中國有色金屬有限公司
China Nonferrous Metals Company Limited

(Incorporated in Bermuda with limited liability) (Stock Code: 8306)

ANNUAL REPORT 2008

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This report, for which the directors (the "Directors") of China Nonferrous Metals Company Limited (formerly known as Sungreen International Holdings Limited) (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. ZHUO Ze Fan
Ms. XIE Yi Ping
Dr. YU Heng Xiang
Mr. NG Tang
Mr. XU Bing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHAO Shou Guo
Mr. CHAU Kam Wing, Donald
Mr. YANG Rui

COMPLIANCE OFFICER

Mr. ZHUO Ze Fan

COMPANY SECRETARY

Mr. LI Chi Chung

AUDIT COMMITTEE

Mr. ZHAO Shou Guo
Mr. CHAU Kam Wing, Donald
Mr. YANG Rui

AUTHORISED REPRESENTATIVES

Mr. ZHUO Ze Fan
Ms. XIE Yi Ping

STOCK CODE

8306

COMPANY WEBSITE

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LEGAL ADVISERS

Michael Li & Co.

AUDITORS

Grant Thornton, Certified Public Accountants,
Hong Kong

PRINCIPAL BANKERS

Citic Industrial Bank, Xi'an Branch
Bank of Communications, Xi'an Branch

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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FINANCIAL HIGHLIGHTS

	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**219,771**	144,759	135,545	129,969	116,155
Gross profit	**42,480**	48,886	53,628	46,576	43,823
Profit attributable to equity holders of the Company	**8,636**	10,067	7,915	769	7,845
Equity attributable to equity holders of the Company	**545,536**	116,356	105,129	97,272	12,770
Total assets	**1,938,099**	265,820	213,518	187,606	164,735
Total liabilities	**1,040,874**	101,243	68,100	56,375	124,909

	2008	2007	2006	2005	2004
	RMB	RMB	RMB	RMB	RMB
		(restated)	(restated)	(restated)	(restated)
Earnings per share, basic (cents)	**1.84**	2.52	1.98	0.22	1.96

CHAIRMAN'S STATEMENT

I wish to take this opportunity to express my sincere gratitude for your trust and support to China Nonferrous Metals Company Limited. I am pleased to report herewith the operating results of the Group for the year ended 31 December 2008 as follows:

In 2008, the Group achieved a sales income (turnover) of RMB220 million, representing an increase of 52% over the previous year, and achieved a net profit after tax (net profit attributable to shareholders of the parent) of RMB8 million, representing an decrease of 14% over the previous year.

INDUSTRY OVERVIEW

Fertilizers

Agriculture is the back bone of the Chinese economy and fertilizers are critical to the sustainable development of the agricultural industry. Organic potash fertilizer is amongst the top three fertilizers most commonly used for in the Chinese agricultural industry and it has become an irreplaceable product for the continued development of the agricultural business in China. 90% of the farm land in the South and 65% in the North is in serious deficiency of potassium and according to national report, the demand for potash in China by 2010 is approximately 8.5 million tons per annum whilst the total production of potash currently is only 1.2 million tons per annum, representing a shortfall in supply amounting to over 7 million tons per annum.

Mining

The rapid growth in the PRC economy in recent years has led to rising development of industries such as lighting, electrical appliances, telecommunications, farming, transportation, rechargeable batteries, glass, electric cables, manufacturing, etc. Rapid industrial development in China has led to an increased demand in base metals and created attractive opportunities in the metal and metal mining industry. Zinc and Lead are the two most widely used nonferrous metals after aluminum and copper. Over 70% of lead is for lead-acid batteries, which are used in automobiles, electric vehicles and backup power for solar and wind power system. Also, around 50% of all zinc consumption today is used in electroplating steel-made structural components to protect against corrosion. The remaining 50% is used in making brass and other zinc alloys. Currently, China is the world's largest consumer and producer of lead and zinc consisting around 33% and 28% of the world total in 2008 respectively.

Business Environment

Fertilizers

The business environment of fertilizers was negatively affected by the natural disasters in China during 2008. The devastating earthquake in Sichuan Province, PRC together with heavy rainfalls in the Southern and Southwestern part of China in May 2008 has caused severe flooding and landslides. Many farmlands in these areas were destroyed by floods, thus, affecting the normal farming activities. Accordingly, the demand for fertilizers has reduced substantially. However, the government is in the process of rebuilding the affected cities focusing especially on farm land in order to ensure that food supply will not be affected by these natural disasters. The Group believes that the reduction in demand for fertilizers is only temporary and improvement in demand is expected in 2009.

CHAIRMAN'S STATEMENT

PROSPECT

The Group has completed the acquisition of Straight Upward Investments Limited ("Target Company") on 9 July 2008 for a consideration of HK$892.5 million, in accordance with the acquisition agreement ("agreement") entered into among others, between Rixi International Limited (the " Vendor") and Yongbao Resources Exploitation and Development Limited (formerly known as Master Fame Group Limited), a wholly owned subsidiary of the Company, dated 28 January 2008. The Target Company has a 75% indirect interest in New Jiashengpan Resources, a company that holds a mining right to extract primarily zinc and lead minerals at Jiashengpan.

On 12 August 2008, the Group has entered into a conditional acquisition agreement with Shenzhen City First Create Investment Company Limited (深圳市冠欣投資有限公司) through its wholly-owned subsidiary Shenzhen City Ruirui Technology Company Limited (深圳市睿汭科技有限公司), to acquire Chifeng City Gujingdong Kuangye Limited Corporation (赤峰市古金洞礦業有限責任公司) ("second target company"), at a total consideration of HK$50 million. The acquisition of the second target company is not completed yet. The second target company is principally engaged in exploration and intended to be engaged in mining of the Mineral Resources at the Mine, located in Kalaqinqi Liutiaogou Village, Chifeng city, Inner Mongolia of the PRC with an aggregate mining area of 15.30km^2. According to the working report for the year 2007 on the potential reserves of the Mineral Resources prepared by an independent third party, Brigade 247 of Nonferrous Metals Geology and Exploration Bureau of Hunan Province (湖南省有色地質勘查局二四七隊), the ore (which is about 2.9 meters thick) containing the Mineral Resources was believed to have been discovered in the Mine. As analysed by Brigade 247, copper, zinc, lead and silver were found in the testing samples from the Mine.

The Group believes that the diversification of its current fertilizer business to the mining business within China will provide additional business opportunities and earnings for the Group. The Group will continue to develop its fertilizer's business but at the same time increase its investment in the mining business in China.

CHAIRMAN'S STATEMENT

ACKNOWLEDGEMENTS

Lastly, on behalf of the Directors, I wish to express my gratitude to all shareholders, investors, and business partners for their continued trust and support. I would also like to thank the staff members of the Group for the valuable contribution they have made for the Group's long-term development. With staff members at all levels of the Group going all out, we are confident that it will bring our potential to the fullest in order to achieve the Group's operational and financial objectives and create shareholder's value.

Zhou Ze Fan
Chairman

26 March 2009

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Board of Executive Directors

Mr. Zhuo Ze Fan (卓澤凡先生), aged 37, is the Chairman of the Board, Executive Director, and General Manager of the Company and the founder of the Group. Mr. Zhuo is responsible for strategic planning, overall management and business development of the Group. He has over nine years of experience in organic fertilisers since Xi'an Juchuan International Investments Ltd (西安巨川國際投資有限公司) ("Juchuan Investments") commenced market study of the PRC fertiliser industry in late 1996. Mr. Zhuo has been overseeing the development process and the mass production of Fuwanjia Organic Potash Fertilisers. Mr. Zhuo established Shaanxi Fuwanjia Chemical Co. Ltd. (陝西富萬鉀代工有限責任公司) ("SF Chemical "), the predecessor company of Shaanxi Juchuan Fuwanjia Co., Ltd. (陝西巨川富萬鉀股份有限公司) ("Juchuan Fuwanjia"), since June 1998 as chairman and general manager. Under Mr. Zhuo's leadership, the Group completed various achievements, including national prizes of State Major High-tech Industrialised Project in 1999, Special Gold Prize of Ninth PRC Patented New-tech and New-product Exhibition in 2000, State Major New Product in 2001, the State Provisional Certificates (2002), (2003) and (2004). In 1999, Mr. Zhuo obtained a Master of Business Administration degree, which was jointly organised by North West University and Shaanxi MBA College. Mr. Zhuo is currently the Honor Chairman of MBA Association of Northwest University (西北大學MBA聯合會), an associate member of Global Inventor in Geneva (日內瓦全球發明家工會) and international patent affairs estimator (國際專利事務評估師) on World Patent Trade Assessment and Promotion Committee (世界專利交易評估及促進委員會). Mr. Zhuo was granted an honor of "2006 The Outstanding Contributions Experts in Shaanxi Province" (陝西省有突出貢獻專家) by the Shaanxi Provincial Committee of Communist Party of China (中國共產黨陝西省委員會) and Shaanxi Provincial People's Government (陝西省人民政府). In December 2007, Mr. Zhuo Ze Fan was elected as the vice chairman of the national organization of agriculture industry under All-China Federation of Industry & Commerce (全國工商聯農業產業商會) and the member of Tenth Session Shaanxi Provincial Political Consultative Committee (陝西省十屆政協委員會). Mr. Zhuo is a director of a company which has interest in the share capital of the Group, details please refer to Directors' report.

Ms. Xie Yi Ping (解益平女士), aged 45, is an Executive Director and Finance Director of the Company. Ms. Xie joined as a manager of finance department of SF Chemical, the predecessor company of Juchuan Fuwanjia, since November 1999, and she is principally responsible for the accounting and finance activities of the Group. Being a qualified accountant in the PRC, Ms. Xie had more than 20 years of experience working at finance department of several companies before she joined the Group. Ms. Xie graduated from Shaanxi University of Finance and Economics with a bachelor degree in accounting in 1997.

Dr. Yu Heng Xiang, aged 38, is a professor in Department of Resources and Environmental Engineering in Guilin University of Technology. He holds a bachelor degree in Geology, specializing in Exploration Geochemistry and a master degree in Geology, specializing in Mining Exploration and Survey from Guilin University of Technology and a doctorate degree in Geology, specializing in Structural Geology from Changsha Institute of Geotectonics, Chinese Academy of Sciences. Dr. Yu joined the Group in April 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng Tang (吳騰先生), aged 47, is an executive director of China Best Group Holding Limited, the shares of which are listed on the Stock Exchange and the principal activities of which include, according to its latest published annual report, international air and sea freight forwarding (including provision of related global logistics services) and manufacture and sale of coke and securities investment. Mr. Ng has over 13 years' experience in corporate management both in Hong Kong and the PRC. He graduated from East China University of Politics and Law. Mr. Ng joined the Group in February 2005.

Mr. Xu Bing, aged 40, was graduated from Peking University with an Executive Master of Business Administration and from Beijing University of Aeronautics and Astronautics with a Bachelor's Degree in mechanical engineering. He is currently the chairman of Jiashengpan Resources Co. Ltd (巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責有公司), a subsidiary of the Company. Mr. Xu has extensive experience in the chemical and metal industry. He worked for Yinli Chemical and Metallurgical (Group) Co. Ltd., a company principally engaged in business of zinc smelting for over ten years. Prior to joining the Company, he was a director and general manager of Hong Kong Metals and Mines Limited. Mr. Xu joined the Group in September 2008.

Board of Independent Non-Executive Directors

Mr. Zhao Shou Guo (趙守國先生), aged 45, is an Independent Non-Executive Director. Mr. Zhao has been working at Northwest University since 1990 and is the professor and deputy dean of Economic Administration Division. Mr. Zhao is also an independent non-executive directors of other three listed companies in the PRC. The names and principal activities of these three listed companies are Shaanxi International Trust & Investment Corp., Ltd (陝西省國際信託投資股份有限公司) (finance), Irico Display Devices Co., Ltd. (彩虹顯示器股份有限公司) (industrial manufacture) and Tunefulhome Co., Ltd. (天地源股份有限公司) (real estate). Mr. Zhao graduated from Northwest University with a doctorate in economics in 1995. Mr. Zhao has 18 years of experience in research of economic science. Mr. Zhao joined the Group as an independent non-executive director of Juchuan Fuwanjia in July 2000.

Mr. Chau Kam Wing Donald, aged 45, is an independent non-executive Director. Mr. Chau obtained a Master Degree in Business Administration from the University of San Francisco, USA and is a fellow member of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Chartered Accountants. He is now practicing as a Certified Public Accountant in Hong Kong and is a council member of the Society of Chinese Accountants & Auditors in Hong Kong. Mr. Chau joined the Group in June 2008.

Mr. Yang Rui, aged 42, is an independent non-executive Director. Mr. Yang obtained a Bachelor Degree in Analytical Chemistry from the Center-South University in China and obtained a Master Degree in Business Administration from the University of Murdoch in Australia. He has over 20 years' experience in non-ferrous metals industry. Mr. Yang joined the Group in June 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Mr. Zheng Hai Feng (鄭海峰先生), aged 56, is the Chief Production Officer responsible for production management of the Group. In 1973, Mr. Zheng graduated from Technical Reconnaissance Battalion of Lanzhou Military District of PRC People's Liberation Army with a bachelor degree in Russian. He joined the Group in June 1998 and has eight years of experience in fertiliser industry. Prior to joining the Group, Mr. Zheng had approximately 27 years work experience, among which he spent approximately two years working as chairman of an agriculture company that was engaged in production and sale of fertilisers in the PRC. Mr. Zheng then spent another years in a PRC securities company as a deputy general manager responsible for the overall management and operation.

Mr. Liu Chang You (劉長有先生), aged 61, is the Chief Technology Officer of the Company who is responsible for overall research and development of the Group. Mr. Liu joined the research and development of the Company in October 2000 and before that he had more than 30 years' experience in fertiliser industry, including two years in production workshop of nitrogen-phosphate compound fertilizers and another thirty years in nitrogenous fertiliser factory, in which factory Mr. Liu was promoted as a chief engineer and stayed at the post for seven years. Mr. Liu had numerous fertiliser related publications and received various honours in the industry on these publications. Mr. Liu graduated from Zhengzhou University with a major in chemical engineering in 1968.

Mr. Tsang Chung Sing, Edward, aged 54, is the Director of Business Development. He holds a Bachelor's degree in Commerce and a Master's degree in Business Accounting. Mr. Tsang is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He has more than twenty years of experience in auditing and finance gained locally and abroad. Mr. Tsang joined the Group in December 2007.

Mr. Li Bo Chai, Vincent, aged 32, is the Financial Controller of the Group. Mr. Li obtained a Bachelor's Degree in Accountancy from the University of Southern California and is a member of the American Institute of Certified Public Accountants. Mr. Li has over 8 years of experience in the field of auditing and accounting gained from an international accounting firm. Mr. Li joined the Group in February 2008.

The Management Team of Mining business

Mr. Zhuo Ze Fan – Mr. Zhuo is the Founder of the Group. He holds the positions of Chairman, Executive Director and General Manager. He has rich experience in planning, corporate management and business development. Mr. Zhuo graduated with an MBA in 1999.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Mei Wei, aged 44, is the general manager of the mining division. Mr. Mei graduated from Beijing University in 1988 with a Bachelor's degree in Bio Engineering. After graduation, he worked as an Engineer at the Beijing Biological Immunization Pharmaceutical Centre as an engineer before working in Qinghai Bodi International Limited (青海博地有限公司), a zinc and lead trading company in 1993, as General Manager. He began to involve in the international trading of zinc and lead in 1998. He also received training from Standard Bank of London for futures trading in the London Metal Exchange (LME). Shenzhen City First Create Investment Company Limited (深圳市冠欣投資有限公司), a company that he formed in Shenzhen in 2002 began to invest in zinc and lead mines in China. The company owns more than 20 mines as well as a zinc smelting business in Henan. Mr. Mei joined the Group in July 2008.

Dr. Yu Heng Xiang – Dr. Yu is a professor in Department of Resources and Environmental Engineering in Guilin University of Technology. He holds a bachelor degree in Geology, specializing in Exploration Geochemistry and a master degree in Geology, specializing in Mining Exploration and Survey from Guilin University of Technology and a doctorate degree in Geology, specializing in Structural Geology from Changsha Institute of Geotectonics, Chinese Academy of Sciences.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

The Group's consolidated turnover for the 31 December 2008 amounted to approximately RMB220 million, representing an increase of approximately 52% over 2007.

