



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



* For identification purposes only

Interim Report 2008

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Corporate Information

DIRECTORS

Executive Directors:

Cai Yuan (*Chairman*)

You Xian Sheng (*Deputy Chairman and
Chief Executive Officer*)

Wang Hui

Yeung Kwok Kuen (*Chief Financial Officer*)

Chen Shou Wu (*Chief Investment 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

QUALIFIED ACCOUNTANT

Yeung Kwok Kuen

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Bank of America Tower

12 Harcourt Road

Admiralty

Hong Kong

REGISTERED OFFICE

Clarendon House

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Hamilton HM 11

Bermuda

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (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

KPMG

8th Floor, Prince's Building

10 Chater Road

Central

Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of
China (Asia) Limited

Hang Seng Bank

STOCK CODE

00340

COMPANY WEBSITE

www.chinaminingresources.com

RESULTS REVIEW

For the six months ended 30 June 2008, China Mining Resources Group Limited (the “Company”) together with its subsidiaries (the “Group”) reported a consolidated turnover of HK\$287,029,000 (six months ended 30 June 2007: HK\$9,920,000), an increase of 2,793.4% over the corresponding period in 2007. The increase was mainly attributable to the consolidation of results of Harbin Songjiang Copper (Group) Company Limited (“Harbin Songjiang”) and its subsidiaries (“Harbin Songjiang Group”) following the acquisition of a 75.08% equity interest in Harbin Songjiang which was completed on 5 July 2007 (the “Acquisition”).

The Group’s unaudited loss attributable to equity shareholders amounted to HK\$465,239,000 (six months ended 30 June 2007: loss of HK\$2,598,000). In particular, impairment losses on fixed assets and construction in progress of HK\$34,348,000 (attributable to equity shareholders of HK\$22,902,000) and impairment losses on intangible assets of HK\$828,733,000 (attributable to equity shareholders of HK\$428,209,000) were made during the period. The impaired assets had no significant contribution to the Group’s turnover for the six months ended 30 June 2008. On exclusion of the above impairment losses, the Group’s EBITA for the six months ended 30 June 2008 was HK\$108,326,000 (2007: loss of HK\$3,208,000).

REVIEW OF OPERATIONS

Harbin Songjiang Group

Harbin Songjiang is based in Harbin, Heilongjiang Province, the People’s Republic of China (“PRC”) and specializes 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\$274,613,000 and HK\$48,757,000 to the Group’s turnover and loss for the period respectively for the six months ended 30 June 2008. The loss for the period was mainly due to (1) impairment losses in aggregate of HK\$63,184,000 were made for assets of Harbin Songjiang Group, and (2) additional amortisation of HK\$51,126,000 resulting from the recognition of fair value of mining rights upon the Acquisition.

Please note that “Year ended 31 December 2007” in the following section — “Turnover” and “Cost of Sales and Gross Profit” representing the period from the Acquisition to 31 December 2007.

Management Discussion and Analysis

REVIEW OF OPERATIONS (Continued)

Harbin Songjiang Group (Continued)

Turnover

Revenue generated from ferro molybdenum, copper and zinc and others were 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\$308,800 per tonne and HK\$53,162 per tonne (Year ended 31 December 2007: HK\$297,989 per tonne and HK\$46,600 per tonne) respectively. The production volume of ferro molybdenum for the period was 1,067 tonnes as compared with 1,234 tonnes for the same period in 2007, which was the period before the Acquisition. The decrease in output of molybdenum was mainly due to lower in average grade in the sector exploited during the period.

Cost of Sales and Gross Profit

The cost of sales of Harbin Songjiang Group for the six months ended 30 June 2008 was HK\$143,438,000 and the gross profit margin was 48% (Year ended 31 December 2007: 27.2%). This was primarily due to (1) an one-off fair value adjustment on inventory of HK\$216,647,000 was included in cost of sales in Year ended 31 December 2007 as a result of the Acquisition, the gross profit for Year ended 31 December 2007 was 59.3% had the above adjustment been excluded, and (2) the increase was partly offset by the increase in export tariff on ferro molybdenum from 10% to 20% which took effect from 1 January 2008.

Rutile Mining

The rutile mine owned by the Group covers an area of two square kilometers with an estimated exploitation potential of approximately 1.9 million 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, and the decrease in market price of rutile related products. In this connection, the directors of the Company had decided to take a conservative view and make an impairment provision for mining right of HK\$799,897,000 for the Group's investment in the rutile business.

REVIEW OF OPERATIONS (Continued)

Rutile Mining (Continued)

In addition, as stated in note 22 to the interim financial report, 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 explore options to best utilize our rutile assets.

Umbilical Cord Blood Storage

During the period under review, the umbilical cord blood storage service business has been growing by 25% as a result of increase in service fees and number of customers.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2008, the Group had total assets and net assets of HK\$6,862,345,000 (31 December 2007: HK\$7,439,339,000) and HK\$5,079,270,000 (31 December 2007: HK\$5,653,034,000) respectively. The current ratio was 2.1, as compared to 2.2 as of year ended 31 December 2007.

The Group had bank balances and cash amounted to approximately HK\$1,092,623,000 (31 December 2007: HK\$1,247,594,000), 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\$150,500,000 (31 December 2007: HK\$150,500,000) which were all interest-free, (ii) bank borrowings of HK\$215,121,000 (31 December 2007: HK\$212,800,000) 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\$6,005,000 (31 December 2007: HK\$5,643,000), of which HK\$1,135,000 was interest-free and HK\$4,870,000 was interest-bearing at 2.55% per annum. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 10.0% (31 December 2007: 9.2%).

