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CHINA MINING RESOURCES GROUP LIMITED

中國礦業資源集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 340)

VERY SUBSTANTIAL ACQUISITION: ACQUISITION OF 75.08% EQUITY INTERESTS IN HARBIN SONGJIANG AND RESUMPTION OF TRADING

Financial adviser to China Mining Resources Group Limited



ABN AMRO Asia Corporate Finance Limited

THE ACQUISITION

On 11 March 2007, the Company, as purchaser, and the Vendors, as vendors, entered into the Sale and Purchase Agreement, pursuant to which, among other things, the Company conditionally agreed to acquire directly or through a wholly-owned subsidiary, and the Vendors conditionally agreed to sell to the Company directly or through a wholly-owned subsidiary, the Sale Interests for a total consideration of RMB1,807,881,000 (subject to downward adjustments). The Consideration is to be satisfied in cash on the Completion Date. Completion of the Acquisition is conditional upon the fulfillment of a number of conditions precedent described below.

Harbin Songjiang Group is principally engaged in mining and processing of molybdenum, copper and zinc, of which molybdenum accounts for the majority of its production and earnings. Molybdenum is a metal which has an exceptionally high melting point (approximately 2,625°C) and is principally used as an alloy agent in steel, cast iron and super alloy to enhance hardness, strength, toughness and resistance to wear and corrosion. Due to the limited number of substitutes for molybdenum in steel, alloying and other chemicals application, molybdenum remains a highly competitive commodity. Copper is a highly ductile metal with excellent electrical conductivity, and is used extensively in electrical, automotive and chemical industries. Zinc is a moderately-reactive metal and is primarily used in the production of galvanized steel (to prevent corrosion), metal alloys such as brass and various pigments.

The Company currently envisages that the Acquisition will be funded by bank loans and/or issuance and placement of new Shares and will not be funded by the Company's internal resources. Morgan Stanley has been appointed as financial advisor to the Company should it decide to proceed with any share issuance/placement. Save as disclosed above, no decision has been made by the Company regarding the exact source of funding for the Acquisition. Further details of any funding arrangement will be announced by the Company and disclosed in the circular to be despatched to the Shareholders. Notwithstanding the changes in its substantial shareholders as disclosed in the Company's announcement dated 24 May 2005 and the disclosure of interest notices filed pursuant to Part XV of Securities and Futures Ordinance and published on the Stock Exchange's website, there was no change in control (as defined in the Hong Kong Code on Takeovers and Mergers) of the Company in the past 24 months. If the funding exercise for the Acquisition results in a change of control (as defined in the Hong Kong Code on Takeovers and Mergers) of the Company, the Stock Exchange indicates that it reserves the right to re-consider the Acquisition as a reverse takeover under Chapter 14 of the Listing Rules.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Pursuant to Rule 14.49 of the Listing Rules, the Acquisition is therefore subject to the approval of the Shareholders at the SGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendors and their respective associates do not hold any Shares as at the date of this announcement and no Shareholder has a material interest in the Acquisition, and therefore no Shareholder is required to abstain from voting on the resolution to approve the Acquisition at the SGM.

APPOINTMENT OF NEW DIRECTORS

The Company currently intends to appoint some of the key senior management of Harbin Songjiang Group, including Mr. Dong Wenxue (董文學) and Mr. Wang Hui (王輝), as Directors upon completion of the Acquisition. Further announcement will be made as and when appropriate.

A circular containing, among other things, (i) further details of the Acquisition, (ii) a notice of the SGM, (iii) the technical review report of Behre Dolbear Asia Limited, (iv) financial information of the Group, (v) accountants' report of the Harbin Songjiang Group, (vi) unaudited pro forma financial information on the enlarged group and (vii) the valuation report on the property interests held by the enlarged group, will be despatched to the Shareholders as soon as practicable.

As the Acquisition is subject to a number of conditions precedent, it may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 7 March 2007 pending the issue of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 12 March 2007.

INTRODUCTION

The Directors are pleased to announce that on 11 March 2007, the Company, as purchaser, and the Vendors, as vendors, entered into the Sale and Purchase Agreement, a summary of the major terms of which are set out below.

THE SALE AND PURCHASE AGREEMENT

Date

11 March 2007

Parties

The Company, as purchaser.