Fertilizers

The turnover for the year ended 31 December 2008 generated from the fertilizers business amounted to approximately RMB142 million or approximately 65% of the total turnover, representing a decrease of approximately 2% over 2007. Turnover for the third quarter was negatively affected by the natural disasters in China during the year, especially in the last two quarters in 2008. The devastating earthquake in Sichuan Province, PRC together with heavy rainfalls in Southern and Southwestern part of China in May 2008 has caused severe flooding and landslides. Many farmlands in these areas were destroyed by floods, thus affecting the normal farming activities. Accordingly, the demand for fertilizers has reduced substantially. However, the government is in the process of rebuilding the affected cities focusing especially on farm land in order to ensure that food supply will not be affected by these natural disasters. The Group believed that the reduction in the demand for fertilizers is only temporary and improvement in demand is expected in the year 2009.

Mining

In addition to the turnover from fertilizers' sales, the Group has also recorded a turnover of RMB78 million for the year ended 31 December 2008 from its newly acquired mining business representing approximately 35% of the total turnover. The results of the newly acquired business for the year ended 31 December 2008 is in line with Group's expectation. Given the encouraging results from this business segment, the Group will continue with its strategy to explore further investment opportunities in the metal mining industry within China.

Gross Profit

Gross profit of the Group for the year ended 31 December 2008 was approximately RMB42 million, representing a decrease of 13% over 2007.

Fertilizers

For the fertilizer business, the gross profit margin for the year ended 31 December 2008 was approximately 26%, representing a decrease of approximately 7.8% for the same year in 2007. Decrease in gross profit margin was mainly due to the effects of the natural disasters occurred during May and June 2008 as mentioned above. As demand for fertilizers declined rapidly, selling prices were also negatively affected. However the PRC Government has already put in place policy measures that will stabilize the local economy and to restore farming activities in affected farmlands and demand for fertilizers is expected to rise in 2009. Accordingly, the Group expects that there will be an improvement on performance in the fertilizer business in 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Mining

For the mining business, the gross profit margin for the year ended 31 December 2008 was 8% which is lower than the expectation of the Group. The low profit margin achieved in 2008 because of the prices of zinc and lead went down tremendously in comparing with 2007. The decrease was 50% and 66% and it became the major attributable to low profit margin recorded for the year ended 31 December 2008. Given that the acquisition of the mining business was completed on 9 July 2008, and the Group could only account for the result of the mining business for the six months period ended 31 December 2008. As previously explained, zinc and lead prices fell significantly in the latter part of 2008, thus, the mining results consolidated was negatively affected.

Other income and operating expenses

The Group's other income represents the refund on value-added tax for an amount of approximately RMB12 million, while the remaining amount of other income is mainly represented by the forfeiture of deposits received of approximately RMB29 million.

From acquisition of mining business, a discount on acquisition of subsidiaries of RMB13.6 million was resulted.

The Group's operating expenses primarily consist of selling and distribution costs and administrative expenses.

Selling and distribution expenses for the year ended 31 December 2008 amounted to approximately RMB36 million, representing an increase of approximately 8% over 2007. The increase in selling expenses was mainly due to the newly acquired mining business. Selling and distribution cost of mining business amounted to RMB8 million whilst the fertilizer business has recorded a cost of RMB28 million. For the fertilizer business, the selling expense was considered stable when compared with 2007. For the mining business, the RMB8 million was considered reasonable, and the major component of the selling expenses of mining business was transportation cost.

Administrative expenses for the year ended 31 December 2008 amounted to approximately RMB37 million, representing an increase of approximately RMB27 million or 260% over 2007. The increase was mainly due to the administrative expenses incurred from the newly acquired mining business. The major component of administrative expense incurred from the mining business was amortization expenses on mining rights and the depreciation of property, plant and equipment.

Finance costs for the year ended 31 December 2008 amounted to approximately RMB33 million, representing an increase of 759% over 2007. The increase was mainly due to the amortization of interest expenses in respect of the convertible bonds issued as consideration for the acquisition of the new mining business completed on 9 July 2008. The total amortization cost for the year ended amounted to approximately RMB22 million. After deducting the amortization expenses, the recurring finance costs were considered reasonable.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year attributable to equity holders of the Company

Profit attributable to the equity holders of the Company for the year ended 31 December 2008 amounted to approximately RMB8.6 million, representing a decrease of approximately 14% over 2007. The decrease in profit attributable to the fertilizer and mining businesses were mainly due to decrease in turnover as previously mentioned.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2008, the Group had bank balances and cash of approximately RMB94 million (2007: RMB61.3 million).

As at 31 December 2008, the outstanding borrowings of the Group amounted to RMB193 million (2007: RMB57 million), comprising of all short term bank and other borrowings repayable within one year amounted to RMB134 million (2007: RMB27 million). The Group has long term other borrowing repayable after one year amounted to RMB59 million (2007: RMB30 million). As at 31 December 2008, the total asset value of the Group was approximately RMB1,938 million (2007: approximately RMB265.8 million) whereas the total liabilities was approximately RMB1,041 million (2007: approximately RMB101.2 million). The gearing ratio of the Group, calculated as total liabilities excluding minority interest over total assets was approximately 53.7% (2007: 38.1%).

FOREIGN EXCHANGE EXPOSURE

The Group's exposures to currency risk mainly arise from the Group's borrowings denominated in US dollar. The Group currently does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

PLEDGE OF ASSETS

As at 31 December 2008, the Group has pledged its prepaid lease payments and property, plant and equipment at the net carrying amount of approximately RMB31.6 million (2007: RMB28 million) and RMB10.6 million (2007: RMB14 million) respectively for the banking facilities granted by the bank to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 December 2008, the Group has given financial guarantee to banks in respect of banking facilities utilised by an independent third party amounted to RMB20,000,000 (2007: RMB20,000,000).

As at 31 December 2008, the Group is the defendant in a pending litigation and dispute arising from a sale and purchase agreement of mineral resources with a customer. The customer claims against the Group for (i) voiding the sale and purchase agreement of mineral resources; (ii) returning the deposit of RMB20,000,000 paid to the Group; and (iii) bearing the legal cost in connection with this pending litigation and dispute.

After taking into account of legal advices from the Group's PRC legal advisers, the directors consider that the Group has a good defence against such claim and it is not probable that the forfeited deposit of RMB20,000,000 has to be returned to the customer. The forfeiture of deposit was included in other income recognised in the income statement during the year ended 31 December 2008.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 30 June 2008, an ordinary resolution was passed at the special general meeting of the Company in relation to an acquisition agreement entered into among the Group, Rixi International Limited ("Rixi"), a company incorporated in the British Virgin Islands ("BVI") with limited liability which is wholly and beneficially owned by Mr. Mei Wei. Pursuant to the acquisition agreement, the Group acquired the entire equity interest of Straight Upward Investments Limited ("Straight Upward"), a company established in the BVI with limited liability which is wholly owned by Rixi, at a total initial consideration of HK$937.4 million. The acquisition was completed on 9 July 2008.

The consideration of HK$937.4 million has been satisfied (i) as to HK$28 million in cash; (ii) as to HK$157.4 million by the issue of 19.2 million ordinary shares of HK$0.01 each (equivalent to 96,000,000 shares of HK$0.002 each of the Company after the share sub-division); and (iii) as to HK$751.9 million by the issue of the convertible bonds.

Straight Upward is an investment holding company having an indirect 75% equity interest in 烏拉特中旗天寶礦業有限公司 (Wulatezhong Qi Tianbao Mining Company Limited*) and 巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司 (Bameng Wuzhong Qi Jiashengpan Zinc, Lead and Pyrite Resources Exploitation Company Limited*), which in turn are principally engaged in the mining and processing of the mineral resources at a mine in Wulatezhong Qi, an autonomous region in Inner Mongolia of the PRC, with an aggregate mining area of 1.1014 km^2.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE INFORMATION

As at 31 December 2008, the Group has approximately 475 employees. The Group has maintained good relations with its staff and has not experienced any disruption of its operations due to labour disputes. The Group provides fringe benefits in accordance with the relevant laws and regulations of the PRC and Hong Kong including contributions to social security scheme of the PRC and the contributions to the Mandatory Provident Fund Scheme of Hong Kong. The Group remunerated its employees in accordance with their work performance and experience.

Total employees' remuneration incurred for the year ended 31 December 2008 amounted to approximately RMB12.9 million (2007: approximately RMB9.2 million). The Directors received remuneration of approximately RMB0.8 million during the year ended 31 December 2008 (2007: approximately RMB0.8 million).

Prospect

The acquisition of the zinc and lead mine in Inner Mongolia, PRC completed in July 2008 has broadened the revenue and earnings base of the Group. In an effort to further broaden the revenue and earnings base of the Group, it will continue to explore potential investment opportunities in the mining sector in the PRC. Given that China is the world's largest consumer and producer of zinc and lead, the Group believes the zinc and lead mining industry will provide potential investment opportunities required by the Group. Accordingly, the Group will continue to develop its fertilizer's business but at the same time continue to explore investment opportunities in the mining business within China. Furthermore, the Group has modernised the production facilities at the mine located at Wulatezhong Qi, Inner Mongolia for approximately RMB150 million during 2008. The modernisation will increase the current production of 420,000 tonnes to approximately 1,020,000 tonnes annually with enhanced processing techniques. The additional production capacity and improved processing methods will have positive impacts on turnover and gross margin as production costs will be substantially reduced. With the World's economies stablising and market activities returning to normal, zinc and lead prices are expected to rise which will improve the performance of the mining business in the future.

On 12 August 2008, the Group has entered into a conditional acquisition agreement with Shenzhen City First Create Investment Company Limited (深圳市冠欣投資有限公司) through its wholly-owned subsidiary Shenzhen City Ruirui Technology Company Limited (深圳市睿汭科技有限公司), to acquire Chifeng City Gujingdong Kuangye Limited Corporation (赤峰市古金洞礦業有限責任公司) ("Target Company"), at a total consideration of HK$50 million.

MANAGEMENT DISCUSSION AND ANALYSIS

The Target Company is principally engaged in exploration and intended to be engaged in mining of the Mineral Resources at the Mine, located in Kalaqinqi Liutiaogou Village, Chifeng city, Inner Mongolia of the PRC with an aggregate mining area of 15.30 km^2. According to the working report for the year 2007 on the potential reserves of the Mineral Resources prepared by an independent third party, Brigade 247 of Nonferrous Metals Geology and Exploration Bureau of Hunan Province (湖南省有色地質勘查局二四七隊), the ore (which is about 2.9 meters thick) containing the Mineral Resources was believed to have been discovered in the Mine. As analysed by Brigade 247, copper, zinc, lead and silver were found in the testing samples from the Mine.

For details on acquisition of the Target Company, please refer to the announcement of the Company dated 19 August 2008 and the circular of the Company dated 31 October 2008.

CORPORATE GOVERNANCE REPORT

The Company applied the principles and complied with all requirements of the new promulgated Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules throughout 2008 with certain deviations in respect of the distinctive roles of chairman and chief executive officer. The following summarises the Company's corporate governance practices and explains deviations, if any, from the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they complied with the required standard of dealings and its code of conduct regarding directors' securities transactions throughout the year ended 31 December 2008.

BOARD OF DIRECTORS

The Board comprises eight Directors, of whom five being executive Directors (including the Chairman of the Board), and three being independent non-executive Directors. The directors' profile is set out on pages 8 to 9 of the annual report. The Company has received confirmation from each independent non-executive Director about his independence under the GEM Listing Rules and continues to consider each of them to be independent.

The Board is responsible for determining the overall strategy and approving the annual business plan of the Group whereas day-to-day execution responsibility was delegated to management team of the Company with clear directions by the Board.

Details of the attendance of the Board are as follows:

Executive Directors	**Attendance**
Mr. Zhuo Ze Fan *(Chairman and General Manager)*	36/39
Ms. Xie Yi Ping	36/39
Dr. Yu Heng Xiang *(appointed on 15 April 2008)*	3/22
Mr. Ng Tang *(appointed on 12 June 2008)*	18/20
Mr. Xu Bing *(appointed on 11 September 2008)*	3/10

CORPORATE GOVERNANCE REPORT

Independent non-executive Directors

Mr. Yue Kwai Wa, Ken *(resigned on 6 February 2008)*	1/4
Mr. Zhao Shou Guo	36/39
Mr. Ng Tang *(re-designated as executive director on 12 June 2008)*	17/19
Mr. Leung Yiu Wing *(appointed on 6 February 2008, resigned on 30 June 2008)*	5/10
Mr. Chau Kam Wing, Donald *(appointed on 12 June 2008)*	16/19
Mr. Yang Rui *(appointed on 12 June 2008)*	9/19

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has a post of General Manager but not Chief Executive Officer to manage day-to-day business. Mr. Zhuo Ze Fan is the Chairman and General Manager of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly at least four times a year to discuss issues affecting operations of the Company. Also, the balance of power is further ensured by the following reasons:

– Audit Committee is composed exclusively of independent non-executive Directors; and

– The independent non-executive Directors have free and direct access to the Company's external auditors and independent professional advices when considered necessary.

The Board believes that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Zhuo Ze Fan, and believes that his appointment to the posts of Chairman and General Manager is beneficial to the business prospects of the Company.

REMUNERATION OF DIRECTORS

The Company set up a Remuneration Committee in February 2005. The Remuneration Committee comprises three members, (i) an executive Director, Ms. Xie Yi Ping; and (ii) two independent non-executive Directors, namely Mr. Zhao Shou Guo and Mr. Chau Kam Wing, Donald. Ms. Xie Yi Ping is the chairman of the Remuneration Committee. The responsibility of the Remuneration Committee is to formulate transparent procedures for development remuneration policies and packages for key executives. The terms of reference of the Remuneration Committee are in compliance with GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee consults the chairman of the Board about their proposals relating to the remuneration policies and packages of key executives. During the year under review, four meetings (in which all members of remuneration committee were present for all meetings) were held for approving the remuneration packages of Dr. Yu Heng Xiang, Mr. Chau Kam Wing, Donald, Mr. Yang Rui and Mr. Xu Bing as directors of the Company. The major work conducted by the remuneration committee was to consider and approve the proposed remuneration packages given to such new members of the Board.

NOMINATION OF DIRECTORS

The Company established the Nomination Committee in March 2005. The Nomination Committee currently comprises Mr. Zhuo Ze Fan (chairman), Mr. Zhao Shou Guo and Mr. Chau Kam Wing, Donald.

The responsibilities and authorities of the Nomination Committee are clearly stated in the terms of reference of the Nomination Committee, including but not limited to reviewing the structure, size and composition of the Board, making recommendations to the Board on relevant matters relating to the appointment of Directors and accessing the independence of independent non-executive Directors. The terms of reference of the Nomination Committee are in compliance with the GEM Listing Rules.

During the year under review, four meetings (in which all members of nomination committee were present for all meetings) were held for approving the appointment of Dr. Yu Heng Xiang, Mr. Chau Kam Wing, Donald, Mr. Yang Rui and Mr. Xu Bing as directors of the Company. The major work conducted by the nomination committee was to consider and approve the proposed appointment of such new members of the Board. The nomination committee has taken into account the experience, professional qualifications, and expertise of each individual before approving the appointment of each of the proposed Directors. For appointment of independent non-executive Directors, the nomination committee also assessed the independence of each of them before approval.

INTERNAL CONTROL

An effective internal control system is very important for the protection of the Group's assets and shareholders' investments, ensuring the reliability of financial information announcements and compliance with the GEM Listing Rules. The Board is also aware of its responsibility towards the Group's internal control, financial control and risk management, and its responsibility of supervising the efficiency from time to time.

The Internal Audit Team of the Group carried out reviews and submitted report on the internal control system of the Group. The scope of the review covered all important aspects of the control, including the control in finance, operation, compliance and risk management of the subsidiaries on a rotational basis. With reference to the assessment made by the Audit Committee on the issues reported by the Internal Audit Team, the external auditors and management on the newly acquired metal trading business, the Board has instructed the management to review and enhance the internal control system not only the metal trading business but also the entire Group to ensure the effectiveness of the internal control systems and the continues compliance with the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

In addition, with regard to the non-compliance of the relevant Listing Rules in relation to the continuing connected transactions with First Create (as discussed in the Directors' Report), the Board will in future closely monitor the transactions with related parties with due care, and if necessary seek prior professional advice before entering into any legally-binding agreements, so as to ensure compliance with all relevant regulations in this regard.

AUDITORS' REMUNERATION

During the year ended 31 December 2008, the remuneration paid and payable to the auditors of the Company, Grant Thornton, for provision of audit services were approximately RMB1 million. Approximately RMB1.8 million was paid and payable to Grant Thornton and the former auditors of the Company, Shinewing (HK) CPA Limited for provision of non-audit services during the year ended 31 December 2008.