Management Discussion and Analysis

FOREIGN EXCHANGE RISK MANAGEMENT

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

SHARE CAPITAL

There was no change in share capital during the period. As at 30 June 2008, the Company had 6,026,652,853 shares in issue with total shareholders' fund of the Group amounting to approximately HK\$3,772,840,000.

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 totalling HK\$56,760,000 (equivalent to RMB50,000,000) (31 December 2007: HK\$53,333,000 (equivalent to RMB50,000,000)) in favour of the same third party. In addition, the Group has provided another guarantees for banking facilities up to HK\$53,333,000 (equivalent to RMB50,000,000) to the same third party as at 31 December 2007.

Save as disclosed above, the Group has no other material contingent liabilities as at 30 June 2008.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no material acquisitions or disposals of subsidiaries and associated companies during the period.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2008, the Group had 56 and 2,550 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.

PROSPECTS

The first half of 2008 has been a difficult period for the Group. For the Harbin Songjiang Group, the quality of mineral resources extracted from Nuoergai Copper Mine located in Inner Mongolia was not satisfactory and the exploration results in certain locations in Inner Mongolia were not proved to be commercially viable, accordingly impairment provisions have been made on the related assets. In addition, as announced on 17 September 2008, the operations of the copper and zinc mine of Harbin Songjiang Group (the “Copper Mine”) had been suspended as the Copper Mine is an aged mine which would require more attention and care in terms of production safety. Harbin Songjiang Group is currently performing safety inspection on its operations and the current intention is that the Copper Mine shall resume operation before the second half of next year. For the rutile mine located in Shanxi, the development would be temporarily suspended due to unfavourable market conditions. The Group, however, will confront these difficulties positively and will be actively looking for the best solutions to minimise the negative impact to the Group.

Notwithstanding the above difficulties, the Board still has strong confidence in the Group’s future. The Group will continuously grow steadily taking into account of our strong fundamentals and capabilities. For the six months ended 30 June 2008, the Group holds approximately HK\$1.1 billion cash on hand with a low gearing ratio of 10.0%. Whereas the molybdenum mine of Harbin Songjiang Group is still an excellent cash generating asset to the Group. The Board believes it is a good opportunity for mergers & acquisitions in this under-pressured global commodity market. Therefore, the Group will actively look for attractive mergers and acquisitions opportunities which can best utilize our cash and expertise in mining. The Group will continue in our effort to reach our aim — to become a leading player in the mining sector in Asia.

Consolidated Income Statement

for the six months ended 30 June 2008 — Unaudited
(Expressed in Hong Kong dollars)

	<i>Note</i>	Six months ended 30 June	
		2008 \$'000	2007 \$'000
Turnover	3	287,029	9,920
Cost of sales		<u>(148,563)</u>	<u>(4,441)</u>
Gross profit		138,466	5,479
Other revenue		16,048	7,169
Other net income		1,004	—
Selling expenses		(6,317)	(2,188)
Administrative expenses		(110,914)	(14,432)
Impairment losses on fixed assets and construction in progress		(34,348)	—
Impairment losses on intangible assets		(828,733)	—
Loss from operations		(824,794)	(3,972)
Finance costs	4(a)	<u>(13,197)</u>	<u>(1,025)</u>
Loss before taxation	4	(837,991)	(4,997)
Income tax	5	<u>(31,930)</u>	—
Loss for the period		(869,921)	(4,997)
Attributable to:			
Equity shareholders of the Company		(465,239)	(2,598)
Minority interests		(404,682)	(2,399)
Loss for the period		(869,921)	(4,997)
Loss per share — basic	6(a)	<u>7.72 cents</u>	<u>0.05 cents</u>
Loss per share — diluted	6(b)	<u>7.71 cents</u>	<u>0.05 cents</u>

The notes on pages 13 to 35 form part of this interim financial report.

Consolidated Balance Sheet

at 30 June 2008 — Unaudited
(Expressed in Hong Kong dollars)

		At 30 June 2008 \$'000	At 31 December 2007 \$'000
Non-current assets			
Fixed assets			
— Property, plant and equipment	8	481,982	460,609
— Interests in leasehold land held for own use under operating leases	9	307,874	316,658
Construction in progress	10	100,556	87,496
Intangible assets	11	4,219,936	4,808,088
Goodwill		8,200	8,200
Interest in jointly controlled entities		—	—
Other receivables	13(a)	82,065	92,246
Available-for-sale securities		14,292	—
Deferred tax assets		2,568	1,514
		5,217,473	5,774,811
Current assets			
Inventories	12	141,165	46,223
Trade and other receivables	13(b)	411,084	370,711
Cash and cash equivalents		1,092,623	1,247,594
		1,644,872	1,664,528
Current liabilities			
Trade and other payables	14	324,698	256,130
Deferred income	15(a)	64,255	53,814
Bank loans	16	124,305	127,467
Other loans		1,135	1,067
Loans from minority shareholders		150,500	150,500
Current taxation		110,365	184,261
		775,258	773,239
Net current assets		869,614	891,289