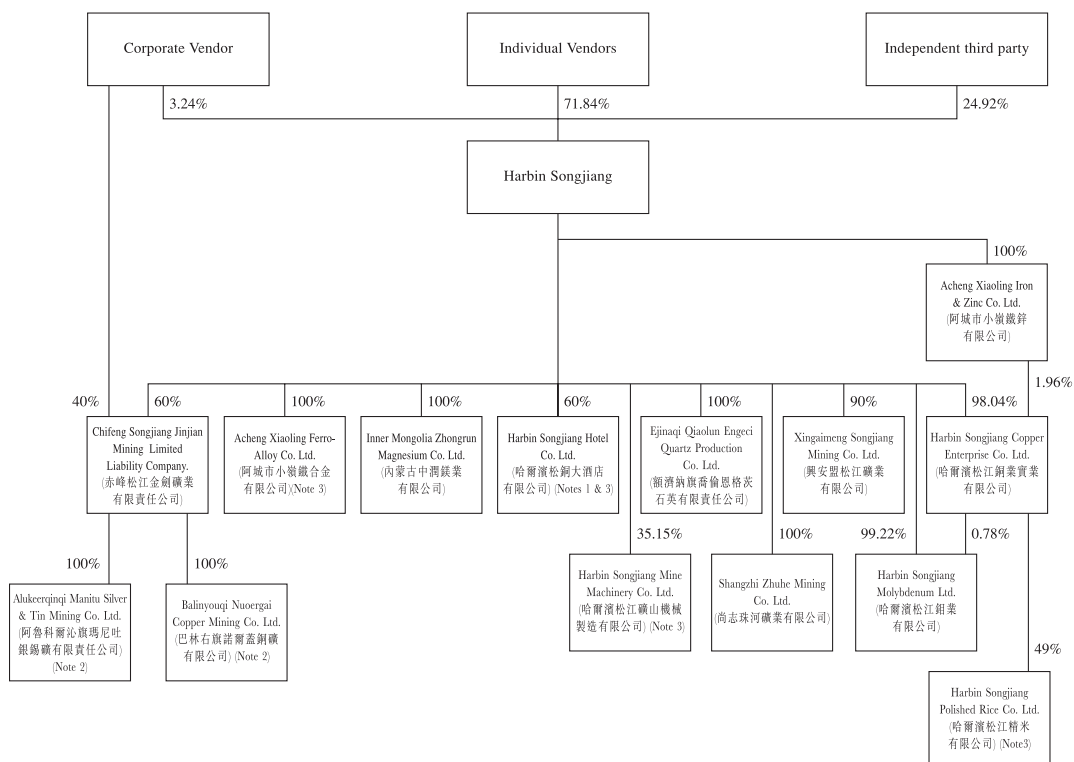
The Individual Vendors and the Corporate Vendor, as vendors. The Individual Vendors are, as at the date of this announcement, employees of Harbin Songjiang. The Corporate Vendor is a company incorporated in the PRC with limited liability. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Individual Vendors and the Corporate Vendor and their respective ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

Subject matters

Subject to fulfillment of the conditions precedent described below, the Company has agreed to purchase directly or through a wholly-owned subsidiary, and the Vendors have agreed to sell to the Company directly or through a wholly-owned subsidiary, the Sale Interests at a total consideration for RMB1,807,881,000 (subject to downward adjustments as described in the section headed "Consideration" below). The Consideration is to be paid in cash on the Completion Date.

Upon completion of the Acquisition, the Company will own 75.08% of the equity interests in Harbin Songjiang and the remaining 24.92% of the equity interests will continue to be held by an independent third party. The following charts show the approximate shareholding structure of Harbin Songjiang Group immediately before and after completion of the Acquisition:

Shareholding structure of Harbin Songjiang Group immediately before completion of the Acquisition

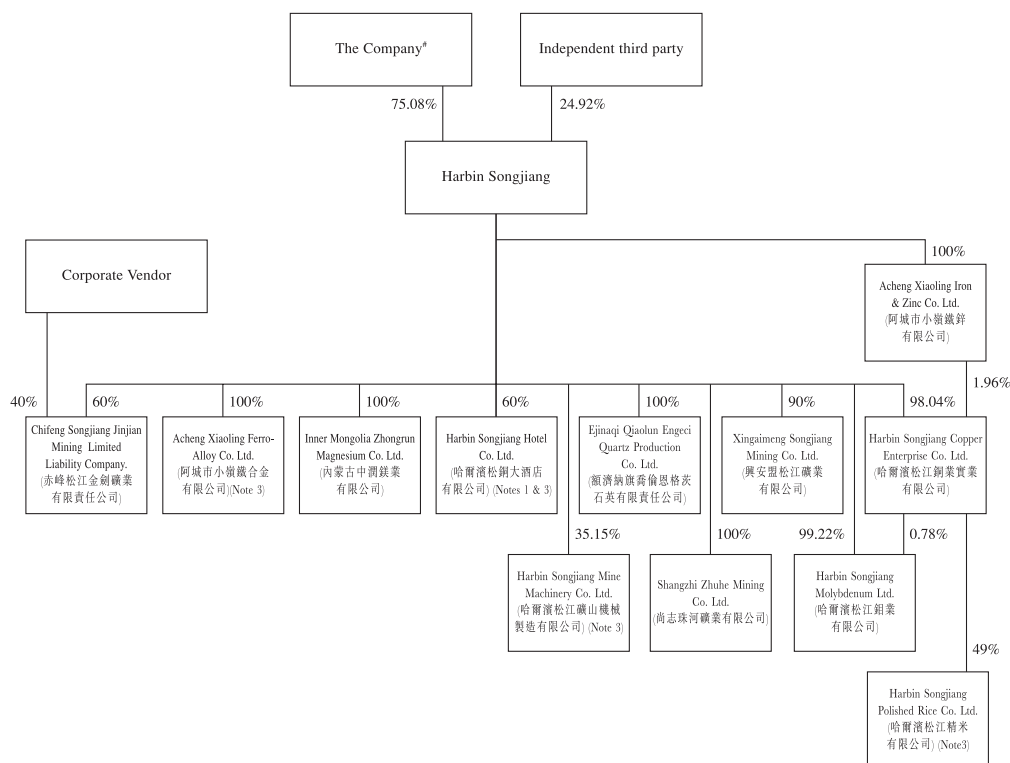


Note 1: Harbin Songjiang Hotel Co. Ltd. is in the process of being de-registered with the State Administration for Industry and Commerce. It presently does not have any business operation.

Note 2: It is one of the conditions precedent in the Sale and Purchase Agreement that this company will be disposed of before completion of the Acquisition.

Note 3: Pursuant to the Sale and Purchase Agreement, the Vendors undertake to dispose of this company before completion of the Acquisition. If the disposal has not been completed before completion of the Acquisition, the Vendors shall use their best endeavours to assist the Company to complete such disposal. The Company is not required to pay additional consideration if the disposal cannot be made before completion of the Acquisition.