AUDIT COMMITTEE

The Company set up an Audit Committee in February 2005 with the responsibility of reviewing and providing supervision over the Group's financial process and internal controls, as well as making recommendations to the Board for appointment and removal of external auditors. The Audit Committee comprises three members who are all independent non-executive Directors, namely, Mr. Zhao Shou Guo, Mr. Chau Kam Wing, Donald (chairman) and Mr. Yang Rui. All the independent non-executive Directors confirmed their independence pursuant to Rule 5.09 of the GEM Listing Rules.

The Audit Committee met six times in the year of 2008, which were attended by all members. The Group's 2008 quarterly and interim reports and 2007 annual report have been reviewed by the Audit Committee. For 2007 annual report, the Audit Committee met with the external auditors to discuss auditing and internal control matters before recommending it to the Board for approval. For the change of auditors during the year, the Audit Committee also met to approve appointment of new auditors.

DIRECTORS RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial period and to ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statements of the auditors of the Company regarding their responsibilities on the financial statements are set out in the Independent Auditor's Report on pages 32 to 33 of this annual report.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2008.

CHANGE OF COMPANY NAME

Pursuant to a resolution passed at a special general meeting of the Company held on 17 September 2008 and approved by the Registrars of Companies in Bermuda and in Hong Kong, the name of the Company was changed from "Sungreen International Holdings Limited" to "China Nonferrous Metals Company Limited" with effect from 20 October 2008.

The Company also adopted "中國有色金屬有限公司" as its Chinese name for identification purposes only with effect from 20 October 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 17 to the consolidated financial statements. Save as disclosed in the financial statements, there were no other significant changes in the nature of the Group's principal activities during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 34 of the annual report.

The Directors do not recommend the payment of a dividend and the Directors propose that the profit for the year be retained.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 33 to the consolidated financial statements.

DIRECTORS' REPORT

In order to finance the Group's acquisition of subsidiaries during the year and increase the Group's general working capital, the Company issued 5,900,000 ordinary shares (equivalent to 29,500,000 share of the Company after share subdivision) of HK$0.01 each (equivalent to HK$0.002 each after share subdivision), for consideration of HK$10.17 per share (equivalent to HK$2.034 after share subdivision). Consideration received by the Company for the issue is approximately HK$60 million. The allotment of new shares was made on 18 March 2008. The new shares rank pari passu with the existing shares in all respects.

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 24 April 2008, a share subdivision was effected on 25 April 2008 such that every ordinary share of HK$0.01 each in the issued and unissued share capital of the Company was subdivided into five subdivided shares of HK$0.002 each by the creation of 343,600,000 subdivided shares based on the number of issued ordinary shares at that time.

During the year, the Company repurchased certain of its own shares through the Stock Exchange of Hong Kong Limited, details of which are set out in note 33 to the consolidated financial statements. The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at 31 December 2008 and 2007 were nil.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is also available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS' REPORT

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive directors:
Mr. Zhuo Ze Fan
Ms. Xie Yi Ping
Dr. Yu Heng Xiang (appointed on 15 April 2008)
Mr. Ng Tang (being Independent non-executive director re-designated as Executive director on 12 June 2008)
Mr. Xu Bing (appointed on 11 September 2008)

Independent non-executive directors:
Mr. Yue Kwai Wa, Ken (resigned on 6 February 2008)
Mr. Zhao Shou Guo
Mr. Ng Tang
Mr. Leung Yiu Wing, Eric (appointed on 6 February 2008, resigned on 30 June 2008)
Mr. Chau Kam Wing, Donald (appointed on 12 June 2008)
Mr. Yang Rui (appointed on 12 June 2008)

In accordance with clause 87 of the Company's bye-laws, Ms. Xie Yi Ping, Mr. Zhao Shou Guo, Mr. Yu Heng Xiang, Mr. Xu Bing, Mr. Chau Kam Wing, Donald and Mr. Yang Rui will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' PROFILE

The directors' profile is set out on pages 8 to 9 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Each of Mr. Zhuo, Ms. Xie and Mr. Zhao has entered into a service contract with the Company for an initial term of three years and will continue thereafter until the contract is terminated by either party giving to the other party not less than three calendar months' notice in writing. Each of Mr. Zhuo and Ms. Xie is entitled to a basic salary subject to an annual review by the Board. In addition, the executive Directors are also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors in respect of any financial year of the Company shall not exceed 5% of the audited consolidated net profit of the Group in respect of that financial year.

Mr. Ng, Dr. Yu, Mr. Xu, Mr. Chau and Mr. Yang are appointed for a term of two years with specific terms in the letter of appointment.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND CONVERTIBLE BONDS

As at 31 December 2008, the interests and short positions of the directors and the chief executive in the shares, underlying shares and convertible bonds of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of the Hong Kong Special Administrative Region (the "SFO ")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") in accordance with Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules") were as follows:

Long positions in the shares of the Company (the "Shares")

Name of director	Capacity	Number of Shares	Percentage of shareholding *(%)*
Zhuo Ze Fan	Held by controlled corporation *(Note)*	174,525,295	33.26

Note: These Shares were held by Callaway Group Limited which is wholly and beneficially owned by Mr. Zhuo Ze Fan. Callaway Group Limited held 174,525,295 Shares on 21 February 2005 for the period from the date of commencement of dealings in the Shares on GEM (the "Listing Date") and up to 31 December 2008. By virtue of the SFO, Mr. Zhuo was deemed to be interested in the Shares held by Callaway Group Limited.

Save as disclosed herein, as at 31 December 2008, none of directors and chief executive of the Company had any interests and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required to notify the Company and the Stock Exchange in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules.

SHARE OPTIONS

The Company has adopted a share option scheme. A summary of the principal terms and conditions of the share option scheme is set out in note 34 to the financial statements. Up to 31 December 2008, 44,800,000 option has been granted and remained outstanding under such share option scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year 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.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the financial statements, no contract of significance, to which the Company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the following persons or companies (other than the directors or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of SFO:

Name of Shareholders	Capacity	Number of Shares (Long position)	Approximate percentage of interests
Callaway Group Limited	Beneficial owner *(Note 1)*	174,525,295	33.26%
Cui Yan Wen	Held by Spouse *(Note 1)*	174,525,295	33.26%
Yee Ka Yau Kenneth	Beneficial owner	43,162,500	8.23%
Stichting Shell Pensioenfonds	Investment Manager	30,000,000	5.72%
An Yu	Beneficial owner	28,571,425	5.44%
Ruffy Investments Limited	Beneficial owner *(Note 2)*	776,290,909	147.94%
Mei Wei	Held by controlled corporation *(Note 2)*	776,290,909	147.94%

Note 1: These Shares were held by Callaway Group Limited, which are wholly-owned by Mr. Zhuo Ze Fan, an executive Director. Mr. Zhuo Ze Fan was deemed to be interested in these Shares under the SFO. Ms. Cui Yan Wen was deemed to be interested in all these Shares by virtue of being the spouse of Mr. Zhuo Ze Fan under the SFO.

Note 2: These Shares were held by Ruffy Investments Limited, which are wholly-owned by Mr. Mei Wei. Mr. Mei Wei was deemed to be interested in these Shares under the SFO.

Save as disclosed herein, so far as known to any director or chief executive of the Company, no other person (other than the directors and chief executive of the Company) had any interest and short positions in the shares and underlying shares of the Company as required to be recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2008.

DIRECTORS' REPORT

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 46% of the total purchases of the Group and the largest supplier accounted for approximately 15% of the total purchases of the Group. The aggregate sales attributable to the Group's five largest customers during the year accounted for approximately 41% of the total sales of the Group and sales to the largest customer included therein amounted to approximately 25%.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transactions

Rental expenses to Xian Juchuan Investments
During the year, rental charges and sub-charges of approximately RMB789,000 were charged from Xian Juchuan Investments, a company in which Mr. Zhuo Ze Fan, the executive Director, has beneficial interests.

The rental charges and sub-charges payable by the Group constitute a continuing connected transaction under the GEM Listing Rules for the Company. Since the total consideration of the above continuing connected transaction for the year ended 31 December 2008 was less than HK$1,000,000 and represents less than 2.5% in each of the percentage ratios as set out in Rule 19.07 of the GEM Listing Rules, with reference to the figures for the year ended 31 December 2007 as disclosed in the annual report, the transaction fell within Rule 20.31(2) of the GEM Listing Rules and was exempted from all the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

Past Continuing connected transactions

Reference is made to the circular of the Company dated 13 June 2008 regarding the very substantial acquisition (the "**Acquisition**") of Straight Upward Investments Limited ("Straight Upward"). Completion of the Acquisition took place in July 2008. Since such completion, Mr. Mei Wei ("Mr. Wei") has been beneficially interested in more than 10% of the issued Shares, while Shenzhen City Ruirui Technology Company Limited ("Ruirui") has become a wholly-owned subsidiary of the Company and each of Wulatezhong Qi Tianbao Mining Company Limited ("Tianbao") and Bameng Wuzhong Qi Jiashengpan Zinc, Lead and Pyrite Resources Exploitation Company Limited ("Jiashengpan") has become a subsidiary which is beneficially owned as to 75% by the Company.

Reference is also made to the circular of the Company dated 19 September 2008 regarding the discloseable transaction of acquiring 96% equity interest in Qinghai Yueyang Trading Company Limited ("Yueyang"). Completion of such transaction took place in September 2008.

DIRECTORS' REPORT

After the completion of the Acquisition, Shenzhen City First Create Investment Limited ("First Create"), which is beneficially owned as to 53% by Mr. Mei Wei (who is interested in 10% or more of the issued Shares of the Company), made several purchase orders with Tianbao during the period from July 2008 to December 2008 to purchase zinc and lead concentrates for an aggregate sum of approximately RMB24,229,105 and RMB7,438,070 respectively. Such transactions only become continuing connected transactions due to the completion of the Acquisition (after which Tianbao becomes a subsidiary of the Company).

Under Rule 20.41 of the GEM Listing Rules, the Company is obliged to disclose such prior transactions (the "Tianbao Transactions") between Tianbao and First Create. These purchase orders were made in accordance with the zinc concentrates supply agreement dated 28 December 2007 and lead concentrates supply agreement dated 27 December 2007 entered into between First Create and Tianbao, both of these agreements are effective for the period from 1 January 2008 and 31 December 2008.

Moreover, after acquisition of Yueyang, Yueyang has sold zinc concentrates to First Create in return for a total consideration of approximately RMB23,667,104 for the period from September 2008 to December 2008 (the "Yueyang Transactions"). There was no supply agreement entered into between Yueyang and First Create for the year 2008. Such transactions should be aggregated and classified as a connected transaction between the Group and First Create, and should be subject to reporting, announcement and independent Shareholders' approval requirement under the GEM Listing Rules. The Company inadvertently failed to follow some GEM Listing Rules requirements, for the Tianbao Transactions and the Yueyang Transactions. The Company will closely monitor its metals trading business and ensure compliance with the GEM Listing Rules for future connected transactions.

Latest Development on Continuing Connected Transactions

As the Group would like to continue the metal trading transactions with First Create, it therefore entered into a new zinc supply agreement (the "Zinc Supply Agreement") and a new lead supply agreement (the "Lead Supply Agreement") with First Create on 31 December 2008.

As First Create is beneficially owned as to 53% by Mr. Mei Wei (who is interested in 10% or more of the issued Shares of the Company), First Create is regarded as an associate of a substantial Shareholder, thus being a connected person of the Company. The transactions contemplated under the zinc supply agreement dated 31 December 2008 and entered into between the Group and First Create and the lead supply agreement dated 31 December 2008 and entered into between the Group and First Create will constitute non-exempt continuing connected transactions on the part of the Company and therefore would be subject to the reporting, announcement and the Independent Shareholders' approval requirements pursuant to Rule 20.35 of the GEM Listing Rules. Independent Shareholder' approval for the transactions contemplated under the latest zinc supply agreement and the lead supply agreement were obtained on 16 February 2009. On 16 February 2009, a special general meeting was held and the independent shareholders had approved the two agreements. Under the Zinc Supply Agreement, the Group would sell zinc concentrates to First Create with a cap of RMB224 million, RMB288 million and RMB384 million for each of the 3 years ending 31 December 2011. Under the Lead Supply Agreement, the Group would sell lead, silver and gold concentrates to First Create with a cap of RMB48 million, RMB56 million and RMB72 million for each of the 3 years ending 31 December 2011. As Mr. Mei and his associates had a material interest in the transactions contemplated under the Zinc Supply Agreement and the Lead Supply Agreement, they abstained from voting on the resolutions passed in the special general meeting held on 16 February 2009 pursuant to the GEM Listing Rules. All the resolutions were validly passed.

DIRECTORS' REPORT

No agreed upon procedures were performed in respect of the continuing connected transactions of the Group as the above transactions were not approved by the independent shareholders in the special general meeting as at year end date.

The independent non-executive directors confirm that these transactions have been entered into by the Group in the ordinary course of its business, on terms no less favorable than terms available to independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed herein and elsewhere in the financial statements, (i) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules; (ii) no contracts of significance to which Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Directors and the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interests in companies that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 34 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed above and elsewhere in the financial statements, no Director had a material interests, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its fellow subsidiaries and subsidiaries was a party subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 18 to 21 of the annual report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2008, the Company repurchased a total of 2,120,000 ordinary shares of HK$0.002 each in the capital of the Company at an aggregate price of RMB1,082,000 (equivalent to approximately HK$1,232,000). The highest price paid and the lowest price paid was HK$0.99 and HK$0.365 respectively. 750,000 of the repurchased shares were fully cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium payable on repurchase was charged against the share premium. An amount equivalent to the nominal value of the shares cancelled was transferred from retained earnings to the capital redemption reserve.

Details of repurchase of shares made for the year ended 31 December 2008 are as follows:

		Price per share repurchased (HK$)	
Date of repurchase	**Number of shares repurchased**	**Highest**	**Lowest**
28 November 2008	1,370,000	0.365	0.365
10 September 2008	250,000	0.97	0.96
9 September 2008	250,000	0.99	0.99
8 September 2008	250,000	0.97	0.97

Save as disclosed elsewhere in the financial statements, the Company has no other repurchase of its shares.

AUDIT COMMITTEE

The Company established an audit committee on 16 February 2005 with written terms of reference in compliance with the GEM Listing Rules. The authority and duties of the audit committee are based on the guidelines set out in "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

DIRECTORS' REPORT

The audit committee provides a link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews and supervises the financial reporting process and internal control procedures of the Group. The audit committee comprises three independent non-executive directors, namely Mr. Zhao Shou Guo, Mr. Chau Kam Wing, Donald and Mr. Yang Rui.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the amount of sufficient public float as required under the GEM Listing Rules throughout 2008.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 43 to the consolidated financial statements.

