant in any 12-month period must not exceed 1% (except for substantial shareholders, as defined in the Listing Rules, or independent non-executive director of the Company, or any of their respective associates, as defined in the Listing Rules, must not exceed 0.1%) of the issued share capital of the Company from time to time.

# Disclosure of Interests and Other Information

## SHARE OPTION SCHEMES (Continued)

5. An option shall be exercised in whole or in part in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board to each grantee, provided that no option shall be exercisable later than 10 years after its date of grant.
6. An option shall be accepted by a participant together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof within 30 days from the date of the offer of grant of the option.
7. The subscription price for Shares under the New Share Option Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Board, but shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations on the date of grant which must be a business day, (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant and (iii) the nominal value of a Share.
8. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on 26 June 2002.

# Disclosure of Interests and Other Information

## SHARE OPTION SCHEMES (Continued)

Details of movements in the share options held by directors, chief executives, employees and other parties of the Company under the New Share Option Scheme for the period ended 30 June 2009 are as follows:

Name	Date granted	Period during which options are exercisable	No. of options outstanding at 1 January 2009	No. of options granted during the period	No. of options cancelled during the period	No. of shares acquired on exercise of options during the period	No. of options outstanding at 30 June 2009	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
<i>Directors</i>										
You Xian Sheng	14 October 2008	(Note 1)	40,000,000	—	—	—	40,000,000	HK\$0.275	HK\$0.275	—
Chen Shou Wu	14 October 2008	(Note 1)	35,000,000	—	—	—	35,000,000	HK\$0.275	HK\$0.275	—
Wang Hui	14 October 2008	(Note 1)	35,000,000	—	—	—	35,000,000	HK\$0.275	HK\$0.275	—
Yeung Kwok Kuen	14 October 2008	(Note 1)	35,000,000	—	—	—	35,000,000	HK\$0.275	HK\$0.275	—
Lam Ming Yung	14 October 2008	(Note 1)	3,000,000	—	—	—	3,000,000	HK\$0.275	HK\$0.275	—
Chan Sze Hon	14 October 2008	(Note 1)	3,000,000	—	—	—	3,000,000	HK\$0.275	HK\$0.275	—
Chu Kang Nam	14 October 2008	(Note 1)	3,000,000	—	—	—	3,000,000	HK\$0.275	HK\$0.275	—
Goh Choo Hwee	14 October 2008	(Note 1)	3,000,000	—	—	—	3,000,000	HK\$0.275	HK\$0.275	—
Lin Xiang Min	14 October 2008	(Note 1)	3,000,000	—	—	—	3,000,000	HK\$0.275	HK\$0.275	—
			160,000,000				160,000,000			
<i>Chief executives</i>										
Yin Guangyuan	14 October 2008	(Note 1)	35,000,000	—	—	—	35,000,000	HK\$0.275	HK\$0.275	—
Qiao Hongbo	14 October 2008	(Note 1)	10,000,000	—	—	—	10,000,000	HK\$0.275	HK\$0.275	—
Qu Yanchun	14 October 2008	(Note 1)	10,000,000	—	—	—	10,000,000	HK\$0.275	HK\$0.275	—
Leung Lai Ming	14 October 2008	(Note 1)	5,000,000	—	—	—	5,000,000	HK\$0.275	HK\$0.275	—
			60,000,000				60,000,000			
<i>Employees</i>										
	14 October 2008	(Note 1)	21,600,000	—	—	—	21,600,000	HK\$0.275	HK\$0.275	—
<i>Others (Note 2)</i>										
	14 October 2008	(Note 1)	63,000,000	—	(13,000,000)	—	50,000,000	HK\$0.275	HK\$0.275	—
			304,600,000	—	(13,000,000)	—	291,600,000			

The options granted to the directors and the chief executives of the Company are registered under the names of the directors and the chief executives of the Company who are also the beneficial owners.

\* Being the weighted average closing price of the Company's ordinary shares immediately before the dates on which the options were granted or exercised, as applicable.

# Disclosure of Interests and Other Information

## SHARE OPTION SCHEMES (Continued)

*Notes:*

1. Exercisable from 14 October 2008 to 13 October 2013.
2.
  - (i) 10,000,000 share options was granted to Mr. Su Qingyu on 14 October 2008. Mr. Su Qingyu resigned from all positions of the Group on 28 February 2009 and the share options was cancelled on 6 April 2009.
  - (ii) 3,000,000 share options was granted to Mr. Cai Yuan on 14 October 2008. Mr. Cai Yuan retired as a director of the Company on 5 June 2009 and the share options was cancelled on 5 June 2009.
  - (iii) 50,000,000 share options were granted to a chief adviser of the Company and a consulting company on 14 October 2008.

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

The Company has not redeemed any of its securities during the six months ended 30 June 2009. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the six months ended 30 June 2009.

## AUDIT COMMITTEE

The Audit Committee and management have reviewed the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 30 June 2009.

## INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2009.

# Disclosure of Interests and Other Information

## CHANGE IN INFORMATION OF DIRECTORS

Mr. Cai Yuan (“Mr. Cai”) has retired by rotation at the annual general meeting of the Company held on 5 June 2009 (the “AGM”) pursuant to the bye-laws of the Company and has not offered himself for re-election at the AGM in order to pursue other business interests. Mr. Cai has resigned from the position of the chairman of the Board on the same date.

Dr. You Xian Sheng (“Dr. You”), an executive director of the Company, was re-designated as the chairman of the Board in place of Mr. Cai with effect from 5 June 2009. Dr. You has resigned from the position of chief executive officer of the Company on the same date.

Mr. Chen Shou Wu (“Mr. Chen”), an executive director of the Company, was appointed as the deputy chairman of the Board and the chief executive officer of the Company (both in place of Dr. You) all with effect from 5 June 2009. Mr. Chen has resigned from the position of executive vice president of the Company on the same date.

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

Hong Kong, 11 September 2009