Shareholding structure of Harbin Songjiang Group immediately after completion of the Acquisition



The Company may acquire and hold such interests through a wholly-owned subsidiary.

Notes 1 and 3: please refer to the notes above.

Sale Interests to be acquired

The Sale Interests represent 75.08% of the equity interests in Harbin Songjiang to be acquired from the Corporate Vendor and the Individual Vendors. As at the date of this announcement, the equity interests in Harbin Songjiang are held as to 71.84% by the Individual Vendors, 3.24% by the Corporate Vendor and 24.92% by an independent third party. The Company has agreed to acquire all (but not some part only) of the equity interests held by the Individual Vendors and the Corporate Vendor in Harbin Songjiang, and the independent third party has waived in favor of the Company its pre-emptive rights under the articles of association of Harbin Songjiang in respect of such transfers of equity interests by the Individual Vendors and the Corporate Vendor to the Company. Other than the independent third party's shareholding in Harbin Songjiang, the Company does not have any relationship with the independent third party. The Company does not currently has any intention to acquire the remaining 24.92% interest in Harbin Songjiang Group from the independent third party.

Consideration

The total consideration for the Sale Interests is RMB1,807,881,000, payable in cash on the Completion Date and in Hong Kong dollars at the mid-range of the exchange rate quoted by the People's Bank of China on the business day prior to the Completion Date, provided that in the event that the 2006 After-tax Profit of Harbin Songjiang Group is less than RMB280,000,000, such Consideration will be adjusted downwards by applying a factor of 2006 After-tax Profit/RMB280,000,000.

The Consideration was determined after arm's length negotiations between the Vendors and the Company after undertaking a valuation which reflected, among other factors, the remaining life of the mines of the Target Mining Sites, reserve base, resources, the financial position of Harbin Songjiang Group, the cost structure of Harbin Songjiang Group mining operation and the outlook for molybdenum, copper and zinc prices. The Consideration has also taken into account the capitalisation of earnings multiples (2006 PER and EV/EBITDA) for comparable international and PRC molybdenum, copper and zinc producers. The Consideration has further taken into account the technical expertise of the management team and their intention to stay with Harbin Songjiang Group and integrate into other mining operations of the Group including but not limited to the rutile mine in Shanxi, the PRC which the Group acquired in October 2006 after completion of the Acquisition. The Directors (including independent non-executive Directors) are of the opinion that the Consideration is fair and reasonable and on normal commercial terms.

Based on the exchange rate of RMB0.9909 to HK\$1.00, the Consideration in Hong Kong dollars will be approximately HK\$1,824,483,803.

Based on the information available to the Company and after making reasonable enquiries, the Company confirms that it and its subsidiaries do not have any prior transaction or relationship with each of the Vendors that would require aggregation under Rule 14.22 of the Listing Rules.

Conditions precedent

Completion of the Acquisition is subject to, among other things, certain conditions precedent set out in the Sale and Purchase Agreement being satisfied or waived, including but not limited to the following:

- (a) the Company being satisfied with the results of due diligence conducted on Harbin Songjiang Group in respect of their mining resources and their business operation, financial status, sales, assets, development prospects and other issues, including but not limited to receiving in form and content satisfactory to the Company the PRC legal opinion(s), technical review report, accountants' report and asset valuation report;
- (b) all necessary consents, and approvals from and notices to any governmental authority for the performance of, and all third party consents, notices and waivers from third parties in respect of, the Sale and Purchase Agreement having been obtained;
- (c) the passing of resolutions of the shareholders of Harbin Songjiang approving the Acquisition;
- (d) the passing of resolutions of the board of directors or the shareholders of the Corporate Vendor approving the sale to the Company of the equity interest held by the Corporate Vendor in Harbin Songjiang as required by its Articles of Association;
- (e) Harbin Songjiang receiving the approval certificate of foreign investment enterprise and the Sino-foreign joint venture business licence showing the Company as the foreign investor (such Sino-foreign joint venture business licence setting out a business scope for Harbin Songjiang which is satisfactory to the Company);
- (f) the passing of resolutions of the Shareholders at the SGM approving the Acquisition;
- (g) the Company having obtained sufficient funding to pay for the Consideration;
- (h) the titles to all the properties and assets as set out in the Sale and Purchase Agreement having been registered under the names of the relevant subsidiaries of Harbin Songjiang Group;

- (i) all the certificates and licences necessary for the business operation of Harbin Songjiang Group having been obtained and properly, legally and validly transferred and registered under the names of relevant members of Harbin Songjiang Group, as the case may be, and the consideration and expenses for the transfer and registration of such certificates and licences having been paid by instalments and/or fully paid;
- (j) the intellectual property rights as set out in the Sale and Purchase Agreement having been registered under the names of the relevant subsidiaries of Harbin Songjiang Group;
- (k) the representations and warranties contained in the Sale and Purchase Agreement being true and correct at all times;
- (l) the execution of the service contracts by certain key management staff of Harbin Songjiang Group for a term of at least 3 years on terms satisfactory to the Company;
- (m) all agreements for the restructuring have been signed and all internal approvals and third party consents (if any) for such restructuring have been obtained, and the disposal of 阿魯科爾沁瑪尼吐銀錫礦有限責任公司 (Alukeerqinqi Manitu Silver & Tin Mining Co. Ltd.) and 巴林右旗諾爾蓋銅礦有限公司 (Balinyouqi Nuoergai Copper Mining Co. Ltd.) having been completed in accordance with the relevant PRC laws and regulations to the satisfaction of the Purchaser;
- (n) any other conditions precedent to be proposed by the Purchaser after receiving the PRC legal opinion from its PRC legal advisers and completion of its due diligence on Harbin Songjiang Group; and
- (o) there having not occurred since 1 January 2007 in relation to the business, assets and operations of any of Harbin Songjiang or its subsidiaries any unusual operations or any significant incidents involving liability for safe production or any material adverse changes or any material risks which were not previously disclosed.