AUDITORS

During the year, Messrs. Shinewing (HK) CPA Limited, who acted as auditors of the Company for the past two years, resigned and Messrs. Grant Thornton were appointed as auditors of the Company to fill the casual vacancy so arising. A resolution to re-appoint, Messrs. Grant Thornton as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
China Nonferrous Metals Company Limited

ZHUO Ze Fan
Chairman

Suites 1704-1705, 17/F
Dah Sing Financial Centre
108 Gloucester Road
Wanchai, Hong Kong
26 March 2009

INDEPENDENT AUDITORS' REPORT

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of China Nonferrous Metals Company Limited
中國有色金屬有限公司
(formerly known as Sungreen International Holdings Limited前稱為綠陽國際控股有限公司)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Nonferrous Metals Company Limited (the 'Company") set out on pages 34 to 120, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

26 March 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Revenue	5	**219,771**	144,759
Cost of sales		**(177,291)**	(95,873)
Gross profit		**42,480**	48,886
Other income	5	**47,632**	19,828
Change in fair value of derivative financial instruments		**31,263**	–
Excess over the costs of business combinations recognised in the income statement	36	**13,618**	–
Selling and distribution costs		**(35,723)**	(33,133)
Administrative expenses		**(36,632)**	(10,163)
Equity-settled share options expenses		**(2,265)**	(1,145)
Profit from operation	7	**60,373**	24,273
Finance costs	8	**(32,697)**	(3,806)
Profit before income tax		**27,676**	20,467
Income tax expense	9	**(7,039)**	(2,468)
Profit for the year		**20,637**	17,999
Attributable to:			
Equity holders of the Company		**8,636**	10,067
Minority interests		**12,001**	7,932
Profit for the year		**20,637**	17,999
Dividend	11	**–**	–
			(restated)
Earnings per share	12		
Basic		**1.84 cents**	2.52 cents
Diluted		**1.73 cents**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**208,190**	32,633
Intangible assets	15	**1,086,275**	811
Prepaid land lease payments	16	**36,108**	27,728
Deposits	18	**94,498**	43,350
Deferred tax assets	32a	**251**	–
		1,425,322	104,522
Current assets			
Inventories	19	**24,054**	8,535
Trade receivables	20	**72,076**	41,564
Other receivables, deposits and prepayments	21	**121,901**	46,158
Available-for-sale financial assets	22	**400**	400
Prepaid land lease payments	16	**737**	633
Amounts due from related companies	23	**199,461**	–
Balances with non-bank financial institutions	24	**22**	2,751
Bank balances and cash	25	**94,126**	61,257
		512,777	161,298
Current liabilities			
Trade payables	26	**19,592**	477
Other payables and accrued charges	27	**42,829**	23,741
Amount due to a related company	28	**434**	–
Amounts due to former and minority equity holders of subsidiaries	28	**22,247**	17,225
Borrowings	29	**134,111**	27,000
Provision for tax		**49,285**	1,112
Derivative financial instruments	30	**29**	–
		268,527	69,555
Net current assets		**244,250**	91,743
Total assets less current liabilities		**1,669,572**	196,265

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Non-current liabilities			
Borrowings	29	**59,383**	30,000
Convertible bonds	31	**442,812**	–
Deferred tax liabilities	32b	**270,152**	1,688
		772,347	31,688
Net assets		**897,225**	164,577
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	33	**1,069**	848
Reserves	35	**544,467**	115,508
		545,536	116,356
Minority interests		**351,689**	48,221
Total equity		**897,225**	164,577

Zhuo Ze Fan
Director

Xie Yi Ping
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Cash flows from operating activities			
Profit before income tax		**27,676**	20,467
Adjustments for:			
Finance costs		**32,697**	3,806
Interest income		**(655)**	(891)
Dividend income		**–**	(3)
Excess over costs of business combinations recognised in the income statement		**(13,618)**	–
Equity-settled share options expenses		**2,265**	1,145
Depreciation of property, plant and equipment		**9,101**	5,115
Amortisation of prepaid land lease payments		**908**	97
Amortisation of intangible assets		**8,652**	845
Gain on disposal of prepaid land lease payments		**(1,753)**	–
Written off of property, plant and equipment		**107**	2
Provision of impairment loss recognised on trade receivables		**439**	199
Provision/(reversal) of impairment loss recognised on other receivables		**552**	(518)
Operating profit before working capital changes		**66,371**	30,264
Decrease in inventories		**19,400**	1,215
Decrease/(increase) in trade receivables		**4,309**	(3,987)
Decrease/(increase) in other receivables, deposits and prepayments		**28,354**	(18,214)
Decrease in amounts due from related companies		**26,868**	655
Increase/(decrease) in trade payables		**4,912**	(1,131)
(Decrease)/increase in other payables and accrued charges		**(6,693)**	12,028
Decrease in amounts due to related companies		**(23,822)**	(1,602)
Decrease in derivative financial instruments		**9,221**	–
Cash generated from operations		**128,920**	19,228
Income tax paid		**(218)**	(620)
Net cash generated from operating activities		**128,702**	18,608
Cash flows from investing activities			
Deposits paid for acquisition of property, plant and equipment		**(23,672)**	(21,950)
Purchase of property, plant and equipment		**(40,478)**	(1,930)
Purchase of available-for-sale financial assets		**–**	(400)
Interest received		**655**	891
Dividend received		**–**	3
Acquisition of subsidiaries	36	**(39,335)**	–
Deposit paid for acquisition of a subsidiary		**(8,803)**	–
Net cash used in investing activities		**(111,633)**	(23,386)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Cash flows from financing activities			
Issue of new shares	33	**54,738**	–
Share issue expenses		**(3,119)**	–
Share repurchase		**(1,082)**	–
Share repurchase expenses		**(4)**	–
New bank and other borrowings raised		**45,500**	57,000
Repayment of bank and other borrowings		**(70,628)**	(35,000)
Interest paid on bank and other borrowings		**(10,457)**	(3,806)
Interest paid on finance lease liabilities		**(4)**	–
Capital element on finance lease liabilities		**(65)**	–
Net cash generated from financing activities		**14,879**	18,194
Net increase in cash and cash equivalents		**31,948**	13,416
Cash and cash equivalents at beginning of year		**64,008**	50,561
Effect of foreign exchange, net		**(1,808)**	31
Cash and cash equivalents at end of year		**94,148**	64,008
Analysis of cash and cash equivalents			
Balances with non-bank financial institutions		**22**	2,751
Bank balances and cash		**94,126**	61,257
		94,148	64,008

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company													
	Share capital RMB'000	Share premium RMB'000	Treasury shares (note 33(d)) RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Translation reserve RMB'000	Special reserve RMB'000	Share option reserve RMB'000	Convertible bonds equity reserve (note 31) RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2007	848	77,201	–	–	6,782	7,736	(944)	(129)	–	–	13,635	105,129	40,289	145,418
Equity-settled share option arrangements	–	–	–	–	–	–	–	–	1,145	–	–	1,145	–	1,145
Transfer to statutory reserves	–	–	–	–	–	1,082	–	–	–	–	(1,082)	–	–	–
Currency translation	–	–	–	–	–	–	15	–	–	–	–	15	–	15
Net income/(expense) recognised directly in equity	–	–	–	–	–	–	15	–	–	–	–	15	–	15
Profit for the year	–	–	–	–	–	–	–	–	–	–	10,067	10,067	7,932	17,999
Total recognised income and expense for the year	–	–	–	–	–	–	15	–	–	–	10,067	10,082	7,932	18,014
At 31 December 2007 and 1 January 2008	848	77,201	–	–	6,782	8,818	(929)	(129)	1,145	–	22,620	116,356	48,221	164,577
Placing and subscription of new shares	54	54,684	–	–	–	–	–	–	–	–	–	54,738	–	54,738
Share issue expenses	–	(3,119)	–	–	–	–	–	–	–	–	–	(3,119)	–	(3,119)
Issue of new shares	168	138,315	–	–	–	–	–	–	–	–	–	138,483	–	138,483
Share repurchase	(1)	(641)	(440)	–	–	–	–	–	–	–	–	(1,082)	–	(1,082)
Share repurchase expenses	–	(4)	–	–	–	–	–	–	–	–	–	(4)	–	(4)
Equity-settled share option arrangements	–	–	–	–	–	–	–	–	2,265	–	–	2,265	–	2,265
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	291,467	291,467
Transfer to capital redemption reserve	–	–	–	1	–	–	–	–	–	–	(1)	–	–	–
Transfer to statutory reserve	–	–	–	–	–	326	–	–	–	–	(326)	–	–	–
Issue of convertible bonds	–	–	–	–	–	–	–	–	–	230,864	–	230,864	–	230,864
Currency translation	–	–	–	–	–	–	(1,601)	–	–	–	–	(1,601)	–	(1,601)
Net income/(expense) recognised directly in equity	–	–	–	–	–	–	(1,601)	–	–	–	–	(1,601)	–	(1,601)
Profit for the year	–	–	–	–	–	–	–	–	–	–	8,636	8,636	12,001	20,637
Total recognised income and expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(1,601)**	**–**	**–**	**–**	**8,636**	**7,035**	**12,001**	**19,036**
At 31 December 2008	**1,069**	**266,436**	**(440)**	**1**	**6,782**	**9,144**	**(2,530)**	**(129)**	**3,410**	**230,864**	**30,929**	**545,536**	**351,689**	**897,225**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. GENERAL INFORMATION

China Nonferrous Metals Company Limited (formerly known as Sungreen International Holdings Limited) (the "Company") was incorporated in Bermuda on 14 April 2004 as an exempted company under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on the Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 28 February 2005.

The Company's registered office is Claredon House, 2 Church Street, Hamilton HM11, Bermuda and Company's principal place of business was changed from Rooms 2014-15, 20/F, Hutchison House, 10 Harcourt Road Central, Hong Kong to Suites 1704-1705, 17th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 17 to the financial statements.

The financial statements on pages 34 to 120 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretation issued by the International Accounting Standards Board. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "Listing Rules").

2. ADOPTION OF NEW AND AMENDED IFRSs

In the current year, the Company and its subsidiaries (the "Group") has applied for the first time the following new standards, amendments and interpretations (the "new IFRSs"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008:

IFRIC – Int 11	IFRS 2: Group and Treasury Share Transactions
IAS 39 (Amendments)	Reclassification of Financial Assets

The new and amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

At the date of authorisation of these financial statements, the following new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2. ADOPTION OF NEW AND AMENDED IFRSs *(Continued)*

IAS 1 (Revised)	Presentation of Financial Statement – Comprehensive Revision Including Requiring a Statement of Comprehensive Income[3]
IAS 1 (Revised)	Presentation of Financial Statement – Amendments Relating to Disclosure of Puttable Instruments and Obligations Arising on Liquidation[3]
IAS 23 (Revised)	Borrowing Cost – Comprehensive Revision to Prohibit Immediate Expensing[3]
IAS 27 (Revised)	Consolidated and Separate Financial Statements – Consequential Amendments Arising from Amendments to IFRS 3[4]
IAS 27 (Revised)	Consolidated and Separate Financial Statements – Amendment Relating to Cost of an Investment on First-time Adoption[3]
IAS 28 (Revised)	Investments in Associates – Consequential Amendments Arising from Amendments to IFRS 3[4]
IAS 31 (Revised)	Interests in Joint Ventures – Consequential Amendments Arising from Amendments to IFRS 3[4]
IAS 32 (Revised)	Financial Instruments: Presentation – Amendments Relating to Puttable Instruments and Obligation Arising on Liquidation[3]
IAS 39 (Revised)	Financial Instruments: Recognition and Measurement – Amendments for Eligible Hedged Items[4]
IAS 39 (Revised)	Financial Instruments: Recognition and Measurement – Amendments for Embedded Derivatives when Reclassifying Financial Instruments[6]
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards – Amendment Relating to Cost of an Investment on First-time Adoption[3]
IFRS 2 (Revised)	Share-based Payment – Amendment Relating to Vesting Conditions and Cancellation[3]
IFRS 3 (Revised)	Business Combinations – Comprehensive Revision on Applying the Acquisition Method[4]
IFRS 7 (Revised)	Financial Instruments: Disclosures – Amendments Enhancing Disclosures about Fair Value and Liquidity Risk[3]
IFRS 8	Operating Segments[3]
IFRIC – INT 13	Customer Loyalty Programmes[1]
IFRIC – INT 15	Agreements for the Construction of Real Estate[3]
IFRIC – INT 16	Hedges of a Net Investment in a Foreign Operation[2]
IFRIC – INT 17	Distributions of Non-cash Assets to Owners[4]
IFRIC – INT 18	Transfers of Assets from Customers[5]
Various	Annual Improvements to IFRS 2008[7]

1 Effective for annual periods beginning on or after 1 July 2008
2 Effective for annual periods beginning on or after 1 October 2008
3 Effective for annual periods beginning on or after 1 January 2009
4 Effective for annual periods beginning on or after 1 July 2009
5 Transfers received on or after 1 July 2009
6 Effective for annual periods beginning on or after 30 June 2009
7 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific IFRSs

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2. ADOPTION OF NEW AND AMENDED IFRSs *(Continued)*

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

Among these new standards and interpretations, IAS 1 (Revised) Presentation of Financial Statements is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, IFRS 8 Operating Segments may result in new or amended disclosures. The directors of the Company are in the process of identifying reportable operating segments as defined in IFRS 8.

The directors of the Company are currently assessing the impact of other new and amended IFRSs upon initial application. So far, the directors of the Company have preliminarily concluded that the initial application of these IFRSs is unlikely to have a significant impact on the Group's results and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the year presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for financial assets and liabilities and in accordance with IFRSs. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basis of preparation *(Continued)*

The Group's operations are principally conducted in the People's Republic of China (the "PRC"). Accordingly, the consolidated financial statements have been presented in Renminbi ("RMB"), being the functional and presentation currency of all principal companies in the Group.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and subsidiaries (together referred to as the "Group") made up to 31 December each year.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 *Subsidiaries (Continued)*

Minority interests are presented in the consolidated balance sheet within equity, separated from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interest in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

3.4 *Foreign currency translation*

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the balance sheet date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserves in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into RMB at the closing rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Revenue recognition

Revenue is measured at the fair value for the sale of goods and rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer accepted the goods;

(ii) Rental income is recognised on a time proportion basis over the lease term;

(iii) Dividend income is recognised when the right to receive payment has been established; and

(iv) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 *Property, plant and equipment* *(Continued)*

Depreciation on the following property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Buildings	Over the term of the leasehold interests in land
Leasehold improvements	3 to 5 years
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 to 8 years

Depreciation on the mining structures is provided to write off the cost of the mining structures using units of production method based on the proven and probable mineral resources.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress represent leasehold buildings, plant and machinery and mining structures under development and is stated at cost less any impairment losses, and is not depreciated. Construction in progress are reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3.7 *Prepaid land lease payments*

Prepaid land lease payments represent up-front payments to acquire the land use rights/leasehold land. They are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for the intangible assets with finite useful lives are provided on the following bases over their estimated useful lives.

Mining rights
The mining rights are amortised using units of production method based on the proven and probable mineral resources.

Technical know-how and patent
The technical know-how and patent are amortised on the straight-line basis over a period of 5 years and 10 years, respectively.

3.9 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Where any Group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the equity holders of the Company. No gain or loss is recognised in the income statement on the purchase, sales, reissue or cancellation of such shares.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Impairment of non-financial assets

Goodwill arising on acquisition of subsidiaries, property, plant and equipment, prepaid land lease payments and intangible assets are subject to impairment testing.

Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent from those other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflow independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other non-financial assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except that property held under operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Leases *(Continued)*

(iv) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payment receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

3.12 Financial assets

The Group's accounting policies for financial assets are set out below.

Classification of financial assets

Financial assets other than hedging instruments are classified into the following categories (i) financial assets at fair value through profit or loss; (ii) loans and receivables, and (iii) available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Financial assets (Continued)

Classification of financial assets (Continued)

(i) Financial assets at fair value through profit or loss *(Continued)*

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

- the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

- the financial asset contains an embedded derivative that would need to be separate recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fee that are an integral part of the effective interest rate and transaction cost.

(iii) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are neither designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised directly in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in income statement. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Financial assets (Continued)

Classification of financial assets (Continued)

(iii) Available-for-sale financial assets *(Continued)*

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

Recognition and derecognition of financial assets

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Impairment of financial assets

At each balance sheet date, financial assets are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Loans and receivables

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in income statement for the period in which the impairment occurs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Loans and receivables *(Continued)*

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in income statement for the period in which the reversal occurs.

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the income statement as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity. Impairment losses in respect of investment in debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment losses were recognised. Reversal of impairment losses in such circumstances are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flow discounted at the current market rate of return for a similar financial asset. Such impairment losses are reversed in subsequent periods.

For financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in income statement.

3.13 Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is determined using the weighted average basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3.14 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Accounting for income taxes (Continued)

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities for all deductible temporary difference, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.15 Employee benefits

(i) Retirement benefit obligations

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. Under the rule of the MPF Schemes, the employer and its employees are each required to make contributions to the scheme of rate specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under Scheme. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee.

The Group also participates in a defined contribution retirement scheme organised by the relevant local government authority in the PRC. Certain employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at certain percentage of the local standard basic salaries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 *Employee benefits* *(Continued)*

(ii) Short-term employee benefit

Provision for bonus due are recognised when the Group has a present legal or constructive obligations as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employee.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. The value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in income statement with a corresponding credit to equity share option reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from pervious estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.16 Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalent comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, bank and cash balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3.17 Financial liabilities

The Group's financial liabilities include trade payables, other payables, amount due to a related company, amounts due to former and minority equity holders of subsidiaries, borrowings, derivative financial instruments and convertible bonds.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

(i) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(ii) Bank and other borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 Financial liabilities *(Continued)*

(iii) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bonds issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bond equity reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond.

When the bond is converted, the convertible bond equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the convertible bond equity reserve is released directly to retained profits.

(iv) Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 3.11).

3.18 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into or the derivative is separated from the host contracts and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Related parties

For the purpose of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly, or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Group or the Group's parent or a close family member of such an individual, or is a entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3.20 Borrowing costs

All borrowing costs are expensed as incurred.