Consolidated Balance Sheet (Continued)

at 30 June 2008 — Unaudited
(Expressed in Hong Kong dollars)

		At 30 June 2008 <i>\$'000</i>	At 31 December 2007 <i>\$'000</i>
Total assets less current liabilities		6,087,087	6,666,100
Non-current liabilities			
Other payables	17	95,092	116,986
Deferred income	15(b)	83,657	79,976
Bank loans	16	90,816	85,333
Other loans		4,870	4,576
Deferred tax liabilities		733,382	726,195
		<u>1,007,817</u>	<u>1,013,066</u>
NET ASSETS		5,079,270	5,653,034
CAPITAL AND RESERVES			
Share capital	18	602,665	602,665
Reserves	19	3,120,175	3,390,227
Total equity attributable to equity shareholders of the Company		3,722,840	3,992,892
Minority interests		1,356,430	1,660,142
TOTAL EQUITY		5,079,270	5,653,034

The notes on pages 13 to 35 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2008 — Unaudited
(Expressed in Hong Kong dollars)

Attributable to equity shareholders of the Company

	Share capital	Share premium	Merger reserve	Capital reserve	Exchange reserve	Fair value reserve	Statutory surplus reserve	Accumulated losses	Sub-total	Minority interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2007	472,078	846,713	152,150	—	9,631	—	—	(359,000)	1,121,572	810,848	1,932,420
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	—	—	—	—	21,998	—	—	—	21,998	23,397	45,395
Shares issued in respect of share placing (note 18)	130,587	2,324,452	—	—	—	—	—	—	2,455,039	—	2,455,039
Share issue expenses (note 18)	—	(90,596)	—	—	—	—	—	—	(90,596)	—	(90,596)
Loss for the period	—	—	—	—	—	—	—	(2,598)	(2,598)	(2,399)	(4,997)
At 30 June 2007	602,665	3,080,569	152,150	—	31,629	—	—	(361,598)	3,505,415	831,846	4,337,261
At 1 January 2008	602,665	3,080,571	152,150	142,976	161,233	—	26,372	(173,075)	3,992,892	1,660,142	5,653,034
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	—	—	—	—	204,730	—	—	—	204,730	101,063	305,793
Share based payments	—	—	—	(3,470)	—	—	—	17,756	14,286	—	14,286
Transfer to other reserves	—	—	—	—	—	—	68,284	(90,954)	(22,670)	22,670	—
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	(22,763)	(22,763)
Changes in fair value of available-for-sale securities	—	—	—	—	—	(1,159)	—	—	(1,159)	—	(1,159)
Reduction of share premium (note 19)	—	(219,091)	(234,944)	—	—	—	—	454,035	—	—	—
Loss for the period	—	—	—	—	—	—	—	(465,239)	(465,239)	(404,682)	(869,921)
At 30 June 2008	602,665	2,861,480	(82,794)	139,506	365,963	(1,159)	94,656	(257,477)	3,722,840	1,356,430	5,079,270

The notes on pages 13 to 35 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2008 — Unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Net cash used in operating activities	(112,406)	(12,701)
Net cash used in investing activities	(36,676)	(1,873,952)
Net cash (used in)/generated from financing activities	<u>(21,624)</u>	<u>2,363,419</u>
Net (decrease)/increase in cash and cash equivalents	(170,706)	476,766
Cash and cash equivalents at 1 January	1,247,594	449,087
Effect of foreign exchange rate changes	<u>15,735</u>	<u>2,710</u>
Cash and cash equivalents at 30 June	<u>1,092,623</u>	<u>928,563</u>

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The notes on pages 13 to 35 form part of this interim financial report.

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 26 September 2008.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company.

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2007 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 11 April 2008.

2. NEW AND REVISED HKFRSs

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Group. The board of directors of the Company have determined the accounting policies to be adopted in the preparation of the Group's annual financial statements prepared under HKFRSs for the year ending 31 December 2008, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements prepared under HKFRSs for the year ending 31 December 2008 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies applied in this interim financial report for the periods presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see Note 23).

3. SEGMENT INFORMATION

Business Segments

The principal activities of the Group are mining operations and processing and storage of cord blood.

Notes to the Interim Financial Report — Unaudited

(Expressed in Hong Kong dollars)

3. SEGMENT INFORMATION (Continued)

Business Segments (Continued)

The analysis of the principal activities of the operations of the Company and its subsidiaries are as follows:

For the six months ended 30 June 2008

	Processing		Mining				Total
	and storage	Molybdenum	Copper		Others	Sub-total	
			of blood	and Zinc			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Segment revenue:</i>							
Turnover from external customers	12,416	216,892	51,164	—	6,557	274,613	287,029
Other revenue from external customers	—	984	4,409	—	431	5,824	5,824
	<u>12,416</u>	<u>217,876</u>	<u>55,573</u>	<u>—</u>	<u>6,988</u>	<u>280,437</u>	<u>292,853</u>
Segment result	<u>(348)</u>	<u>99,960</u>	<u>(25,803)</u>	<u>(800,351)</u>	<u>(9,590)</u>	<u>(735,784)</u>	<u>(736,132)</u>
Unallocated operating income and expenses							<u>(88,662)</u>
Loss from operations							<u>(824,794)</u>
Finance costs							<u>(13,197)</u>
Loss before taxation							<u>(837,991)</u>
Taxation							<u>(31,930)</u>
Loss after taxation							<u>(869,921)</u>