If the conditions are not satisfied or waived (only by the Company for conditions (a), (g), (h), (i), (j), (l), (m), (n) and (o)) on or before 31 December 2007, the Company has the right to terminate the Sale and Purchase Agreement and neither party shall have any liability or obligation under the Sale and Purchase Agreement. In the event that any of the above conditions is waived, further announcement will be made by the Company as and when appropriate.

As disclosed above, condition (g) above may be waived by the Company. The Directors believe that such right provides flexibility to the Company to cater for the situation where the Vendors may accept deferred payment or payment by instalments in respect of the Consideration at a later stage.

The Sale and Purchase Agreement contains restrictions, amongst other things, with respect to the operation of the business of Harbin Songjiang Group from the date of the Sale and Purchase Agreement until Completion Date.

Completion

Completion shall take place on the third business day after the conditions precedent to the Sale and Purchase Agreement are all fulfilled or waived (as the case may be) or such other date as the parties shall agree in writing. The Acquisition will lapse if the conditions precedent are not fulfilled or waived (as the case may be) by 31 December 2007 or such other date as the parties shall agree in writing. In the event that Completion has not taken place by 31 December 2007, further announcement will be made by the Company.

INFORMATION ON THE GROUP

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

The Group commenced its business in mining since November 2006 and the proposed Acquisition will further strengthen the Group's mining business. The Group has discontinued its businesses of trading of investments and trading of pharmaceutical ingredients and chemicals since July 2006 and has discontinued its business of property investment since November 2006. Notwithstanding that the Company has no current intentions to dispose of its umbilical cord blood storage business, the Directors will from time to time review the strategic direction of the Group and explore options to make further acquisitions or disposal of the Group's businesses for the benefits of the Shareholders, including the umbilical cord blood storage business.

The following table shows the shareholding structure of the Company:

	<i>Notes</i>	Number of Shares held	Approximate % of shareholding in the Company
Substantial shareholders and/or connected persons			
Mr. Cai Yuan	1	508,650,000	10.77
Mr. Luk Kin Peter Joseph	2	235,234,000	4.98
Mr. Tang Tin Sek	3	<u>100,000</u>	<u>0.0021</u>
Sub-total		743,984,000	15.75
Public shareholders		<u>3,976,796,853</u>	<u>84.25</u>
Total:		<u><u>4,720,780,853</u></u>	<u><u>100.00</u></u>

Notes:

1. Mr. Cai Yuan, the chairman and executive director of the Company, is the 100% beneficial owner of Greater Increase Investment Limited which holds 500,000,000 Shares. Mr. Cai also holds 8,650,000 Shares under his name.
2. Mr. Luk Kin Peter Joseph, an executive Director, is the 100% beneficial owner of Equity Valley Investment Limited which holds 226,584,000 Shares. Mr. Luk also holds 8,650,000 Shares under his name.
3. Mr. Tang Tin Sek is an independent non-executive Director.

INFORMATION ON HARBIN SONGJIANG GROUP

Harbin Songjiang was established in the PRC in January 1972 under the name of 松江銅礦 (Zongjiang Copper Mine) as a state owned enterprise. In April 2005, Harbin Songjiang was converted into a non-state-owned limited liability company. It is currently owned as to 3.24% by the Corporate Vendor, 71.84% by the Individual Vendors and 24.92% by an independent third party, details of which are set out in the section headed "The Sale and Purchase Agreement" above.

Harbin Songjiang Group is principally engaged in mining and processing of molybdenum, copper and zinc, of which molybdenum accounts for the majority of its production and earnings. Molybdenum is a metal which has an exceptionally high melting point (approximately 2,625°C) and is principally used as an alloy agent in steel, cast iron and super alloy to enhance hardness, strength, toughness and resistance to wear and corrosion. Due to the limited number of substitutes for molybdenum in steel, alloying and other chemicals application, molybdenum remains a highly competitive commodity. Copper is a highly ductile metal with excellent electrical conductivity, and is used extensively in electrical, automotive and chemical industries. Zinc is a moderately-reactive metal and is primarily used in the production of galvanized steel (to prevent corrosion), metal alloys such as brass and various pigments.

Financial information of Harbin Songjiang Group

Based on the PRC accounting standards, for the period from 16 March 2005 (being the date of 國有股權轉讓協議 (the agreement for transfer of state-owned shares) and 增資合同 (agreement for increase of registered capital) entered into amongst the original and existing shareholders of Harbin Songjiang for the purpose of converting Harbin Songjiang into a limited liability company as described above) to 31 December 2005 and the ten months ended 31 October 2006, the unaudited consolidated financial information of Harbin Songjiang Group is as follows:

	As at 31 December 2005 (RMB'000)	As at 31 October 2006 (RMB'000)
Total assets	676,173	879,419
Total liabilities	266,146	508,725
Total equity	410,027	370,694
	For the period from 16 March 2005 to 31 December 2005 (RMB'000)	For the period of ten months ended 31 October 2006 (RMB'000)
Turnover	489,538	556,243
Profit before taxation	255,964	309,356
Profit after taxation	138,744	200,417

The unaudited consolidated financial information of Harbin Songjiang Group above included the results of those companies to be disposed of as stated in notes 1 to 3 under the section headed "Shareholding structure of Harbin Songjiang Group immediately before completion of the Acquisition" above.