3.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the income statement on a straight line basis over the expected lives of the related assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.22 Research and development expenditure

Costs associated with research activities are expensed in the income statement as they occur. Costs that are directly attributable to the development phase are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) the intangible asset will generate probable economic benefits through internal use or sale;

(iii) sufficient technical, financial and other resources are available for completion; and

(iv) the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated product developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

3.23 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.23 Provisions and contingent liabilities *(Continued)*

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

3.24 Financial guarantee issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for issuance of the guarantee, the consideration is recognised in accordance with the Group's policies to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in income statement over the term of the guarantee as income from financial guarantee issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.25 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of business segment, unallocated costs represent corporate expenses and other expenses that cannot be allocated on a reasonable basis to the reportable segments. Segment assets consist primarily of intangible assets, property, plant and equipment, prepaid land lease payments, inventories and trade receivables, and mainly exclude corporate assets, available-for-sale financial assets. Segment liabilities comprise operating liabilities and exclude items such as taxation and corporate borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.25 Segment reporting *(Continued)*

Capital expenditure comprises additions to intangible assets, property, plant and equipment and prepaid land lease payments.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

4. CRITICAL ACCOUNTING ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimation of mineral resources

Mining rights and mining structures are depreciated and amortised using units of production method based on the proven and probable mineral resources. Such estimates are made based on the management's knowledge, experience and industry practice. Estimates which were valid when originally made may need to be updated when new information or techniques become available. By nature, resources estimates depend to some extent on interpretations and deductions which may prove to be inaccurate. As further information becomes available, the estimates are likely to change. This may result in alternations to the Group's mining operations and development plans which may, in turn, adversely affect the Group's mining operations and performance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

4. CRITICAL ACCOUNTING ESTIMATES *(Continued)*

(ii) Depreciation and amortisation

The Group depreciates the property, plant and equipment and amortises prepaid land lease payments and the intangible assets in accordance with the accounting policies stated in note 3.6, note 3.7 and note 3.8 respectively. The estimated useful lives reflect the management's estimate of the periods that the Group intends to derive future economic benefits from the use of these assets. In particular, the mining rights and mining structures are amortised and depreciated using units of production method, utilising only proved and probable mineral resources as the depletion base. The estimated mineral reserves reflect the management's estimation on the intention to derive future economic benefits from the mining rights (see note 4(i)). The management assesses annually the estimated resources of the mine. However, the licence period of the mining rights held by the Group expires by January 2019 which is shorter than the estimated useful lives of the mine estimated by the management. Management of the Group is of the opinion that the Group will be able to renew the licence of the mining rights from the relevant authority continuously and at minimal charges. If the expectation differs from the original estimate, such differences will impact the depreciation and the amortisation charged in the year in which such estimate is changed.

(iii) Allowance for and written off of irrecoverable debtors

The Group's management determines the allowance for irrecoverable debtors on a regular basis. This estimate is based on the credit history of the Group's debtors, past default experience and the current market condition. When the Group's management determines that there are indicators of significant financial difficulties of the debtors such as default or delinquency in payments, allowance for debtors are estimated. The Group's management reassesses the estimations at the balance sheet dates.

When the Group's management determines the debtors are uncollectible, they are written off against the allowance account for debtors. Any amount held in the allowance account in respect of those debtors are reversed.

(iv) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, the management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

4. CRITICAL ACCOUNTING ESTIMATES *(Continued)*

(v) Income taxes

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

(vi) Share-based payment compensation

The share-base payment expense is subject to the limitation of the option pricing model and the uncertainty in estimates used by the management in the assumptions. The estimates include limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model.

(vii) Net realisable value of inventories

These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. The Group's management will reassess the estimations at the balance sheet dates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, derived from the Group's principal activities recognised during the year is as follows:

	2008 **RMB'000**	2007 RMB'000
Revenue:		
Sales of goods	**219,771**	144,759
Other income:		
Bank interest income	**655**	891
Refund of value-added tax *(note a)*	**11,518**	18,914
Forfeiture of deposits received *(note b)*	**29,001**	–
Dividend income from available-for-sale financial assets	**–**	3
Sales of scrap materials	**1,320**	–
Gain on disposal of prepaid land lease payments	**1,753**	–
Government grants *(note c)*	**2,000**	–
Rental income	**550**	–
Other income	**835**	20
Total	**47,632**	19,828

Notes:

(a) Pursuant to an approval document issued by State Tax Finance Bureau [財稅(2004) 197號], a subsidiary of the Group was entitled to a refund of the value-added tax paid in relation to the sales of organic potash fertilizer products with effect from 1 December 2004.

(b) Forfeiture of deposits received was arisen from the expropriation of customers' deposits in respect of breach of the sales and purchase agreement of the Group's mineral resources by the customers. At 31 December 2008, the Group was sued by a customer for return of the deposit of RMB20,000,000 and the litigation is still pending. In the opinion of the Group's legal advisers, the Group has a good defence against such claim. Details are set out in note 39b to the financial statements.

(c) Government grants represented unconditional monetary award of RMB2,000,000 from relevant authorities in the PRC in respect of the Group's contribution in products improvement arising from its participation in fertilizers business during the year ended 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

6. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of the operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) Fertilizers: manufacture and sale of organic potash fertilizer products; and

(b) Nonferrous metal mine site: mining, processing and trading of mineral resources.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

6. SEGMENT INFORMATION *(Continued)*

Business segment

For the financial year ended 31 December 2008

	Fertilizers RMB'000	Nonferrous metal mine site RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	142,159	77,612	219,771
Segment results	20,408	7,369	27,777
Interest income			655
Unallocated corporate income			45,577
Unallocated corporate expense			(56,252)
Change in fair value of derivative financial instruments			31,263
Excess over the costs of business combinations recognised in the income statement			13,618
Equity-settled share options expenses			(2,265)
Profit from operation			60,373
Finance costs			(32,697)
Profit before income tax			27,676
Income tax expense			(7,039)
Profit for the year			20,637

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

6. SEGMENT INFORMATION *(Continued)*

Business segment *(Continued)*

As at 31 December 2008

	Fertilizers RMB'000	Nonferrous metal mine site RMB'000	Total RMB'000
ASSETS			
Segment assets	163,489	1,348,305	1,511,794
Unallocated corporate assets			426,305
Consolidated total assets			1,938,099
LIABILITIES			
Segment liabilities	628	24,832	25,460
Unallocated corporate liabilities			1,015,414
Consolidated total liabilities			1,040,874
Other segment information			
Depreciation	4,928	3,933	8,861
Amortisation of mining rights	–	7,987	7,987
Amortisation of other intangible assets	665	–	665
Amortisation of prepaid land lease payments	908	–	908
Capital expenditure	805	38,635	39,440
Written off of property, plant and equipment	78	–	78
Gain on disposal of prepaid land lease payments	1,753	–	1,753
Provision of impairment loss recognised on trade receivables	439	–	439
Provision of impairment loss recognised on other receivables	552	–	552

For the year ended 31 December 2007, the Group was principally engaged in the manufacture and sale of organic potash fertilizer products. Therefore, there was no presentation of business segment in 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

6. SEGMENT INFORMATION *(Continued)*

Geographical segment

For the financial year ended 31 December 2008 and 2007, the Group's revenue, assets and capital expenditure are principally attributable to a single geographical region, which is the PRC.

7. PROFIT FROM OPERATION

Profit from operation is arrived at after charging/(crediting):

	2008 RMB'000	2007 RMB'000
Directors' emoluments (note 13)	**759**	820
Other staff costs	**10,907**	7,087
Equity-settled share options expenses	**475**	1,145
Retirement benefit schemes contribution (excluding those of directors)	**743**	115
Total staff costs	**12,884**	9,167
Less: Staff costs included in the research and development costs	**(582)**	(497)
	12,302	8,670
Depreciation of property, plant and equipment	**9,101**	5,115
Less: Depreciation included in the research and development costs	**(94)**	(117)
	9,007	4,998
Cost of inventories sold	**177,291**	95,874
Amortisation of mining rights	**7,987**	–
Amortisation of other intangible assets	**665**	845
Amortisation of prepaid land lease payments	**908**	633
Auditors' remuneration	**982**	400
Written off of property, plant and equipment	**107**	2
Research and development costs	**1,809**	1,523
Provision of impairment loss recognised on trade receivables	**439**	199
Provision/(reversal) of impairment loss recognised on other receivables	**552**	(518)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

8. FINANCE COSTS

	2008 RMB'000	2007 RMB'000
Wholly repayable within five years		
– interest on bank loans	**3,777**	2,256
– interest on other loans	**6,680**	1,550
Interest on convertible bonds	**22,236**	–
Interest on finance lease liabilities	**4**	–
Total financial costs on financial liabilities not at fair value through profit or loss	**32,697**	3,806

9. INCOME TAX EXPENSE

(a) Income tax expense in the income statement represents:

	2008 RMB'000	2007 RMB'000
Current		
– Hong Kong	**–**	–
– Overseas taxation	**9,827**	780
	9,827	780
Deferred taxation (note 32b)	**(2,788)**	1,688
Total tax charge for the year	**7,039**	2,468

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the years presented. Income tax expense for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the PRC Enterprise Income Tax ("EIT") law passed by the Tenth national People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises were unified at 25% and became effective from 1 January 2008. Subsequent to 16 March 2007, the implementation measure on transitional policy of preferential tax rate was announced and the Group's entitlement to certain tax concessions is still applicable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

9. INCOME TAX EXPENSE *(Continued)*

(b) The income tax expense for the year can be reconciled to the profit before income tax as per the consolidated income statement as follows:

	2008 RMB'000	2007 RMB'000
Profit before income tax	**27,676**	20,467
Tax at the domestic income tax rate of 25% (2007: 15%)	**6,919**	3,070
Tax effect of non-taxable and non-deductible items, net	**5,445**	1,384
Tax concession	**(6,447)**	–
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**1,122**	(1,986)
Income tax expense for the year	**7,039**	2,468

During the year, the Group has calculated the EIT at 25% due to the unification of PRC EIT rate on 1 January 2008.

(c) At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is RMB5,028,000 (2007: Nil). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not reverse in the foreseeable future.

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity holders of the Company of RMB8,636,000 (2007: RMB10,067,000), a loss of RMB30,867,000 (2007: RMB3,325,000) has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

11. DIVIDEND

During the years ended 31 December 2008 and 2007, no dividend was paid or proposed, nor has any dividend been proposed since the balance sheet date.

12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the year attributable to the equity holders of the Company of RMB8,636,000 (2007: RMB10,067,000) and on the weighted average of 470,043,260 (2007 (restated): 400,000,000) ordinary shares in issue during the year.

In the calculation of the diluted earnings per share attributable to the equity holders of the Company, the potential shares arising from the conversion of the Company's convertible bonds would increase the earnings per share attributable to the equity holders of the Company and were not taken into account as they had an anti-dilutive effect. Therefore, the calculation of diluted earnings per share for the year is based on the profit for the year attributable to equity holders of the Company of RMB8,636,000 and on the weighted average of 498,364,250 ordinary shares outstanding during the year, being the weighted average number of ordinary shares of 470,043,260 used in basic earnings per share calculation and adjusted for the effect of share options existing during the year of 28,320,990.

The weighted average number of shares for the purpose of calculating basic earnings per share for the year ended 31 December 2007 has been restated to reflect the share subdivision during the year ended 31 December 2008 as detailed in note 33(b) to the financial statements.

Diluted earnings per share for the year ended 31 December 2007 was not presented because the impact of the exercise of the share options was anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The details of directors' remuneration of each director for the years ended 31 December 2008 and 2007 are set out below:

Name of director	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
2008				
Executive directors:				
Mr. Zhuo Ze Fan	–	356	5	361
Ms. Xie Yi Ping	–	155	–	155
Dr. Yu Heng Xiang (i)	23	–	–	23
Mr. Ng Tang #	59	–	–	59
Mr. Xu Bing (i)	10	–	–	10
Independent non-executive directors:				
Mr. Zhao Shuo Guo	54	–	–	54
Mr. Yue Kwai Wa, Ken (ii)	5	–	–	5
Mr. Leung Yiu Wing, Eric (i), (ii)	22	–	–	22
Mr. Chau Kam Wing, Donald (i)	35	–	–	35
Mr. Yang Rui (i)	35	–	–	35
	243	511	5	759

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) *Directors' emoluments* (Continued)

Name of director	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
2007				
Executive directors:				
Mr. Zhuo Ze Fan	–	456	4	460
Ms. Xie Yi Ping	–	180	–	180
Mr. Wu Jing Jin *	–	–	–	–
Independent non-executive directors:				
Mr. Zhao Shuo Guo	60	–	–	60
Mr. Yue Kwai Wa, Ken	60	–	–	60
Mr. Ng Tang #	60	–	–	60
	180	636	4	820

(i) Appointed during the year ended 31 December 2008

(ii) Resigned during the year ended 31 December 2008

Re-designated as executive director with effect from 12 June 2008

* Resigned during the year ended 31 December 2007

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2008 and 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

The five highest paid individuals in the Group during the year included two (2007: two) directors, details of whose emoluments have been disclosed in note (a) above. The emoluments of the remaining three (2007: three) non-director, highest paid individuals for the year are as follows:

	2008	2007
	RMB'000	RMB'000
Basic salaries, bonus and allowances	**1,959**	817
Share-based payments	**475**	1
Retirement benefits scheme contribution	**25**	28
	2,459	846

The number of the remaining highest paid individuals whose enrolments fell within the following band is as follows:

	2008	2007
Nil to HK$1,000,000	**1**	3
HK$1,000,001 to HK$2,000,000	**2**	–

During the years ended 31 December 2008 and 2007, no emoluments were paid by the Group to any of the directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2007								
Cost	17,116	8,217	–	33,696	1,960	3,815	6,198	71,002
Depreciation	(6,226)	(8,082)	–	(17,551)	(1,420)	(2,424)	–	(35,703)
Net carrying amount	10,890	135	–	16,145	540	1,391	6,198	35,299
Year ended 31 December 2007								
Opening net carrying amount	10,890	135	–	16,145	540	1,391	6,198	35,299
Additions	–	–	–	72	41	1,449	905	2,467
Written off	–	–	–	(2)	–	–	–	(2)
Depreciation	(805)	(94)	–	(3,467)	(242)	(507)	–	(5,115)
Exchange difference	–	(9)	–	–	(7)	–	–	(16)
Closing net carrying amount	10,085	32	–	12,748	332	2,333	7,103	32,633
At 31 December 2007								
Cost	17,116	8,203	–	33,716	1,988	5,264	7,103	73,390
Depreciation	(7,031)	(8,171)	–	(20,968)	(1,656)	(2,931)	–	(40,757)
Net carrying amount	10,085	32	–	12,748	332	2,333	7,103	32,633
Year ended 31 December 2008								
Opening net carrying amount	10,085	32	–	12,748	332	2,333	7,103	32,633
Additions	–	216	1,025	214	834	662	38,018	40,969
Acquisition of subsidiaries (note 36)	13,520	–	91,980	24,414	163	3,132	18,240	151,449
Disposal	–	–	–	–	–	–	(7,639)	(7,639)
Written off	–	(2)	–	(27)	(27)	(51)	–	(107)
Transfers	384	–	–	–	–	–	(384)	–
Depreciation	(1,474)	(86)	(1,517)	(4,795)	(255)	(974)	–	(9,101)
Exchange difference	–	2	–	–	(11)	(5)	–	(14)
Closing net carrying amount	**22,515**	**162**	**91,488**	**32,554**	**1,036**	**5,097**	**55,338**	**208,190**
At 31 December 2008								
Cost	31,020	8,228	93,005	58,283	2,852	8,866	55,338	257,592
Depreciation	(8,505)	(8,066)	(1,517)	(25,729)	(1,816)	(3,769)	–	(49,402)
Net carrying amount	**22,515**	**162**	**91,488**	**32,554**	**1,036**	**5,097**	**55,338**	**208,190**

Note:

(a) The official title certificates for certain of the Group's buildings with carrying amounts of approximately RMB8,096,000 (2007: RMB1,084,000) in aggregate have not yet been issued by the relevant local government authorities. These buildings are erected on land for which relevant land use rights certificates have been obtained by the Group. The directors are of the opinion that the Group's right and interest in such buildings will not be therefore severely prejudiced.

(b) At 31 December 2008, the Group's property, plant and equipment at the net carrying amount of RMB10,644,000 (2007: RMB13,611,000) were pledged to secure banking facilities granted to the Group (note 29).