Notes to the Interim Financial Report — Unaudited

(Expressed in Hong Kong dollars)

3. SEGMENT INFORMATION (Continued)

Business Segments (Continued)

For the six months ended 30 June 2007

	Processing and storage of cord blood \$'000	Mining Rutile \$'000	Total \$'000
<i>Segment revenue:</i>			
Turnover from external customers	9,920	—	9,920
Segment result	480	(4,927)	(4,447)
Unallocated operating income and expenses			475
Loss from operations			(3,972)
Finance costs			(1,025)
Taxation			—
Loss for the period			(4,997)

Geographical segments

The following table provides a geographical analysis of the Group's turnover according to the location of customers:

	Six months ended 30 June	
	2008 \$'000	2007 \$'000
Turnover		
Hong Kong	12,416	9,920
The PRC	157,057	—
Europe	110,134	—
Korea	7,422	—
	287,029	9,920

Notes to the Interim Financial Report — Unaudited

(Expressed in Hong Kong dollars)

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
(a) Finance costs:		
Interest on bank loans wholly repayable within five years	8,157	—
Interest expense on financial liabilities measured at amortised cost	5,040	1,025
	13,197	1,025
(b) Other items:		
Depreciation on property, plant and equipment	13,352	764
Amortisation		
— interests in leasehold land held for own use under operating leases	3,250	—
— intangible assets	53,437	—
Net foreign exchange loss	1,522	3,326
Operating lease charges		
— land and buildings	1,706	2,093
— office equipment	18	17
Impairment losses		
— property, plant and equipment	5,098	—
— interests in leasehold land held for own use under operating leases	25,035	—
— construction in progress	4,215	—
— intangible assets	828,733	—
— trade and other receivables	446	236
Government grants	(5,824)	—
Interest income	(10,075)	(7,168)

Notes to the Interim Financial Report — Unaudited

(Expressed in Hong Kong dollars)

5. INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Current tax — PRC Enterprise Income Tax		
Provision for the period	71,019	—
Deferred tax		
Origination and reversal of temporary differences	(39,089)	—
	<u>31,930</u>	<u>—</u>

The provision for PRC Enterprise Income Tax has been calculated based on the estimated taxable income at a rate of 25% during the period.

No provision for Hong Kong Profits Tax has been made as the Group's operations in Hong Kong sustained a loss for Hong Kong Profits Tax purposes during the current and prior periods.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("the New Tax Law"), which became effective on 1 January 2008. Furthermore, the State Council of the PRC passed the implementation guidance ("the Implementation Guidance") on 26 December 2007, which sets out the details of how the existing preferential income tax rate will be adjusted to the standard rate of 25%. According to the New Tax Law, from 1 January 2008, the applicable corporate income tax rates for enterprises in the PRC will be reduced from 33% to 25%. Subsidiaries of the Group incorporated in the PRC except for the entity described below will be subject to corporate income tax rate of 25%, effective on 1 January 2008.

Any unutilised tax holidays will continue until expiry and tax holidays which have not commenced due to losses in prior years are deemed to have started from 1 January 2008, even if the entity is not yet reporting a profitable year. In view of the new regulations, Shanxi Shenli Aerospace Titanium Company Limited's tax holidays commenced on 1 January 2008.

5. INCOME TAX (Continued)

In addition, under the New Tax Law, with effect from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in PRC, will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. On 22 February 2008, the Minister of Finance and State Administration of Tax approved Caishui (2008) No.1, pursuant to which dividend distribution out of pre-2008 retained earnings of foreign investment enterprises will be exempted from withholding income tax. Withholding income tax on estimate dividends of \$35,014,000 has been recognised in respect of the profits derived in the PRC during the six months ended 30 June 2008.

6. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the loss attributable to equity shareholders of the Company of \$465,239,000 (six months ended 30 June 2007: \$2,598,000) and the weighted average number of shares in issue during the six months ended 30 June 2008 of 6,026,653,000 (six months ended 30 June 2007: weighted average number of 4,735,210,000), calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2008	2007
	('000)	('000)
Issued ordinary shares at 1 January	6,026,653	4,720,781
Effect of shares issued	—	14,429
	<hr/>	<hr/>
Weighted average number of ordinary shares at 30 June	6,026,653	4,735,210
	<hr/>	<hr/>

6. LOSS PER SHARE (Continued)

(b) Diluted loss per share

The calculation of diluted earnings per share for the six months ended 30 June 2008 is based on the loss attributable to equity shareholders of the Company of \$465,239,000 and the weighted average number of shares in issue during the six months ended 30 June 2008 of 6,032,352,000, after adjusting for the effect of dilutive potential ordinary shares under the Company's share option scheme.

There were no dilutive potential ordinary shares during the six months ended 30 June 2007 and, therefore, diluted earnings per share is the same as the basic loss per share.

7. DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: \$Nil).

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2008, the Group acquired items of property, plant and equipment with a cost of \$6,479,000 (six months ended 30 June 2007: \$3,894,000) and transferred items from construction in progress with a cost of \$5,628,000 (six months ended 30 June 2007: \$Nil). Items of plant and machinery with a net book value of \$43,000 were disposed of during the six months ended 30 June 2008 (six months ended 30 June 2007: \$Nil), resulting in a gain on disposal of \$13,000 (six months ended 30 June 2007: \$Nil).