Upon completion, Harbin Songjiang will be owned as to 75.08% by the Company and 24.92% by an independent third party and will become a Sino-foreign equity joint venture company established under the laws of the PRC. Further, it will become a non-wholly owned subsidiary of the Company and its financial results will be consolidated with those of the Group.

Upon completion, the board of directors of Harbin Songjiang will comprise 5 directors, of whom 4 will be appointed by the Group and 1 will be appointed by an independent third party. Although the Company has not decided the identities of the proposed directors of Harbin Songjiang, the directors to be appointed by the Group will be responsible for overseeing Harbin Songjiang's overall operations, the financial matters and the mining operations.

Information on the Target Mining Sites

The Company has engaged Behre Dolbear Asia Limited, an independent international mining consultant, to perform a technical review on the Target Mining Sites which includes, where applicable, among other things, the assessment of mining tenement, geology, mineral resources, ore reserves and exploration potential. A technical report to be prepared by Behre Dolbear Asia Limited in compliance with the applicable provisions of Chapter 18 of the Listing Rules will be included in the circular to be dispatched to the Shareholders.

1. Mining rights

Pursuant to the Sale and Purchase Agreement, the relevant members of Harbin Songjiang Group have mining rights in the following mining sites which are located in the PRC upon Completion:

Target Mining Sites	Location	Area (kilometers ²)	Metals	Term of the mining rights	Holder of mining rights
哈爾濱松江銅業(集團)有限公司五道嶺鉬礦 (Harbin Songjiang Copper (Group) Company Limited Wu Dao Ling Molybdenum Mine) (Note 1)	Harbin, Heilongjiang Province	0.2799	Molybdenum	Expires in December 2009	Harbin Songjiang
哈爾濱松江銅業股份有限公司 (Harbin Songjiang Copper Joint Stock Company Limited) (Note 1)	Harbin, Heilongjiang Province	0.6555	Copper, zinc and lead	Expires in December 2019	Harbin Songjiang
哈爾濱松江銅業(集團)有限公司小嶺鐵鋅礦 (Harbin Songjiang Copper (Group) Company Limited Xiao Ling Iron Zinc Mine) (Note 1)	Harbin, Heilongjiang Province	0.1213	Iron and zinc	Expires in February 2010	Harbin Songjiang
額濟納旗喬倫恩格茨石英礦 (Ejinaqi Qiaolun Engeci Quartz Mine) (Notes 2 and 3)	Inner Mongolia Autonomous Region	0.85	Quartz	Expires in March 2007	Ejinaqi Qiaolun Engeci Quartz Production Co. Ltd.
興安盟松江礦業有限責任公司察爾森硅石礦 (Xingaimeng Songjiang Mining Co. Ltd. Chaersen Silica Mine) (Note 2)	Inner Mongolia Autonomous Region	0.0181	Limestone	Expires in December 2009	Xingaimeng Songjiang Mining Co. Ltd.
興安盟松江礦業有限責任公司查幹楚魯硅石礦 (Xingaimeng Songjiang Mining Co. Ltd. Zhaganchulu Silica Mine) (Note 2)	Inner Mongolia Autonomous Region	0.01	Limestone	Expires in December 2009	Xingaimeng Songjiang Mining Co. Ltd.
興安盟松江礦業有限責任公司五龍山硅石礦 (Xingaimeng Songjiang Mining Co. Ltd. Wulongshan Silica Mine) (Note 2)	Inner Mongolia Autonomous Region	0.4348	Limestone	Expires in December 2009	Xingaimeng Songjiang Mining Co. Ltd.

Note 1: The mining rights are state-owned and Harbin Songjiang has submitted an application to 黑龍江省國土資源廳 (Geological and Resources Department of Heilongjiang Province) for the transfer of the mining rights to privately-owned rights held by the relevant subsidiaries of Harbin Songjiang. Pursuant to condition precedent (i) of the Sale and Purchase Agreement as stated above, such transfer of mining rights is intended to be completed before the completion of the Acquisition.

Note 2: The mining rights are privately-owned.

Note 3: The mining rights in respect of 額濟納旗喬倫恩格茨石英礦 (Ejinaqi Qiaolun Engeci Quartz Mine) will expire in March 2007 and the relevant member of Harbin Songjiang Group is in the process of renewing the mining rights.

According to the assessment reports prepared by 黑龍江省有色金屬地質勘查七零三隊 (703 Team of Heilongjiang Provincial Nonferrous Metal Geological Exploration) in November 2006 engaged by Harbin Songjiang, the estimated resources of 哈爾濱松江銅業(集團)有限公司五道嶺鉬礦 (Harbin

Songjiang Copper (Group) Company Limited Wu Dao Ling Molybdenum Mine) and 哈爾濱松江銅業股份有限公司 (Harbin Songjiang Copper Joint Stock Company Limited) based on 1991 Chinese resources classification system as of 31 October 2006 are as follows:

哈爾濱松江銅業(集團)有限公司五道嶺鉬礦 (Harbin Songjiang Copper (Group) Company Limited Wu Dao Ling Molybdenum Mine)

	Ore (tonnes 000')	Molybdenum (tonnes)
Measured and indicated	23,550	68,300
Inferred	4,040	6,100
Total	27,590	74,400