(c) The net carrying amount of the Group's property, plant and equipment held under financial lease arrangement included in the total amount of motor vehicles at 31 December 2008 amounted to RMB461,000 (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

15. INTANGIBLE ASSETS

	Technical know-how RMB'000	Patent RMB'000	Mining rights RMB'000	Total RMB'000
At 1 January 2007				
Cost	3,600	1,250	–	4,850
Amortisation	(2,340)	(854)	–	(3,194)
Net carrying amount	1,260	396	–	1,656
Year ended 31 December 2007				
Opening net carrying amount	1,260	396	–	1,656
Amortisation	(720)	(125)	–	(845)
Closing net carrying amount	540	271	–	811
At 31 December 2007 and 1 January 2008				
Cost	3,600	1,250	–	4,850
Amortisation	(3,060)	(979)	–	(4,039)
Net carrying amount	540	271	–	811
Year ended 31 December 2008				
Opening net carrying amount	540	271	–	811
Acquisition of subsidiaries	–	–	1,094,116	1,094,116
Amortisation	(540)	(125)	(7,987)	(8,652)
Closing net carrying amount	**–**	**146**	**1,086,129**	**1,086,275**
At 31 December 2008				
Cost	3,600	1,250	1,094,116	1,098,966
Amortisation	(3,600)	(1,104)	(7,987)	(12,691)
Net carrying amount	**–**	**146**	**1,086,129**	**1,086,275**

Mining rights represent the right for mining in Wulatezhong Qi, an autonomous region in Inner Mongolia of the PRC with an aggregate mining area of 1.1014 square kilometer. The mining rights will expire in January 2019. In the opinion of directors, the Group will be able to renew the licence of the mining rights from the relevant authority continuously and at minimal charges.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

16. PREPAID LAND LEASE PAYMENTS

	2008 RMB'000	2007 RMB'000
At beginning of the year		
Cost	**31,458**	31,458
Accumulated amortisation	**(3,097)**	(2,464)
Net carrying amount	**28,361**	28,994
For the year ended 31 December		
Opening net carrying amount	**28,361**	28,994
Additions	**33,330**	–
Disposals	**(23,938)**	–
Amortisation	**(908)**	(633)
Closing net carrying amount	**36,845**	28,361
At end of the year		
Cost	**38,015**	31,458
Accumulated amortisation	**(1,170)**	(3,097)
Net carrying amount	**36,845**	28,361
Analysed for reporting purposes as:		
Current asset	**737**	633
Non-current assets	**36,108**	27,728
	36,845	28,361

Note:

(a) During the year ended 31 December 2008, according to the city development plan in 楊陵區人民政府, the government has swapped the Group's land use right in respect of a land located in the PRC with the land use rights in respect of another two pieces of land, which were valued by Grant Sherman Appraisal Limited ("Grant Sherman"), an independent firm of professional valuers at RMB33,330,000 on an open market basis at the completion dates. As at 31 December 2008, the land use right certificate of one of these two land in the carrying amount of RMB5,290,000 was not obtained. Subsequent to the balance sheet date, the Group obtained the land use right certificate in respect of this land.

(b) At 31 December 2008, the Group's prepaid land lease payments at the net carrying amount of RMB31,555,000 (2007: RMB28,361,000) were pledged to secure banking facilities granted to the Group (note 29).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

17. LIST OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2008 are as follows:

Name	Place of incorporation/ registration and operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Directly	Indirectly	Principal activities
Best Era Assets Limited	British Virgin Islands ("BVI")	US$1	–	100%	Investment holding
Sungreen Agro Strategic Holdings Limited	BVI	US$10,000	–	100%	Investment holding
Sungreen Investment Limited	BVI	US$1,000	100%	–	Investment holding
陝西巨川富萬鉀股份有限公司	PRC	RMB50,000,000	–	65%	Manufacture and distribution of organic potash fertilizers
陝西巨川環保農資有限公司	PRC	RMB1,000,000	–	65%	Sales and distribution of organic potash fertilizers
Silver Venture Investment Limited	BVI	US$1	100%	–	Investment holding
China Nonferrous Metals Management Limited	HK	HK$2,000,000	100%	–	Investment holding
Yongbao Resources Exploitation and Development Limited (formerly known as Master Fame Group Limited)	BVI	US$1	100%	–	Investment holding
Straight Upward Investments Limited ("Straight Upward") (i)	BVI	US$100	–	100%	Investment holding
Sky King Development Limited (i)	HK	HK$1	–	100%	Investment holding
深圳市睿汭科技有限公司 (i)	PRC	RMB100,000,000	–	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

17. LIST OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Directly	Indirectly	Principal activities
烏拉特中旗天寶礦業有限責任公司 ("Tianbao Mining Company") (i)	PRC	RMB150,000,000	–	75%	Mining and processing of mineral resources in the PRC
巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司 ("Jiashengpan") (i)	PRC	RMB500,000	–	75%	Holding of mining licence
深圳市銀池科技有限公司 ("銀池科技") (i)	PRC	RMB1,000,000	–	96%	Investment holding
青海鈺洋商貿有限公司 ("青海鈺洋") (i)	PRC	RMB20,000,000	–	96%	Trading of nonferrous metals

(i) acquired during the year ended 31 December 2008.

The financial statements of the Company's subsidiaries are audited by Grant Thornton for statutory purpose or Group consolidation purpose.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

18. DEPOSITS

	Notes	2008 RMB'000	2007 RMB'000
Deposit for acquisition of a subsidiary	(a)	**8,803**	–
Deposits for acquisition of property, plant and equipment	(b)	**85,695**	43,350
		94,498	43,350

Notes:

(a) As at 31 December 2008, the amount of RMB8,803,000 (equivalent to HK$10,000,000) represented the deposit paid to Shenzhen City First Create Investment Company Limited ("First Create"), a related company, for the proposed acquisition of the entire equity interest in 赤峰市古金洞礦業有限責任公司 ("赤峰古金"). The acquisition is still in progress as at the approval date of these financial statements.

(b) As at 31 December 2008, the amounts of RMB85,695,000 were paid for the acquisition of property, plant and equipment for the Group's development projects to expand the production capacity in the Group's mining and fertilizer businesses in the PRC.

19. INVENTORIES

	2008 RMB'000	2007 RMB'000
Raw materials	**4,203**	471
Work in progress	**2,301**	2,111
Finished goods	**17,550**	5,953
	24,054	8,535

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

20. TRADE RECEIVABLES

	2008 RMB'000	2007 RMB'000
Trade receivables	**74,702**	43,751
Less: Allowance for impairment	**(2,626)**	(2,187)
	72,076	41,564

The ageing analysis of the trade receivables (net of allowance for impairment) is as follows:

	2008 RMB'000	2007 RMB'000
0 to 60 days	**5,970**	11,821
61 to 120 days	**19,788**	18,794
121 to 180 days	**17,311**	9,998
181 to 365 days	**29,007**	951
	72,076	41,564

The movement in the allowance for impairment of trade receivables is as follows:

	2008 RMB'000	2007 RMB'000
At beginning of year	**2,187**	1,988
Impairment recognised for the year	**439**	199
At end of year	**2,626**	2,187

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

20. TRADE RECEIVABLES *(Continued)*

The ageing analysis of these trade receivables (net of allowance for impairment) that are neither individually nor collectively considered to be impaired are as follows:

	2008	2007
	RMB'000	RMB'000
Neither past due nor impaired	**39,361**	40,613
1 to 60 days past due	**21,224**	951
Over 60 days past due	**11,491**	–
	72,076	41,564

The Group has a policy of allowing trade customers with credit normally within 180 days.

As at 31 December 2008, the Group has determined trade receivables of RMB32,715,000 (2007: RMB951,000) were past due but not impaired. These receivables related to a number of independent customers for whom there is no recent history of default. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Trade receivables that were neither past due nor impaired related to a large number of independent customers that have a good track record with the Group. The Group does not hold any collateral or other credit enhancements over these balances.

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2008	2007
	RMB'000	RMB'000
Other receivables (note)	**99,082**	24,240
Deposits	**379**	169
Prepayments	**22,440**	21,749
	121,901	46,158

Note: Balances included the amount due from Hung Kam Holdings Limited ("Hung Kam") of approximately RMB85,726,000 (2007: Nil) in which Mr. Mei Wei, a substantial shareholder of the Company, had a directorship during the year ended 31 December 2008. The maximum balance outstanding during the year ended 31 December 2008 was RMB85,726,000 (2007: Nil). Mr. Mei Wei resigned as the director of Hung Kam on 31 May 2008. Mr. Mei Wei has undertaken to indemnify any loss that the Group may incur in consequence of any failure or default in repayment by Hung Kam.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

The movement in the provision for impairment on other receivables is as follows:

	2008 **RMB'000**	2007 RMB'000
At beginning of year	**489**	1,007
Impairment recognised/(reversed) for the year	**552**	(518)
At end of year	**1,041**	489

None of the other receivables is either past due or impaired except for those disclosed in the above movement. These receivables related to debtors for whom there is no recent history of default.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008 **RMB'000**	2007 RMB'000
Unlisted equity securities, at cost	**400**	400

The above unlisted available-for-sale financial assets represent investments in unlisted equity securities issued by private entities incorporated in the PRC.

The unlisted available-for-sale financial assets are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant and the probability of the various estimates is significant. Accordingly, the directors of the Company are of the opinion that fair value cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

23. AMOUNTS DUE FROM RELATED COMPANIES

	Notes	2008 RMB'000	2007 RMB'000	Maximum balance outstanding during the year RMB'000
First Create	(a)	**32,190**	–	32,190
Rixi International Limited ("Rixi")	(a), (b)	**71,131**	–	71,131
Shenzhen City Dingyu Trading Development Limited	(a)	**45,105**	–	45,105
深圳市港瑞投資有限公司	(a)	**31,110**	–	31,110
西部礦業西藏雅江礦業有限公司	(a)	**2,000**	–	2,000
西藏愷隆實業開發有限公司	(a)	**2,925**	–	2,925
西部礦業西藏資源投資有限公司	(c)	**15,000**	–	15,000
		199,461	–	

Notes:

(a) Mr. Mei Wei, a substantial shareholder of the Company, or any of his close family members has beneficial interest or directorship in these companies.

(b) The amount due from Rixi included a receivable in relation to the profit shortfall which arose from the acquisition of subsidiaries. Details of which are set out in note 36a to the financial statements.

(c) Dr. Yu Heng Xiang, an executive director of the Company, has beneficial interest or directorship in this company.

The amounts are unsecured, non-interest bearing and repayable on demand. The Company's substantial shareholder, Mr. Mei Wei has undertaken to indemnify any loss that the Group may incur in consequence of any failure or default in repayment by these related companies.

24. BALANCES WITH NON-BANK FINANCIAL INSTITUTIONS

Balances with non-bank financial institutions comprise deposits carrying interest at floating rates and earn interest ranging from 0.36% to 0.72% (2007: 0.72% to 2.61%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

25. BANK BALANCES AND CASH

	2008 RMB'000	2007 RMB'000
Cash in hand	**107**	136
Cash at bank	**94,019**	61,121
	94,126	61,257

Cash at bank earns interest at floating rates based on daily bank deposit rates and earn interest ranging from 0.36% to 0.72% (2007: 0.72% to 2.61%) per annum.

At 31 December 2008, the Group had cash and bank balances denominated in RMB amounting to approximately RMB90,192,000 (2007: approximately RMB61,253,000), which were deposited with banks in the PRC and held in hand. The RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

26. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2008 RMB'000	2007 RMB'000
0 to 90 days	**18,289**	117
91 to 180 days	**98**	157
181 to 365 days	**1,159**	126
Over 365 days	**46**	77
	19,592	477

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

27. OTHER PAYABLES AND ACCRUED CHARGES

	2008 RMB'000	2007 RMB'000
Other payables	**32,131**	23,369
Accrued interest charges (note)	**9,994**	–
Other accrued charges	**704**	372
	42,829	23,741

Note: The accrued interest charges consist of RMB9,994,000 (2007: Nil) in relation to the interest payable of convertible bonds to Rixi, a related company of the Group. Details of which are set out in note 31 to the financial statements.

28. AMOUNTS DUE TO A RELATED COMPANY AND FORMER AND MINORITY EQUITY HOLDERS OF SUBSIDIARIES

The amount due to 西安巨川國際投資有限公司 ("Xi'an Juchuan Investment") is unsecured, non-interest bearing and repayable on demand. Mr. Zhuo Ze Fan, the director of the Company, has beneficial interest in this related company.

The amounts due to former and minority equity holders of subsidiaries are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

29. BORROWINGS

	Notes	Original Currency	2008 RMB'000	2007 RMB'000
Current				
Finance lease liabilities	(a)	HK$	**98**	–
Bank loans – secured	(b)	RMB	**16,000**	7,000
Bank loans – unsecured	(b)	RMB	**60,000**	20,000
Other loans – secured	(b)	US$	**58,013**	–
			134,111	27,000
Non-current				
Finance lease liabilities	(a)	HK$	**377**	–
Other loans – secured	(b)	US$, RMB	**59,006**	30,000
			59,383	30,000
			193,494	57,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

29. BORROWINGS *(Continued)*

Notes (a):

During the year ended 31 December 2008, the Group has leased its motor vehicle under a finance lease and has remaining lease terms of five years. Finance lease liabilities are effectively secured as the rights to leased asset revert to the lessor in the even of default.

The analysis of the obligations under finance leases is as follows:

	2008 RMB'000
Amounts payable:	
Within one year	120
In the second year	120
In the third to fifth years	341
	581
Less: Future finance charges on finance lease	(106)
Present value of finance lease liabilities	475
The present value of finance lease liabilities is as follows:	
Within one year	98
In the second year	98
In the third to fifth years	279
	475
Less: Portion due within one year included under current liabilities	(98)
Non-current portion included under non-current liabilities	377

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

29. BORROWINGS *(Continued)*

Notes (b):

	2008 RMB'000	2007 RMB'000
Analysed into:		
Bank loans repayables:		
Within one year or on demand	**76,000**	27,000
Analysed into:		
Other loans repayables:		
Within one year or on demand	**58,013**	–
In the second year	**29,006**	–
In the third to fifth years, inclusive	**30,000**	30,000
	117,019	30,000
	193,019	57,000

The Group's bank and other loans at 31 December 2008 were secured by:

(i) charges over property, plant and equipment in which their aggregate carrying amount as at 31 December 2008 was RMB10,644,000 (2007: RMB13,611,000);

(ii) charges over the Group's prepaid land lease payments in which their aggregate carrying amount as at 31 December 2008 was RMB31,555,000 (2007: RMB28,361,000);

(iii) guarantee by a third party, 西安開米股份有限公司. The Group also provided cross-guarantee to the same party for the bank borrowing of RMB20,000,000 (2007: RMB20,000,000);

(iv) guarantee by Mr. Zhuo Ze Fan, the director of the Company and a corporate guarantee by 陝西巨川實業有限責任公司 in which Mr. Zhuo Ze Fan has beneficial interest;

(v) guarantee by a third party, 青海汭銀投資擔保有限公司；and

(vi) guarantees by related companies, being Temmex Corporation in which Mr. Mei Wei has beneficial interest and First Create, and several contracts in relation to the Group's sale and purchase of mineral resources.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

29. BORROWINGS *(Continued)*

Notes (b): *(Continued)*

Except for the secured and unsecured bank loans with aggregate carrying amount of RMB16,000,000 (2007: RMB7,000,000) and RMB15,000,000 (2007: RMB20,000,000) respectively which are interest-bearing at floating rates ranging from 6.14% to 7.38% (2007: 9.48% to 9.79%) as at 31 December 2008, all other bank loans of the Group are at fixed rates.

Except for the secured other loans with aggregate carrying amount of RMB30,000,000 (2007: Nil) which are interest-bearing at floating rates at 9.79% (2007: Nil) as at 31 December 2008, all other loans of the Group are at fixed rates.

Subsequent to the balance sheet date, the Group has renewed the bank loans of RMB45,000,000 which will be then due more than one year from the balance sheet date.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	2008 **RMB'000**	2007 RMB'000
Classified as held for trading		
– Future contracts, at fair value *	**29**	–

* in relation to future contracts of soya bean in the PRC

The fair value of future contracts are determined using quoted future price at the balance sheet date.

During the year ended 31 December 2008, the Group entered into derivative financial instruments in relation to sale and purchase of mineral resources with Hung Kam (note 21). The Group recognised a net gain of RMB26,158,000 (2007: Nil) arising from the change in fair value of derivative financial instruments during the year ended 31 December 2008.