During the six months ended 30 June 2008, the Group has terminated the operation of Nuergai Copper Mine (note 11(b)). As a result, the directors of the Company assessed the recoverable amount of those property, plant and equipment located at the mine. Based on the assessment, impairment losses of \$5,098,000 were made to property, plant and equipment during the six months ended 30 June 2008.

9. INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

In accordance with Urban Real Estate Administration Law of the PRC, the local government authority can withdraw the land use right without providing any compensation to the owner if no development is carried out within two years since the issuance of such land use right certificate. After considering the costs and benefits in developing the leasehold lands held by the Group, the directors of the Company decided not to pursue with the development of three pieces of land located in Harbin and Inner Mongolia, the PRC. During the six months ended 30 June 2008, the land use right certificate of one of these leasehold lands has been withdrawn by the local government authority. Accordingly, full impairment losses of \$25,035,000 were made to such leasehold lands during the six months ended 30 June 2008.

10. CONSTRUCTION IN PROGRESS

Construction in progress comprises costs incurred on property, plant and equipment not yet completed at 30 June 2008 in respect mining, processing and smelting facility located at various locations in the PRC.

During the period, the Group terminated the exploration in certain locations (note 11(a)) in Inner Mongolia, the PRC. As a result, the directors of the Company assessed the recoverable amount of those constructions in progress in such locations. Based on the assessment, impairment losses of \$4,215,000 were made to these constructions in progress during the six months ended 30 June 2008.

11. INTANGIBLE ASSETS

Intangible assets represent exploration and evaluation assets, mining rights and exploration rights.

(a) Exploration and evaluation assets

The Group has performed exploration in certain locations in Inner Mongolia, the PRC, in the current and prior periods. 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 should be impaired. Accordingly, impairment losses of \$12,613,000 were made during the six months ended 30 June 2008.

(b) Mining rights

In view of the decrease in market price of rutile-related products and the increase in the construction costs and land lease premium during the period, the directors of the Company decided to temporarily suspend the development of Shanxi Dai County Rutile Mine and the construction of related mining facilities, processing plant and production plant. As a result, the directors of the Company assessed the recoverable amount of the mining right of Shanxi Dai County Rutile Mine. Based on the assessment, the carrying amount of the mining right of Shanxi Dai County Rutile Mine was written down by \$799,897,000 during the six months ended 30 June 2008.

In addition, as the quality of mineral resources extracted from Nuergai Copper Mine is not satisfactory for continuing its mining and processing operation, the directors of the Company decided to terminate the operation of Nuergai Copper Mine. Accordingly, full impairment loss of \$16,223,000 was made to the mining right of Nuergai Copper Mine during the six months ended 30 June 2008.

Notes to the Interim Financial Report — Unaudited

(Expressed in Hong Kong dollars)

12. INVENTORIES

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Raw materials	12,843	7,451
Work in progress	14,025	10,221
Finished goods	80,784	10,763
Goods in transit	33,513	17,788
	<u>141,165</u>	<u>46,223</u>

13. TRADE AND OTHER RECEIVABLES

(a) Non-current other receivables comprise:

		At 30 June 2008 \$'000	At 31 December 2007 \$'000
Downpayments	<i>(i)</i>	14,741	13,972
Loans and advances to business associate	<i>(ii)</i>	67,324	71,500
Loans to employees and officers		—	6,774
		<u>82,065</u>	<u>92,246</u>

Notes:

- (i) Downpayments were paid to relevant local authorities for the acquisition of leasehold lands located in Heilongjiang and Shanxi, the PRC.
- (ii) Loans and advances to business associates are unsecured, interest-free and repayable within 2009.

Notes to the Interim Financial Report — Unaudited

(Expressed in Hong Kong dollars)

13. TRADE AND OTHER RECEIVABLES (Continued)

(b) Current trade and other receivables (net of allowance for doubtful debts) comprise:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Trade debtors and bills receivable	294,942	300,027
Other receivables	21,973	24,035
Amount due from export sales agent	57,634	16,827
Amount due from jointly controlled entities	588	217
Amount due from minority shareholders	1,135	1,067
Deposits and prepayments	34,812	28,538
	<u>411,084</u>	<u>370,711</u>

Included in current trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
0 to 30 days	181,068	169,897
31 to 60 days	50,830	66,874
61 to 90 days	11,690	34,692
Over 90 days	51,354	28,564
	<u>294,942</u>	<u>300,027</u>

13. TRADE AND OTHER RECEIVABLES (Continued)

(b) Current trade and other receivables (net of allowance for doubtful debts) comprise: (Continued)

Included in trade receivables of the Group are amount due from a minority shareholder of \$14,359,000 (31 December 2007: \$30,227,000), details of the transactions are disclosed in note 21(a).

Included in other debtors of the Group are amounts totalling \$8,525,000 (31 December 2007: \$7,965,000) which represent loans to business associates. All loans are unsecured, interest-free and repayable on demand except for a loan with a remaining balance of \$4,212,000 (31 December 2007: \$3,741,000) as at 30 June 2008 which is interest bearing with a fixed interest rate of 10% per annum and secured by a building together with the related land use right located in Harbin, the PRC.

Amount due from export sales agent represents settlements received from overseas customers by the export sales agent on behalf of the Group. Such amounts are unsecured, interest-free and expected to be recovered within one year.