哈爾濱松江銅業股份有限公司 (Harbin Songjiang Copper Joint Stock Company Limited)

	Ore (tonnes 000')	Metals (tonnes)	
		Copper	Zinc
Measured and indicated	2,350	27,000	38,300
Inferred	740	10,100	4,300
Total	3,090	37,100	42,600

2. Exploration rights

As at the date of this announcement, relevant members of Harbin Songjiang Group has exploration rights in the following mining sites in the PRC:

Target Mining Sites	Location	Area (kilometers ²)	Term of the exploration rights	Holder of exploration rights
河南省嵩縣凡台溝金礦詳查項目 (Detailed Investigation Project on Henan Provincial Song County Fan Tai Gou Jin Mine)	Henan	4.62	Expires on 30 December 2007	Harbin Songjiang
內蒙古興安盟科右前旗大橫山 鉬鉛鋅多金屬普查項目 (General Investigation Project on Inner Mongolia Xinganmeng Ke You Qian Qi Da Heng Shan Molybdenum Lead Zinc Multi Metals)	Inner Mongolia Autonomous Region	8.34	Expires on 20 September 2008	Harbin Songjiang
內蒙古興安盟科右前旗呼合達 坂鉛多金屬普查項目 (General Investigation Project on Inner Mongolia Xinganmeng Ke You Qian Qi Hu He Da Ban Lead Multi Metals)	Inner Mongolia Autonomous Region	53.73	Expires on 20 September 2008	Harbin Songjiang
內蒙古科右前旗海勒斯台護 林站鉛多金屬普查項目 (General Investigation Project on Inner Mongolia Ke You Qian Qi Hai Le Si Tai Hu Lin Zhan Lead Multi Metals)	Inner Mongolia Autonomous Region	5.32	Expires on 20 September 2008	Harbin Songjiang

The Company's PRC legal advisers confirmed that the Vendors are the registered owners of their respective interests in Harbin Songjiang. Save as disclosed above, the relevant members of Harbin Songjiang Group are the registered holders of the above mining rights and exploitation rights as at the date of this announcement. As disclosed above, certain mining rights are state-owned and the Company understands that Harbin Songjiang has submitted an application to 黑龍江省國土資源廳 (Geological and Resources Department of Heilongjiang Province) for the transfer of those mining rights to privately-owned rights held by the relevant subsidiaries of Harbin Songjiang. It is one of the conditions precedent of the Sale and Purchase Agreement that all the certificates and licences necessary for the business operation of Harbin Songjiang Group having been obtained and properly, legally and validly transferred and registered under the names of relevant members of Harbin Songjiang Group. Pursuant to the Sale and Purchase Agreement, the Company may waive such condition precedent.

Summary of key steps required for application for, and renewal of, mining and exploration licences

The ownership of mineral resources in the PRC belongs to the PRC government. A qualified exploration or mining company can apply for licences of exploration rights or mining rights in a designated area for a specific period of time for production purposes. The licence of mining rights also grants exploration rights within the designated mine area for the licensee's production purposes. The validity of a mining right can be extended until the mining of proved reserves within a designated area has been completed, subject to the approval of the relevant regulatory authorities.

As advised by the PRC legal advisers to the Company, after Completion, the relevant members of Harbin Songjiang Group may (1) apply for mining licences in respect of those Target Mining Sites with exploration rights, (2) renew the mining licences in respect of those Target Mining Sites with mining rights and (3) renew the exploration licences in respect of those Target Mining Sites with exploration rights in accordance with the following key steps under the PRC laws after Completion:

1. Application for mining licences

The relevant members of Harbin Songjiang Group may apply for mining licences in respect of those Target Mining Sites with exploration rights. It is necessary for the relevant members of Harbin Songjiang Group to apply for mining licences by way of lodging an application with the relevant authority. They shall apply to the registration and administration authority for designated mining areas based on the approved geological exploration and reserves report together with relevant documents such as their qualifications certificate, proposal for development and use of mineral resources and environmental report. When the application for registration is approved, they shall pay the royalty for the mining rights.

2. Renewal of mining licences

According to the Administrative Measures on Registration of Mineral Resources Exploitation (礦產資源開採登記管理辦法), the relevant members of Harbin Songjiang Group shall apply for the renewal of the mining licence at least 30 days prior to the expiry date of the mining licence. Pursuant to the Written Reply Regarding the Matters on the Registration Procedures of Renewal of Mining Licence (關於辦理採礦許可證延續登記手續有關問題的復函) issued by the Bureau of Land Resources, the relevant PRC authority may consider various matters including the conduct of the applicant and the term of the mining licence in approving the application.

3. Renewal of exploration licences

According to the Administrative Measures on Registration of Mineral Resources Investigated Area (礦產資源勘查區塊登記管理辦法), the relevant members of Harbin Songjiang Group shall apply for the renewal of the exploration licence at least 30 days prior to the expiry date of the exploration licence. The term of each renewal will not be longer than 2 years.

The PRC legal advisers are of the view that the relevant members of Harbin Songjiang Group would not face any major legal obstacles in obtaining and renewing the mining and exploration licences in respect of the Target Mining Sites.

REASONS FOR THE ACQUISITION

As stated in its 2006 interim report, the Group plans to be dynamic and strive for strategic acquisitions, which can enhance the performance of the Group.