As at the approval date of these financial statements, the directors confirmed that the Group does not have material exposure to derivative financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

31. CONVERTIBLE BONDS

On 9 July 2008, the Company issued convertible bonds with a principal amount of HK$756,900,000 ("Convertible Bonds"), which bear coupon interest rate at 3% per annum payable semi-annually in arrears. The Convertible Bonds were issued as part of the consideration for the acquisition of entire issued share capital of Straight Upward and its subsidiaries (collectively referred as to the "Straight Upward Group") (see note 36a). The Convertible Bonds due on 2015 is convertible into fully paid ordinary shares with a par value of HK$0.002 each of the Company at an initial conversion price of HK$1.1, subject to adjustments on the occurrence of dilutive or concentrative event.

The bondholders of the Convertible Bonds will have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds that any conversion shall be made in amounts of not less than a whole multiple of HK$5,000,000. The Convertible Bonds remains outstanding on the maturity date shall be redeemed at its then outstanding principal amount, inclusive of interest as accrued.

On initial recognition, the fair value of the liability component of the Convertible Bonds was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost under the effective interest method. The equity component of the Convertible Bonds was recognised at fair value and was included in shareholders' equity in convertible bonds equity reserve.

The Convertible Bonds recognised in the balance sheet were calculated as follows:

	Liability component RMB'000	**Equity component** RMB'000
Net carrying amounts on initial recognition	430,511	230,864
Interest expenses	22,236	–
Interest accrued	(9,994)	–
Exchange realignment	59	–
Net carrying amounts at 31 December 2008	**442,812**	**230,864**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

31. CONVERTIBLE BONDS *(Continued)*

The fair value of the derivative component of the Convertible Bonds was calculated using the Black-Scholes model with the major inputs used in the model as follows:

	9 July 2008
Stock price	HK$1.64
Expected volatility	83.02%
Risk free rate	3.43%
Expected life	7 years
Expected dividend yield	0%

During the year ended 31 December 2008, no Convertible Bonds were converted into ordinary shares of the Company.

Interest expense on the Convertible Bonds is calculated using the effective interest method by applying the effective interest rate of 10.18% to the adjusted liability component.

32. DEFERRED TAX ASSET AND LIABILITIES

Deferred tax asset and liabilities are calculated in full on temporary differences under the liability method using principal taxation rate of 25% (2007: 15%).

(a) The movement on deferred tax assets during the year is as follows:

	Fair value adjustment of property, plant and equipment RMB'000
At 1 January 2008	–
Acquisition of subsidiaries (note 36a)	251
At 31 December 2008	**251**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

32. DEFERRED TAX ASSET AND LIABILITIES *(Continued)*

(b) The movement on deferred tax liabilities during the year is as follows:

	Accelerated tax depreciation RMB'000	Fair value adjustment of mining rights RMB'000	Value-added tax refundable RMB'000	Total RMB'000
At 1 January 2007	–	–	–	–
Charge for the year	–	–	1,688	1,688
At 31 December 2007 and 1 January 2008	–	–	1,688	1,688
Acquisition of subsidiaries (note 36a)	2,500	268,752	–	271,252
Charge/(credit) for the year (note 9)	300	(1,998)	(1,090)	(2,788)
At 31 December 2008	**2,800**	**266,754**	**598**	**270,152**

33. SHARE CAPITAL

	2008		2007	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each at 1 January	**5,000,000**	**50,000**	5,000,000	50,000
Shares Subdivision (note b)	**20,000,000**	**–**	–	–
Ordinary shares of HK$0.002 (2007: HK$0.01) each at 31 December	**25,000,000**	**50,000**	5,000,000	50,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

33. SHARE CAPITAL *(Continued)*

	2008 Number of shares '000	2008 Amount RMB'000	2007 Number of shares '000	2007 Amount RMB'000
Issued:				
Ordinary shares of HK$0.01 each at 1 January	**80,000**	**848**	80,000	848
Placing and subscription of new shares (note a)	**5,900**	**54**	–	–
Shares Subdivision (note b)	**343,600**	**–**	–	–
Issue of consideration shares (note c)	**96,000**	**168**	–	–
Repurchased and cancelled (note d)	**(750)**	**(1)**	–	–
Ordinary shares of HK$0.002 (2007: HK$0.01) each at 31 December	**524,750**	**1,069**	**80,000**	**848**

During the year ended 31 December 2008, the movements in share capital were as follows:

(a) On 5 March 2008, the Company and Callaway Group Limited ("Callaway"), a company beneficially owned by Mr. Zhuo Ze Fan, a director of the Company, entered into a placing agreement with Shenyin Wanguo Securities (HK) Limited ("Shenyin Wanguo") for the placement of 5,900,000 ordinary shares of the Company owned by Callaway at a price of HK$10.17 per share. Pursuant to a conditional subscription agreement between the Company and Callaway on the same date, Callaway subscribed for 5,900,000 new ordinary shares of the Company at a price of HK$10.17 per share. On 18 March 2008, the subscription was completed and raised total consideration of RMB54,738,000 (equivalent to approximately HK$60,003,000) (before expenses).

(b) Pursuant to the ordinary resolution passed on 24 April 2008, with effect from 25 April 2008, one share of HK$0.01 each in the issued and unissued share capital of the Company were subdivided into five shares of HK$0.002 each ("Share Subdivision"). The authorised share capital of the Company remained at HK$50,000,000 but was divided into 25,000,000,000 shares of HK$0.002 each.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

33. SHARE CAPITAL *(Continued)*

(c) On 9 July 2008, 96,000,000 new ordinary shares of HK$0.002 each ("Consideration Shares") were issued to Ruffy Investments Limited, a nominee company assigned by Rixi, as part of the consideration for the business combination as detailed in note 36a. The 96,000,000 Consideration Shares were credited as fully paid at HK$1.64 each, being the published share price available at the date of acquisition. The 96,000,000 Consideration Shares of HK$0.002 each rank pari passu in all respect with the existing issued shares of the Company.

(d) During the year ended 31 December 2008, the Company repurchased a total of 2,120,000 ordinary shares of HK$0.002 each in the capital of the Company at an aggregate price of RMB1,082,000. The highest price paid and the lowest price paid was HK$0.99 and HK$0.365 respectively. 750,000 of the repurchased shares were fully cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium payable on repurchase was charged against the share premium. An amount equivalent to the nominal value of the shares cancelled was transferred from retained earnings to the capital redemption reserve. The remaining 1,370,000 repurchased shares of HK$0.002 each with a repurchased cost of approximately RMB440,000 were held as treasury shares as at the balance sheet date.

34. SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to the resolutions of the shareholders passed on 16 February 2005 for the primary purpose of providing the people and the parties working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with incentives to work better for the interest of the Group and/or rewards for their contribution and support to the Group. The board of directors may, at its discretion, invite (i) employees of the Company (whether full-time or part-time) or any of its subsidiaries or associated companies; (ii) chief executive, directors (whether executive directors or non-executive directors or independent non-executive directors) of the Company or any its subsidiaries or associated companies; (iii) any shareholder of any member of the Company or any of its subsidiaries or associated companies; (iv) suppliers of good and/or services to the Company or any of its subsidiaries or associated companies; (v) any customers of the Company or any of its subsidiaries or associated companies: (vi) any person or entity that provides research, development or other technical support to the Company or any of its subsidiaries or associated companies; (vii) any adviser (technological, technical, financial, legal or otherwise) or consultants engaged by or worked for the Company or any of its subsidiaries or associated companies; and (viii) joint venture partner or counter-party to any business operation or business arrangements of the Group (together, the "Participants" and each a "Participant"), to take up options ("Option") to subscribe for shares at a price calculated in accordance with paragraph below. No performance target is required to be achieved before an option can be exercised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

34. SHARE OPTION SCHEME *(Continued)*

HK$1.00 is payable by the Participant to the Company on acceptance of the option offer as consideration for the grant.

At the time of adoption of the Share Option Scheme, the Company may seek approval of its shareholders in a general meeting to authorise the directors to grant Option sunder the Share Option Scheme and any other Share Option Schemes of the Company entitling the grantees to exercise up to an aggregate of 10% (the "Scheme Mandate Limit") of the total number of shares of the Company in issue immediately following completing of the placing (excluding (a) any shares issued pursuant to Share Option Scheme and any other Share Option Schemes of the Company: and (b) any pro rata entitlements to further shares issued in respect of these shares mentioned in (a) unless the Company obtains a fresh approval form the shareholders).

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of not more than 10 years to be notified by the board of directors to each grantee, which period shall commence on the date on which an offer of the grant of an Option is accepted or deemed to be accepted or deemed to be accepted in accordance with the terms of the Share Option Scheme and expire on the last day of such period as determined by the board.

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on 16 February 2005, after which period no further Options will be granted but in respect of all Option which remain exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect. Unless otherwise determined by the directors of the Company at their discretion, there is no requirement of minimum period of which a share option must be held.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of any ordinary share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

34. SHARE OPTION SCHEME *(Continued)*

Movement in share options during the year ended 31 December 2008 are as follows:

Name or category of participant	Number of share options					Date of grant of share options (note a)	Exercise period of share options	Exercise price of share options*
	At 1 January 2008 (restated)*	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2008			
Other employees								
In aggregate	625,000	–	–	–	625,000	17 December 2007	Period 3	0.33
	625,000	–	–	–	625,000	17 December 2007	Period 4	0.33
	–	800,000	–	–	800,000	12 June 2008	Period 5	1.70
	1,250,000	800,000	–	–	2,050,000			
Suppliers/Advisors								
In aggregate	8,000,000	–	–	–	8,000,000	14 December 2007	Period 1	0.33
	30,750,000	–	–	–	30,750,000	17 December 2007	Period 2	0.33
	–	4,000,000	–	–	4,000,000	12 June 2008	Period 6	1.70
	38,750,000	4,000,000	–	–	42,750,000			
	40,000,000	4,800,000	–	–	44,800,000			

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

34. SHARE OPTION SCHEME *(Continued)*

Movement in share options during the year ended 31 December 2007* are as follows:

	Number of share options							
Name or category of participant	At 1 January 2007	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2007	Date of grant of share options (note a)	Exercise period of share options	Exercise price of share options
Other employees								
In aggregate	–	625,000	–	–	625,000	17 December 2007	Period 3	0.33
	–	625,000	–	–	625,000	17 December 2007	Period 4	0.33
	–	1,250,000	–	–	1,250,000			
Suppliers/Advisors								
In aggregate	–	8,000,000	–	–	8,000,000	14 December 2007	Period 1	0.33
	–	30,750,000	–	–	30,750,000	17 December 2007	Period 2	0.33
	–	38,750,000	–	–	38,750,000			
	–	40,000,000	–	–	40,000,000			

* The exercise price and number of share options were adjusted for the effect of Shares Subdivision

Period 1	14 December 2007 to 31 December 2010
Period 2	17 December 2007 to 31 December 2010
Period 3	17 June 2008 to 11 June 2011
Period 4	17 December 2008 to 17 December 2011
Period 5	12 December 2008 to 11 June 2013
Period 6	12 June 2008 to 11 June 2013

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

34. SHARE OPTION SCHEME *(Continued)*

Notes:

(a) The vesting date of the share options for Period 1, 2, and 6 is the date of grant. The share options for Period 3 and 5 are subject to half year vesting period. The share option for Period 4 is subject to one year vesting period.

(b) The weighted average exercise prices of share options are as follows:

	Weighted average exercise prices of share options
For the year ended 31 December 2008	
At 1 January 2008	0.33
Granted during the year	1.70
At 31 December 2008	0.48
For the year ended 31 December 2007 (restated)	
At 1 January 2007	–
Granted during the year	0.33
At 31 December 2007	0.33

(c) The weighted average remaining contractual life of the share options outstanding at 31 December 2008 was approximately 833 days (2007: 1,104 days).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

34. SHARE OPTION SCHEME *(Continued)*

The fair values of the share options granted during the year ended 31 December 2008 were calculated using the binomial model. The inputs into model were as follows:

For the year ended 31 December 2008	
Expected volatility (%)	66.17%
Expected life (year)	1.5 to 1.8 years
Risk free rate (%)	3.41%
Expected dividend yield (%)	0%

For the year ended 31 December 2007	
Expected volatility (%)	25.44% to 27.44%
Expected life (year)	1.52 to 2 years
Risk free rate (%)	2.04% to 2.30%
Expected dividend yield (%)	0%

The expected life of the options is based on the historical data over one year and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

At 31 December 2008, the Company had 44,800,000 (2007 (restated): 40,000,000) share options outstanding under the Share Option Scheme, which are exercisable and represented approximately 8.5% (2007: 10%) of the Company's share in issue at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 44,800,000 (2007 (restated): 40,000,000) additional ordinary shares of the Company and additional share capital of HK$89,600 (2007: HK$80,000) and share premium of HK$14,470,000 (2007: HK$13,120,000) (before issue expenses).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity.

(i) Share premium

The share premium mainly includes shares issued at a premium.

(ii) Capital redemption reserve

The capital redemption reserve of the Group represents the nominal value of the share capital of the Company repurchased and cancelled.

(iii) Capital reserve

Capital reserve represented the loan from shareholder that have been waived pursuant to the deed of waiver prior to the listing of the shares of the Company on the GEM of the Stock Exchange.

(iv) Statutory reserves

In accordance with relevant PRC regulations, certain subsidiaries of the Company are required to appropriate not less than 10% of their profits after tax to the respective statutory reserves, until the respective balances of the fund reach 50% of the respective registered capitals. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to offset against their respective accumulated losses, if any.

(v) Special reserve

The special reserve represented the difference between the nominal value of share capital issued by the Company and the nominal value of share capital of the subsidiaries at the time of group reorganisation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

36. ACQUISITION OF SUBSIDIARIES

(a) On 9 July 2008, the Group acquired entire equity interest in Straight Upward at an initial consideration of RMB811,962,000 from Rixi (note 23). The principally activity of Straight Upward is indirect holding of 75% equity interest in Tianbao Mining Company and Jiashengpan (together "New Jiashengpan Resources"). The Straight Upward Group is principally engaged in mining and processing of mineral resources and holding of mining licence in the PRC.

Details of the net assets acquired and goodwill are as follows:

	RMB'000
Total purchase consideration, at fair value:	
Cash consideration (net of 2007 profit guarantee shortfall) (see below)	24,664
Issue of Consideration Shares	138,483
Issue of Convertible Bonds	661,375
Waiver of amount due to a related company	(12,560)
Total consideration	811,962
Direct costs relating to the acquisition	4,150
Fair value of net assets acquired	(757,451)
Goodwill	58,661
Subsequent adjustment resulting from 2008 profit guarantee shortfall (see below)	(69,407)
Excess over the cost of a business combination recognised in the income statement	(10,746)

The goodwill is attributable to the synergies of the acquired business expected to arise after the Group's acquisition of the Straight Upward Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

The assets and liabilities arising from the acquisition are as follows:

	Fair value	**Carrying amount**
	RMB'000	RMB'000
Property, plant and equipment	151,427	152,429
Mining rights	1,094,116	19,107
Deferred tax assets	251	–
Deposits for acquisition of property, plant and equipment	18,673	18,673
Inventories	31,397	31,397
Trade receivables	32,566	32,566
Deposits, prepayments and other receivables	95,096	95,096
Amounts due from related companies	113,915	113,915
Bank balances and cash	3,057	3,057
Derivative financial instruments	9,192	9,192
Trade payables	(13,466)	(13,466)
Other payables and accrued charges	(41,225)	(41,225)
Provision for tax	(38,564)	(38,564)
Amount due to a related company (waived in the transaction)	(12,560)	(12,560)
Amounts due to related companies	(3,256)	(3,256)
Amount due to minority equity holder of a subsidiary	(5,022)	(5,022)
Bank and other borrowings	(116,476)	(116,476)
Deferred taxation	(271,252)	(2,500)
Minority interests	(290,418)	(223,230)
Net assets attributed to the Group acquired	757,451	19,133

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

	RMB'000
Bank balances and cash in subsidiaries acquired	3,057
Cash consideration (net of 2007 profit guarantee shortfall)	(24,664)
Direct costs relating to the acquisition	(4,150)
Net outflow	(25,757)

Since its acquisition, the Straight Upward Group contributed revenue of RMB38,705,000 and net profit of RMB11,883,000 to the Group for the period from 9 July 2008 (date of acquisition) to 31 December 2008.

Had the combination taken place on 1 January 2008, the revenue and the net profit of the Group for the year ended 31 December 2008 would have been RMB248,159,000 and RMB115,371,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor are they intended to be a projection of future results.