The amounts due from jointly controlled entities and minority shareholders are unsecured, interest-free and have no fixed terms of repayment.

All of the other trade and other receivables, apart from those mentioned in the above and certain deposits and prepayments of \$1,172,000 (31 December 2007: \$1,141,000), are expected to be recovered or recognised as expense within one year.

Management of the Group has reviewed the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made to irrecoverable amounts.

Notes to the Interim Financial Report — Unaudited

(Expressed in Hong Kong dollars)

13. TRADE AND OTHER RECEIVABLES (Continued)

(b) Current trade and other receivables (net of allowance for doubtful debts) comprise: (Continued)

In respect of mining operations, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 90 days from the date of billing. Billings to customers are normally made immediately after the date of delivery except for billings to copper and zinc customers which are made after 1 to 2 months from the date of delivery when metal contents are tested and confirmed by the customers. Overseas customers are required to settle in cash on delivery. Normally, the Group does not obtain collateral from customers.

14. TRADE AND OTHER PAYABLES

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Trade payables	10,472	13,621
Receipts in advance	4,227	10,467
Other payables and accruals	206,447	164,582
Amount due to a minority shareholder	142	2,807
Current portion of mining right payables (note 17)	<u>103,410</u>	<u>64,653</u>
	<u>324,698</u>	<u>256,130</u>

The amount due to a minority shareholder is unsecured, interest-free and has no fixed terms of repayment.

Included in other payables are retention payables of \$1,018,000 (31 December 2007: \$961,000) in respect of construction works which are expected to be settled after one year.

Notes to the Interim Financial Report — Unaudited

(Expressed in Hong Kong dollars)

14. TRADE AND OTHER PAYABLES (Continued)

Included in trade and other payables are trade payables with the following ageing analysis as of the balance sheet date:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Due within 3 months or on demand	5,854	10,287
Due after 3 months but within 6 months	41	437
Due after 6 months but within 1 year	1,806	225
Due after 1 year	2,771	2,672
	<u>10,472</u>	<u>13,621</u>

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15. DEFERRED INCOME

- (a) Deferred income of \$64,255,000 (31 December 2007: \$53,814,000) represents fees received in advance for the provision of cord blood storage services. The amount is amortised over the remaining service period.
- (b) Non-current deferred income represents government grants received by the Group as of the balance sheet date. Certain government grants are received by the Group in respect of property, plant and equipment and interests in leasehold land held for own use under operating leases. Such government grants are recognised in the balance sheet initially and recognised in the income statement as other revenue on a systematic basis over the useful life of the assets.

Notes to the Interim Financial Report — Unaudited

(Expressed in Hong Kong dollars)

16. BANK LOANS

The bank loans were repayable as follows:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Within one year or on demand	124,305	127,467
After 1 year but within 2 years	56,760	53,333
After 2 years but within 5 years	34,056	32,000
	<u>90,816</u>	<u>85,333</u>
	<u>215,121</u>	<u>212,800</u>

All the bank loans as at 30 June 2008 and 31 December 2007 were interest-bearing at floating rates with reference to the prevailing borrowing rate quoted by the People's Bank of China. The interest rates of bank loans ranged 6.03% to 7.74% per annum as at 30 June 2008 (31 December 2007: 6.48% to 7.23% per annum).

The Group's bank loans were secured as follows:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Bank loans		
Unsecured	44,841	52,800
Guaranteed by a third party	34,056	32,000
Guaranteed by a minority shareholder (note 21(b))	136,224	128,000
	<u>215,121</u>	<u>212,800</u>

Notes to the Interim Financial Report — Unaudited

(Expressed in Hong Kong dollars)

17. OTHER PAYABLES

	At 30 June 2008 <i>\$'000</i>	At 31 December 2007 <i>\$'000</i>
Mining right payables	198,502	181,639
<i>Less: Amount included under “current liabilities” (note 14)</i>	<u>(103,410)</u>	<u>(64,653)</u>
	<u>95,092</u>	<u>116,986</u>

Pursuant to mining rights premium agreements entered into between the Group and the relevant government authorities of the PRC, the mining rights premium in respect of the mining rights of Shanxi Dai County Rutile mine and Wudaoling Molybdenum mine amounted to approximately \$65,510,000 and \$161,875,000 respectively. As at 30 June 2008, the remaining balance of the mining rights premium of \$40,337,000 and \$130,707,000 in respect of Shanxi Dai County Rutile mine and Wudaoling Molybdenum mine shall be settled in four instalments and the final instalments are payable on or before 30 June 2012 and 22 May 2011 respectively.

Mining right payables also included the estimated consideration of \$27,458,000 (31 December 2007: \$25,799,000) for the transfer of certain mining rights from state-owned or collectively-owned to privately-owned and was classified as current liabilities.

Notes to the Interim Financial Report — Unaudited

(Expressed in Hong Kong dollars)

18. SHARE CAPITAL

The amounts of the Group's capital and reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of this interim financial report.

	At 30 June 2008		At 31 December 2007	
	Number of shares (<i>'000</i>)	Amount \$ <i>'000</i>	Number of shares (<i>'000</i>)	Amount \$ <i>'000</i>
<i>Authorised:</i>				
Ordinary shares of \$0.1 each	10,000,000	1,000,000	10,000,000	1,000,000
<i>Ordinary shares issued and fully paid:</i>				
At 1 January	6,026,653	602,665	4,720,781	472,078
Shares issued under share placing	—	—	1,305,872	130,587
	6,026,653	602,665	6,026,653	602,665

On 29 June 2007, the Company issued 1,305,872,000 new shares pursuant to a placing agreement entered into with a placing agent on 21 June 2007 to finance the acquisition of 75.08% equity interests in Harbin Songjinag Copper (Group) Company Limited.