In view of the increase in demand for natural resources and energy in the world and the increase in the prices of metals over the past years, the Directors are optimistic about the future prospect of the demand for natural resources and the energy industry taking into account that the sustainable economic growth of the PRC and the national consumption of the metals. The Directors therefore believe that the Acquisition provides an opportunity for the Group to enhance investment returns for the Group. To strengthen the expertise of the Group's management in the mining business, the Company currently intends to appoint some of the key senior management of Harbin Songjiang Group, including Mr. Dong Wenxue (董文學) and Mr. Wang Hui (王輝), as Directors upon completion of the Acquisition and contribute their knowledge and experience to the Group in its development and expansion in the mining industry. Mr. Dong is the chairman and managing director of Harbin Songjiang and will be the key person responsible for the management and day to day supervision of the operation of the Target Mining Sites. Mr. Wang has been the chief advisor of Harbin Songjiang since 2002 and has since assisted Harbin Songjiang in its strategic planning and development and assessing and procuring suitable mining acquisition opportunities. The Board considers the Group can benefit from their expertise after the Completion. The Directors, including the independent non-executive Directors, consider that the terms of the Acquisition (including the Consideration and the payment methods thereof) are fair and reasonable and on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

FINANCING OF THE ACQUISITION

The Company currently envisages that the Acquisition will be funded by bank loans and/or issuance and placement of new Shares and will not be funded by the Company's internal resources. Morgan Stanley has been appointed as financial advisor to the Company should it decide to proceed with any share issuance/placement. Save as disclosed above, no decision has been made by the Company regarding the exact source of funding for the Acquisition. Further details of any funding arrangement will be announced by the Company and disclosed in the circular to be despatched to the Shareholders. Notwithstanding the changes in its substantial shareholders as disclosed in the Company's announcement dated 24 May 2005 and the disclosure of interest notices filed pursuant to Part XV of Securities and Futures Ordinance and published on the Stock Exchange's website, there was no change in control (as defined in the Hong Kong Code on Takeovers and Mergers) of the Company in the past 24 months. If the funding exercise for the Acquisition results in a change of control (as defined in the Hong Kong Code on Takeovers and Mergers) of the Company, the Stock Exchange indicates that it reserves the right to re-consider the Acquisition as a reverse takeover under Chapter 14 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The Company is in the process of conducting its due diligence on Harbin Songjiang Group pursuant to condition precedent (a) of the Sale and Purchase Agreement set out above. The Directors are not presently aware of any transactions with Harbin Songjiang Group or any continuing connected transactions with Harbin Songjiang Group which are subject to disclosure and shareholders' approval requirements under Chapter 14A of the Listing Rules that may arise after completion of the Acquisition. If the Company identifies any continuing connected transactions which are subject to disclosure and shareholders' approval requirements under Chapter 14A of the Listing Rules that may arise as a result of the Acquisition, it will seek all relevant approvals required for any such transactions, and comply with all the announcement, reporting and shareholders' approval requirements, where applicable, under Chapter 14A of the Listing Rules.

APPOINTMENT OF NEW DIRECTORS

The Company currently intends to appoint some of the key senior management of Harbin Songjiang Group, including Mr. Dong Wenxue (董文學) and Mr. Wang Hui (王輝), as Directors upon completion of the Acquisition. Further announcement will be made as and when appropriate.

Mr. Dong Wenxue (董文學), aged 55, is the chairman and managing director of Harbin Songjiang. He graduated from Harbin Institute of Technology in 1996. Mr. Dong is a mining expert and has had over 30 years of experience in the mining industry. He has been the head of 松江銅業股份公司銅礦 (Songjiang Copper Joint Stock Company Copper Mine) from 1991 to 1997 and has been the chairman and managing director of Harbin Songjiang since 1997. He is responsible for the overall strategies, management and operations of the Harbin Songjiang Group's mining business. Mr. Dong is a senior political work professional and an engineer. He has been the Secretary of the Party Committee from 1991 to 2005. He was granted the title of National Model Worker in the Nonferrous Industry in 1993, Outstanding Middle-aged and Youth Expert of Heilongjiang Province in 1996, Model Worker of Harbin City in 1996, Top 10 Entrepreneurs of Harbin City in 1997 and 1998 and Outstanding Member of the Communist Party in 1995. Mr. Dong is one of the Individual Vendors and owns 1.62% equity interest in Harbin Songjiang as at the date of this announcement.

Mr. Wang Hui (王輝), aged 48, is the deputy managing director of Harbin Songjiang. He graduated from Harbin Normal University in 1984. He has been the chief advisor of Harbin Songjiang since April 2002 who has mainly assisted Harbin Songjiang in assessing and procuring exploration and mining projects, evaluating scale of mining operations and improving corporate governance of the then state-owned enterprise. He officially joined Harbin Songjiang in November 2005 and has extended his responsibilities to formulation and execution of Harbin Songjiang Group's overall business strategies and policies and spearheading the growth of Harbin Songjiang Group's business. He is a senior economist. Save as his above roles in Harbin Songjiang, Mr. Wang is independent from any of the Vendors.

The Board currently does not have any intention to change its chairman or deputy chairman immediately upon Completion. The Board may from time to time discuss the future development of the Company and it may consider the possible change in position of its chairman or deputy chairman if that is to the best benefit and interest of the Company.

GENERAL

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Pursuant to Rule 14.49 of the Listing Rules, the Acquisition is therefore subject to the approval of the Shareholders at the SGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendors and their respective associates do not hold any Shares as at the date of this announcement and no Shareholder has a material interest in the Acquisition, and therefore no Shareholder is required to abstain from voting on the resolution to approve the Acquisition at the SGM.