The initial consideration is subject to adjustment depending on the financial performance of New Jiashengpan Resources and the details of which have been set out in the relevant circular of the Company dated 13 June 2008 (the "VSA Circular").

As disclosed in the VSA Circular, the actual profit after tax and any extraordinary and exceptional items of New Jiashengpan Resources was less than RMB170 million for the financial year ended 31 December 2007. The profit shortfall amount of RMB1,723,000 has been set off against the initial cash consideration accordingly.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

As disclosed in the VSA Circular, pursuant to the acquisition agreement, Rixi committed and guaranteed that the profit after tax after extraordinary and exceptional items of New Jiashengpan Resources will not be less than RMB200 million for the financial year ended 31 December 2008 (the "2008 Guaranteed Profit"). If the actual audited net profits after tax and any extraordinary or exceptional items of New Jiashengpan Resources for the financial year ended 31 December 2008 (the "2008 Actual Profit") is less than the 2008 Guaranteed Profit, Rixi shall pay to the Group on a dollar to dollar basis an amount in HK$ equivalent to 75% of the difference between RMB200 million and the 2008 Actual Profit (the "2008 Profit Guarantee Shortfall Amount"). The 2008 Profit Guarantee Shortfall Amount shall be satisfied by Rixi in HK$, either (i) in cash or cashier order; or (ii) by setting off against the face value of the Convertible Bonds for the time being outstanding in an amount. At the balance sheet date, the Group and Rixi have agreed that the 2008 Profit Guarantee Shortfall Amount was approximately RMB69,407,000. The 2008 Profit Guarantee Shortfall Amount was included in the amount due from Rixi in note 23. The excess of the 2008 Profit Guarantee Shortfall Amount over the goodwill initially recognised at the date of acquisition, amounting to RMB10,746,000 was included in excess over the costs of business combinations recognised in income statement.

(b) On 1 September 2008, the Group acquired 96% equity interest in 銀池科技 and its associate, 青海鈺洋 (together, the "Yinchi Group") at a consideration of RMB960,000. The Yinchi Group is principally engaged in trading of nonferrous metal.

Details of the net assets acquired and goodwill are as follows:

	RMB'000
Total purchase consideration	960
Fair value of net assets acquired	(2,256)
Excess over the cost of a business combination recognised in the income statement	(1,296)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

The assets and liabilities arising from the acquisition are as follows:

	Fair value RMB'000	Carrying amount RMB'000
Interest in associate	8,363	8,363
Prepayments and other receivables	59	59
Amounts due from related companies	3,576	3,576
Bank balances and cash	12	12
Accruals and other payables	(50)	(50)
Amounts due to the Group	(6,710)	(6,710)
Amount due to an associate	(2,900)	(2,900)
Minority interests	(94)	(94)
Net assets attributed to the Group acquired	2,256	2,256
Bank balance and cash in subsidiaries acquired		12
Cash consideration		(960)
Net outflow		(948)

Since its acquisition, the Yinchi Group did not contribute revenue to the Group but made a loss of RMB24,000 to the Group for the period from 1 September 2008 (date of acquisition) to 31 December 2008.

Had the combination taken place on 1 January 2008, the revenue and the net profit of the Group for the year ended 31 December 2008 would have been RMB219,771,000 and RMB22,549,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor are they intended to be a projection of future results.

(c) On 8 September 2008, the Group acquired additional 62% effective equity interest in 青海鈺洋 at a consideration of RMB13,000,000. 青海鈺洋 is principally engaged in trading of nonferrous metal.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) *(Continued)*

Details of the net assets acquired and goodwill are as follows:

	RMB'000
Total purchase consideration	13,000
Transfer from interest in an associate	8,363
Fair value of net assets acquired	(22,939)
Excess over the cost of a business combination recognised in the income statement	(1,576)

The assets and liabilities arising from the acquisition are as follows:

	Fair value RMB'000	**Carrying amount** RMB'000
Property, plant and equipment	22	22
Inventories	3,522	3,522
Trade receivables	2,694	2,694
Prepayments and other receivables	16,204	16,204
Amounts due from the Group	33,573	33,573
Amounts due from related companies	39,431	39,431
Bank balances and cash	370	370
Trade payables	(737)	(737)
Accruals and other payables	(5,185)	(5,185)
Amounts due to related companies	(21,000)	(21,000)
Bank and other borrowings	(45,000)	(45,000)
Minority interest	(955)	(955)
Net assets attributed to the Group acquired	22,939	22,939

	RMB'000
Bank balance and cash in subsidiaries acquired	370
Cash consideration	(13,000)
Net outflow	(12,630)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) *(Continued)*

Since its acquisition, 青海鈺洋 contributed revenue of RMB38,907,000 and net profit of RMB27,241,000 to the Group for the period from 8 September 2008 (date of acquisition) to 31 December 2008.

Had the combination taken place on 1 January 2008, the revenue and the net profit of the Group for the year ended 31 December 2008 would have been RMB240,614,000 and RMB25,376,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor are they intended to be a projection of future results.

37. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

In addition to those disclosed elsewhere in the financial statements, the Group had the following major non-cash transactions:

(a) During the year ended 31 December 2008, according to the city development plan in 楊陵區人民政府, the government has swapped the Group's land use right in respect of a land located in the PRC with the land use rights in respect of another two pieces of land, which were valued by Grant Sherman, an independent firm of professional valuers at RMB33,330,000 on an open market basis at the completion dates (note 16). The amount of gain on disposal of prepaid land lease payments and the construction in progress erected thereon was RMB1,753,000.

(b) During the year ended 31 December 2008, the Group issued 96,000,000 new ordinary shares of the Company and the Convertible Bonds in the principal amount of HK$756,900,000 (equivalent to approximately RMB665,764,000) as part of the consideration for the acquisition of Straight Upward Group to Rixi (note 36a). In addition, the amount of 2008 Profit Guarantee Shortfall Amount of RMB69,407,000 was included in the amount due from Rixi in note 23.

(c) During the year ended 31 December 2008, the Group entered into finance lease arrangement in respect of purchase of motor vehicle with a total capital value at the inception of the lease of RMB491,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

38. COMMITMENTS

At the balance sheet date, the Group had the following outstanding commitments:

(a) *Operating lease arrangement*

As lessee

At the respective balance sheet date, the Group had outstanding commitments payable under non-cancellable operating lease in respect of rented premises which fall due as follows:

	2008	2007
	RMB'000	RMB'000
Within one year	**2,026**	1,039
In the second to fifth year inclusive	**1,884**	132
	3,910	1,171

Operating lease payments represent rental payable by the Group for its office premises. Leases are negotiated for terms ranging from two to three (2007: two) years. Certain leases contain an option to renew the lease and renegotiated the terms at the expiry dates or at date mutually agreed between the Group and the landlords. None of the leases include contingent rentals.

As lessor

At the respective balance sheet date, the Group had future minimum lease receivable under non-cancellable operating leases with its tenants which fall due as follows:

	2008	2007
	RMB'000	RMB'000
Within one year	**1,574**	–
In the second to fifth year inclusive	**9,200**	–
After five years	**8,299**	–
	19,073	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

38. COMMITMENTS *(Continued)*

(b) Capital commitments

	2008 RMB'000	2007 RMB'000
Property, plant and equipment		
– Authorised but not contracted for	**1,429**	1,429
– Contracted but not provided for	**57,224**	40,204
	58,653	41,633

(c) Other commitments

At the balance sheet date, the Group had commitment in relation to the acquisition of the entire equity interest in 赤峰古金 in the PRC of RMB35,212,000 (2007: Nil).

39. CONTINGENT LIABILITIES

(a) As at 31 December 2008, the Group has given financial guarantee to a bank in respect of banking facilities utilised by an independent third party amounted to RMB20,000,000 (2007: RMB20,000,000).

(b) As at 31 December 2008, the Group is the defendant in a pending litigation and dispute arising from a sale and purchase agreement of mineral resources with a customer. The customer claims against the Group for (i) voiding the sale and purchase agreement of mineral resources; (ii) returning the deposit of RMB20,000,000 paid to the Group; and (iii) bearing the legal cost in connection with this pending litigation and dispute.

After taking into account of legal advices from the Group's PRC legal advisers, the directors consider that the Group has a good defence against such claim and it is not probable that the forfeited deposit of RMB20,000,000 has to be returned to the customer. Mr. Mei Wei has undertaken to indemnify any loss that the Group may incur in this pending litigation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

40. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material related party transactions:

(a) Nature of transactions

	Notes	**2008 RMB'000**	2007 RMB'000
Rental charges and sub-charges payable by the Group	(i)	**789**	815
Consultancy service fee paid by the Group	(ii)	**–**	655
Sales of goods to a related company	(iii)	**55,334**	–

Notes:

(i) Rental charges and sub-charges were charges in accordance with a tenancy agreement dated 29 February 2007 entered into between the Group and Xi'an Juchuan Investments. Mr. Zhuo Ze Fan, the director of the Company, has beneficial interest in Xi'an Juchuan Investments.

(ii) Consultancy service fee was charged at the pre-agreed rate in accordance with a consultancy agreement dated 12 October 2005 entered into between the Group and 深圳市廣信投資有限公司, a related company in which Mr. Wu Jing Jin ("Mr. Wu"), an executive director in 2007, is an equity holder. No service fee was incurred during the year ended 31 December 2008 due to the termination of such agreement.

(iii) Balance represented sales of mineral resources to First Create. Mr. Mei Wei, a substantial shareholder of the Company, has beneficial interest or directorship in First Create. The sales were based on mutually agreed terms.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

40. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year are follows:

	2008 RMB'000	2007 RMB'000
Short-term benefits	**2,189**	1,475
Share-based payments	**311**	1
Post-employment benefits	**24**	19
	2,524	1,495

(c) Certain borrowings of the Group in the amount of RMB61,000,000 (2007: RMB37,000,000) are guaranteed by Mr. Zhuo Ze Fan, a director of the Company and a related company of the Group. Details of these transactions are set out in note 29 to the financial statements.

(d) Certain borrowings of the Group in the amount of US$17,000,000 (2007: Nil) are borrowed from non-bank financial institution, which are guaranteed by Temmex Corporation in which Mr. Mei Wei has beneficial interest, First Create and several contracts in relation to the Group's sale and purchase of mineral resources. Details of these transactions are set out in note 29 to the financial statements.

(e) The Group entered into a sale and purchase agreement with First Create in relation to the acquisition of entire equity interest in 赤峰古金. The total consideration is RMB44,015,000 (equivalent to HK$50,000,000). As at 31 December 2008, deposit of RMB8,803,000 was paid to First Create and the acquisition is still in progress as at the approval date of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Board of Directors. The overall objectives in managing financial risk focus on securing the Group's short or medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

(a) Categories of financial assets and liabilities

The carrying amounts presented in the balance sheets relate to the following categories of financial assets and financial liabilities.

Financial assets

	2008 **RMB'000**	2007 RMB'000
Loan and receivables		
– Trade receivables	**72,076**	41,564
– Other receivables	**99,082**	24,240
– Amounts due from related companies	**199,461**	–
– Balance with non-bank financial institutions	**22**	2,751
– Bank balances and cash	**94,126**	61,257
	464,767	129,812
Available-for-sale financial assets	**400**	400
	465,167	130,212

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) *Categories of financial assets and liabilities* *(Continued)*

Financial liabilities

	2008 **RMB'000**	2007 RMB'000
Measured at amortised cost		
– Trade payable	**19,592**	477
– Other payables	**32,131**	23,369
– Amount due to a related company	**434**	–
– Amounts due to former and minority equity holders of subsidiaries	**22,247**	17,225
– Borrowings	**193,494**	57,000
– Convertible bonds	**442,812**	–
	710,710	98,071
At fair value through profit or loss		
– Derivative financial instruments	**29**	–
	710,739	98,071

(b) *Foreign currency risk*

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from the Group's borrowings, which are mainly denominated in United States Dollars ("US$"). These are not the functional currencies of the Group entities to which these transactions relate.

The Group currently does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) *Foreign currency risk (Continued)*

Foreign currency sensitivity

The sensitivity analysis below have been determined based on the exposure to foreign currency risk at the reporting dates.

If the foreign currency rate of US$ against RMB had been increased/decreased by 10% at the balance sheet date and all other variables were held constant, the Group's profit after tax and retained profits would decrease/increase by approximately RMB6,524,000 (2007: Nil). The assumed changes have no impact on the Group's other components of equity.

The 10% increase or decrease represents management's assessment of a reasonably possible change in foreign currency rates over the period until the next annual balance sheet date.

(c) *Interest rate risk*

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly the interest bearing bank balances and floating-rate bank and other borrowings at prevailing market interest rates. The management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

Interest rate sensitivity

The sensitivity analysis below have been determined based on the exposure to interest bearing bank balances and floating-rate bank and other borrowings at the balance sheet dates. The analysis is prepared assuming the relevant assets and liabilities outstanding at the balance sheet date were outstanding for that whole year.

If interest rates had been 1% higher/lower and all other variables were held constant, the profit for the year ended 31 December 2008 would increase/decrease by RMB141,000 (2007: RMB270,000). The assumed changes have no impact on the Group's other components of equity. This is mainly attributable to the Group's exposure to interest rates on its interest bearing bank balances is higher than that of the floating-rate borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Price risk

The derivative financial instruments are stated at fair value and exposure the Group to quoted future price risk.

Price sensitivity

The sensitivity analysis of the Group's profit after tax and retained earnings to a reasonably possible change in the fair value of the outstanding derivative financial instruments at the balance sheet date until the next annual balance sheet is assessed to be immaterial. Changes in fair value of derivative financial instruments have no impact on other components of equity.

(e) Credit risk

At the balance sheet date, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

– the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

– the amount of contingent liabilities in relation to financial guarantee issued by the Group (note 39(a)).

In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced. The management of the Group considers that the Group has no significant exposure to credit risk through the granting of financial guarantee as the counterparty is creditworthy third party and has low risk of default in repayment.

In the opinion of directors, the credit risk on liquid funds, including balances with non-bank financial institutions is limited because the counterparties are reputable banks and financial institutions.

(f) Liquidity risk

The management has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining sufficient bank balances and banking facilities. The Group continuously monitors the forecast and actual cash flows and the maturity profiles of financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) *Liquidity risk* (Continued)

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

	On demand or less than three months RMB'000	Three to twelve months RMB'000	More than one year RMB'000	Total RMB'000
At 31 December 2008				
Trade payables	19,592	–	–	19,592
Other payables	32,131	–	–	32,131
Amount due to a related company	434	–	–	434
Amounts due to former and minority equity holders of subsidiaries	22,247	–	–	22,247
Borrowings	59,503	74,510	69,369	203,382
Convertible bonds	–	–	665,764	665,764
Derivative financial instruments	29	–	–	29
	133,936	**74,510**	**735,133**	**943,579**
At 31 December 2007				
Trade payables	477	–	–	477
Other payables	23,369	–	–	23,369
Amounts due to former and minority equity holders of subsidiaries	17,225	–	–	17,225
Borrowings	–	27,000	40,116	67,116
	41,071	27,000	40,116	108,187

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

42. CAPITAL MANAGEMENT

The Group's capital management objective include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for equity holders and benefits for other stakeholders;

(ii) to support the Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount dividends paid to equity holders, return capital to equity holders, issue new shares or raise new debts, or sell assets to reduce debt.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

42. CAPITAL MANAGEMENT *(Continued)*

The capital-to-overall financial ratio at the balance sheet date was as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Capital		
Total equity	**897,225**	164,577
Overall financing		
Borrowings	**193,494**	57,000
Convertible bonds	**442,812**	–
	636,306	57,000
Capital-to-overall financing ratio	**1.41 times**	2.89 times

43. POST BALANCE SHEET EVENTS

In addition to those disclosed elsewhere in these financial statements, the Group had the following material post balance sheet events:

Pursuant to an announcement dated 31 December 2008, the Group entered into Zinc Supply Agreement and Lead Supply Agreement (collectively refer as to the "Supply Agreements") with First Create, a related company to the Group. Pursuant to the Supply Agreements, the Group is continuing to supply zinc and lead concentrates to First Create for the three years ending 31 December 2011, which are continuing connected transactions (the "CCT Arrangement") in accordance with the Chapter 20 of the Listing Rules. As at the balance sheet date, the CCT Arrangement are subject to shareholders' approval.

Subsequent to the balance sheet date on 16 February 2009, the Company has obtained the shareholders' approval on the CCT Arrangement.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2009.