Part of the proceeds of \$130,587,000, representing the par value of the share issued, were credited to the Company's share capital. The remaining proceeds of \$2,324,452,000, before the share issue expenses of \$90,596,000, were credited to the share premium account.

19. REDUCTION OF SHARE PREMIUM

Pursuant to a special resolution passed at Annual General Meeting of the Company on 23 May 2008 and with the sanction of the Registrar of Companies of Bermuda dated 4 June 2008, share premium of \$219,091,000 and contributed surplus of \$234,944,000 were eliminated against an equal amount of accumulated losses effective on 23 May 2008.

20. COMMITMENTS

(a) Capital Commitments

(i) Capital commitments outstanding at 30 June 2008 not provided for in this interim financial report were as follows:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Contracted for	28,830	32,813
Authorised but not contracted for	<u>1,100,514</u>	<u>1,206,899</u>
	<u>1,129,344</u>	<u>1,239,712</u>

(ii) Other commitments

At 30 June 2008, the Company had commitments to contribute capital of \$7,804,000 (31 December 2007: \$7,722,000) to a jointly controlled entity.

Notes to the Interim Financial Report — Unaudited

(Expressed in Hong Kong dollars)

20. COMMITMENTS (Continued)

(b) Operating lease commitments

At 30 June 2008, the total future minimum lease payments under non-cancellable operating leases in respect of rented premises are payable as follows:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Within 1 year	4,314	3,851
After 1 year but within 5 years	<u>3,771</u>	<u>4,873</u>
	<u>8,085</u>	<u>8,724</u>

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21. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions during the period:

(a) Recurring transactions

	Six months ended 30 June	
	2008 \$'000	2007 \$'000
Sales of goods to a minority shareholder, Chifeng Jinjian Copper Company Limited ("Chifeng Jinjian")	<u>35,457</u>	<u>—</u>

21. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Guarantees

A guarantee of RMB120,000,000 (equivalent to \$136,224,000) (31 December 2007: RMB120,000,000 (equivalent to \$128,000,000)) was given by Chifeng Jinjian to a subsidiary of the Group against certain bank loans totalling RMB120,000,000 (equivalent to \$136,224,000) as at 30 June 2008 (31 December 2007: RMB120,000,000 (equivalent to \$128,000,000)) as disclosed in note 16.

(c) Exploration rights

Exploration in certain locations in Inner Mongolia is conducted by the Group during the period ended 30 June 2008. The exploration rights are provided by Chifeng Jinjian to the Group at no cost. Expenditure of \$12,613,000 has been incurred for the exploration in such locations and capitalised as exploration and evaluation assets included in intangible assets and fully impaired during the period.

(d) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors, is as follows:

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Short-term employee benefits	4,211	1,071
Post-employment benefits	138	47
Equity compensation benefits	<u>14,286</u>	<u>—</u>
	<u>18,635</u>	<u>1,118</u>

22. LITIGATION

As set out in 2007 annual report, there are disputes between two former shareholders of Top Rank International Group Limited, a subsidiary of the Company 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 was no change in status of the Company compared with the year ended 31 December 2007. A judgement was made by the Shenzhen City Middle People's Court on 17 December 2007 in favour of the relevant members of the Group. As set out in the 2007 annual report and the announcement of the Company dated 18 March 2008, the Company has on 6 March 2008 received a copy of the Application for Civil Appeal (民事上訴狀) dated 3 March 2008 from the plaintiff which was lodged with the Guangdong Province High Court (the "Application"), pursuant to which the plaintiff has made an application to the Guangdong Province High Court to appeal for the revocation of the judgement orders (a) and (c) made against the plaintiff as referred to in the announcement of the Company dated 4 February 2008 and for 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. 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 defenses to the claims, and accordingly, no provision has been accounted for in this financial report in connection with the litigation.

23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 DECEMBER 2008

Up to the date of issue of this interim financial report, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2008 and which have not been adopted in this interim financial report because the directors expect the Group will not early apply them when preparing the Group's annual financial statements for the year ending 31 December 2008.

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating segments	1 January 2009
HKAS 1 (revised)	Presentation of financial statements	1 January 2009
HKAS 23 (revised)	Borrowing costs	1 January 2009
HKAS 27 (revised)	Consolidated and separate financial statement	1 July 2009

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far the Group believes that the adoption of the above amendments and new standards is unlikely to have a significant impact on the Group's results of operations and financial position.

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 2007 Annual Report. The Board believes that good corporate governance is crucial to enhance the performance of the Group and to safeguard the interests of the shareholders.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with 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 "Listing Rules") during the six months ended 30 June 2008.

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 2008.

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

REMUNERATION COMMITTEE

The Remuneration Committee is composed of 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 2008, 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 issued shares of the Company (long position)

Name	Capacity	Ordinary shares of HK\$0.1 each			% of total issued shares
		Personal interests	Corporate interests	Total number of shares held	
<i>Director</i>					
Cai Yuan	Beneficial owner and interest in controlled corporation	8,650,000	500,000,000 <i>(Note 1)</i>	508,650,000	8.44%

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.