A circular containing, among other thing, (i) further details of the Acquisition, (ii) a notice of the SGM, (iii) the technical review report of Behre Dolbear Asia Limited, (iv) financial information of the Group, (v) accountants' report of the Harbin Songjiang Group, (vi) unaudited pro forma financial information on the enlarged group and (vii) valuation report on the property interests held by the enlarged group, will be despatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 7 March 2007 pending the issue of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 12 March 2007.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“2006 After-tax Profit”	the audited consolidated profit after taxation of Harbin Songjiang Group as set forth in the audited consolidated accounts of Harbin Songjiang Group for the financial year ended 31 December 2006 which will be prepared in accordance with all applicable Hong Kong Financial Reporting Standards
“Acquisition”	The acquisition of the Sale Interests by the Company from the Vendors pursuant to the Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	The board of Directors
“Company”	China Mining Resources Group Limited (中國礦業資源集團有限公司*), an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Completion Date”	the date on which completion takes place being the third business day after the conditions precedent under the Sale and Purchase Agreement have been satisfied or waived as the case may be
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Vendor”	赤峰金劍銅業有限公司 (Chi Feng Jin Jian Copper Company Limited), a company incorporated in the PRC with limited liability, holding 3.24% equity interests in Harbin Songjiang
“Director(s)”	the director(s) of the Company
“EBITDA”	being the enterprise value divided by earnings before interest, taxes, depreciation and amortization
“EV”	enterprise value which is defined as the sum of market capitalization, net debt, minority interests and preferred shares
“Group”	collectively, the Company and its subsidiaries from time to time

“Harbin Songjiang”	哈爾濱松江銅業(集團)有限公司 (Harbin Songjiang Copper (Group) Company Limited), a company incorporated in the PRC with limited liability
“Harbin Songjiang Group”	collectively, Harbin Songjiang and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Individual Vendors”	蘇慶玉 (Su Qingyu), 王世遠 (Wang Shiyuan), 吳延忠 (Wu Yanzhong), 賀啓奎 (He Qikui), 劉曉波 (Liu Xiaobo), 矯海龍 (Jiao Hailong), 韓殿生 (Han Diansheng), 鞠海坤 (Ju Haikun), 陳旭東 (Chen Xudong), 李洪勝 (Li Hongsheng), 董文學 (Dong Wenxue) and 陳士忠 (Chen Shizhong), together holding 71.84% equity interests in Harbin Songjiang
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Morgan Stanley”	Morgan Stanley Dean Witter Asia Limited and/or its affiliates
“PER”	Price earnings ratio is the company’s current share price divided by its earnings per share. Earnings per share is defined as the net earnings divided by outstanding shares
“PRC”	the People’s Republic of China
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Sale and Purchase Agreement”	The sale and purchase agreement dated 11 March 2007 entered into between the Company and the Vendors under which the Vendors conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Interests
“Sale Interests”	75.08% of the equity interests in Harbin Songjiang to be acquired from the Corporate Vendor and the Individual Vendors
“Securities and Futures Ordinance”	Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong
“SGM”	a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Acquisition
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Mining Sites” the mining sites to be acquired under the Sale and Purchase Agreement, being 哈爾濱松江銅業(集團)有限公司五道嶺鉬礦 (Harbin Songjiang Copper (Group) Company Limited Wu Dao Ling Molybdenum Mine), 哈爾濱松江銅業股份有限公司 (Harbin Songjiang Copper Joint Stock Company Limited), 哈爾濱松江銅業(集團)有限公司小嶺鐵鋅礦 (Harbin Songjiang Copper (Group) Company Limited Xiao Ling Iron Zinc Mine), 額濟納旗喬倫恩格茨石英礦 (Ejinaqi Qiaolun Engeci Quartz Mine), 興安盟松江礦業有限責任公司察爾森硅石礦 (Xingaimeng Songjiang Mining Co. Ltd. Chaersen Silica Mine), 興安盟松江礦業有限責任公司查幹楚魯硅石礦 (Xingaimeng Songjiang Mining Co. Ltd. Zhaganchulu Silica Mine), 興安盟松江礦業有限責任公司五龍山硅石礦 (Xingaimeng Songjiang Mining Co. Ltd. Wulongshan Silica Mine), 河南省嵩縣凡台溝金礦詳查項目 (Detailed Investigation Project on Henan Provincial Song County Fan Tai Gou Jin Mine), 內蒙古興安盟科右前旗大橫山鉬鉛鋅多金屬普查項目 (General Investigation Project on Inner Mongolia Xinganmeng Ke You Qian Qi Da Heng Shan Molybdenum Lead Zinc Multi Metals), 內蒙古興安盟科右前旗呼合達坂鉛多金屬普查項目 (General Investigation Project on Inner Mongolia Xinganmeng Ke You Qian Qi Hu He Da Ban Lead Multi Metals) and 內蒙古科右前旗海勒斯台護林站鉛多金屬普查項目 (General Investigation Project on Inner Mongolia Ke You Qian Qi Hai Le Si Tai Hu Lin Zhan Lead Multi Metals)

“Vendors” the Corporate Vendor and the Individual Vendors

By Order of the Board
China Mining Resources Group Limited
Luk Kin Peter Joseph
Deputy Chairman & Chief Executive Officer

Hong Kong, 11 March 2007

As at the date of this announcement, the Board comprises Mr. Cai Yuan, Mr. Luk Kin Peter Joseph and Mr. Yeung Kwok Kuen as executive directors, Mr. Lam Ming Yung as non-executive director and Dr. Tang Tin Sek, Mr. Chan Siu Tat and Mr. Wong Hon Sum as independent non-executive directors.

* *For identification purpose only*