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)

Interests in underlying shares of the Company — share options

Name	Number of share options	% of total issued shares
<i>Directors</i>		
Cai Yuan	2,000,000	0.03%
You Xian Sheng	10,000,000	0.17%
Wang Hui	15,000,000	0.25%
Yeung Kwok Kuen	30,000,000	0.50%
Chen Shou Wu	12,000,000	0.20%
Lam Ming Yung	2,000,000	0.03%
Chu Kang Nam	2,000,000	0.03%
<i>Chief executives</i>		
Yin Guanguan	10,000,000	0.17%
Qiao Hongbo	10,000,000	0.17%
Su Qingyu	10,000,000	0.17%
Qu Yanchun	10,000,000	0.17%

Save as disclosed above, as at 30 June 2008, 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.

Disclosure of Interests and Other Information

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 2008, 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

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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	13,460,000	368,686,000 <i>(Note 1)</i>	382,146,000	6.34%
Ng Hiu King	Interest in controlled corporation	—	344,108,000 <i>(Note 2)</i>	344,108,000	5.71%

Notes:

1. These shares are held by Long Cheer Group Limited which is 100% beneficially owned by Mr. Kwok Man.
2. These shares are held by See Good Group Limited which is 100% beneficially owned by Mr. Ng Hiu King.

Disclosure of Interests and Other Information

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

(Continued)

Save as disclosed above, the register of Substantial Shareholders required to be kept under Section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 30 June 2008.

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.

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).

Disclosure of Interests and Other Information

SHARE OPTION SCHEMES (Continued)

3. As at 26 September 2008, the total number of ordinary shares of HK\$0.10 in the capital of the Company (“Shares”) available for issue under the New Share Option Scheme was 602,665,285 (including 236,000,000 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 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.
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 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 and employees of the Company under the New Share Option Scheme for the period ended 30 June 2008 are as follows:

Name	Date granted	Period during which options are exercisable	No. of options outstanding at 1 January 2008	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 2008	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>										
Cai Yuan	6 July 2007	(Note 1)	2,000,000	—	—	—	2,000,000	HK\$1.82	HK\$1.79	—
You Xian Sheng	31 January 2008	(Note 4)	—	10,000,000	—	—	10,000,000	HK\$0.60	HK\$0.60	—
Wang Hui	6 July 2007	(Note 1)	15,000,000	—	—	—	15,000,000	HK\$1.82	HK\$1.79	—
Yeung Kwok Kuen	6 July 2007	(Note 1)	30,000,000	—	—	—	30,000,000	HK\$1.82	HK\$1.79	—
Chen Shou Wu	25 September 2007	(Note 2)	12,000,000	—	—	—	12,000,000	HK\$1.30	HK\$1.22	—
Lam Ming Yung	6 July 2007	(Note 1)	2,000,000	—	—	—	2,000,000	HK\$1.82	HK\$1.79	—
Chu Kang Nam	6 July 2007	(Note 1)	2,000,000	—	—	—	2,000,000	HK\$1.82	HK\$1.79	—
			63,000,000	10,000,000	—	—	73,000,000			
<i>Chief executives</i>										
Yin Guangyuan	6 July 2007	(Note 1)	10,000,000	—	—	—	10,000,000	HK\$1.82	HK\$1.79	—
Qiao Hongbo	6 July 2007	(Note 1)	10,000,000	—	—	—	10,000,000	HK\$1.82	HK\$1.79	—
Su Qingyu	6 July 2007	(Note 1)	10,000,000	—	—	—	10,000,000	HK\$1.82	HK\$1.79	—
Qu Yanchun	6 July 2007	(Note 1)	10,000,000	—	—	—	10,000,000	HK\$1.82	HK\$1.79	—
			40,000,000	—	—	—	40,000,000			
Employee	11 July 2007	(Note 3)	1,000,000	—	—	—	1,000,000	HK\$1.82	HK\$1.72	—
Others (Note 5)	6 July 2007	(Note 1)	124,000,000	—	(2,000,000)	—	122,000,000	HK\$1.82	HK\$1.79	—
			228,000,000	10,000,000	(2,000,000)	—	236,000,000			

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 6 July 2007 to 5 July 2010.
2. Exercisable from 25 September 2007 to 24 September 2010.
3. Exercisable from 11 July 2007 to 10 July 2010.
4. Exercisable from 31 January 2008 to 30 January 2011.
5. 60,000,000 share options, 60,000,000 share options, 2,000,000 share options and 2,000,000 share options were granted to Mr. Dong Wenxue, Mr. Wu King Shiu Kelvin, Mr. Chan Siu Tat and Mr. Wong Hon Sum respectively, on 6 July 2007. Mr. Dong Wenxue resigned as a director of the Company and was appointed as the chief adviser of the Company on 31 January 2008. Mr. Wu King Shiu Kelvin and Mr. Chan Siu Tat retired as directors of the Company on 23 May 2008. According to the New Share Option Scheme, share options granted to a director of the Company do not lapse upon their resignation. Mr. Wong Hon Sum resigned as a director of the Company on 5 December 2007 and the share options was cancelled on 31 January 2008.

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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 2008. 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 2008.

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 2008.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2008.

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

Hong Kong, 26 September 2008