Real Gold Mining Limited
瑞金礦業有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 246

ANNUAL REPORT ✦ 2008

Our DEVELOPMENT GOAL is to become a LEADING INTEGRATED gold producer in China.

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Wang Zhentian *(Chairman)*
Mr. Qiu Haicheng *(Chief Executive Officer)*
Mr. Ma Wenxue
Mr. Cui Jie
Mr. Lu Tianjun

Independent Non-executive Directors

Mr. Mak Kin Kwong
Mr. Zhao Enguang
Mr. Xiao Zuhe

SECRETARY TO THE BOARD

Ms. Yu Lulu

NOMINATION AND REMUNERATION COMMITTEE

Mr. Xiao Zuhe *(Chairman)*
Mr. Zhao Enguang
Mr. Wang Zhentian

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. Mak Kin Kwong *(Chairman)*
Mr. Zhao Enguang
Mr. Xiao Zuhe

JOINT COMPANY SECRETARIES

Ms. Yu Lulu
Ms. Lam Yuen Hung

QUALIFIED ACCOUNTANT

Ms. Lam Yuen Hung *(FCCA, HKICPA)*

AUTHORIZED REPRESENTATIVES

Mr. Xiao Zuhe
Ms. Lam Yuen Hung

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor
One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISOR

Taifook Capital Limited
25th Floor
New World Tower
16–18 Queen's Road Central
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1201B,
12/F, Java Commercial Centre
128 Java Road
North Point
Hong Kong

Corporate Information (Continued)

HEADQUARTERS OF OUR COMPANY

3rd Floor, Block B,
Caifu Building
Daming Street
Xincheng District
Chifeng City
Inner Mongolia
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman
KY1-1107
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
  Bank of China Tower Branch
BNP Paribas
  Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
  Sheung Wan Branch
Agricultural Bank of China
  Chifeng Songshan District Branch
  Balinzuo Banner Branch
Guangdong Development Bank
  Huizhou Maidi Road South Branch
Industrial and Commercial Bank of China Limited
  Chifeng Songshan District Branch
  Chifeng Zhaowuda Branch

STOCK NAME

Real Gold Mining Limited
(RealGold Mining)

STOCK CODE

246

WEBSITE OF THE COMPANY

www.realgoldmining.com

Chairman's Statement

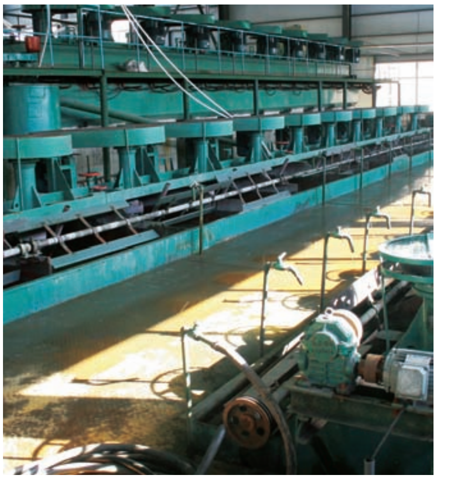
Dear Shareholders,

This Annual Report 2008 is the first report of the annual results of Real Gold Mining Limited ("Real Gold" or the "Company") after its listing on the Main Board of The Stock Exchange of Hong Kong Limited. I have great pleasure in presenting the report for the year ended 31 December 2008 (the "Reporting Period") of the Company on behalf of the Board of Directors and would like to express our gratitude to you on behalf of the Board of Directors and all staff of the Company.

Wang Zhentian
Chairman and Executive Director

Chairman's Statement (Continued)

The statistics of GFMS Limited (GFMS) show that the global gold production has been on a decreasing trend in recent years. However, owing to the impact of the financial tsunami and weak foreign currencies, the demand for gold continues to rise. The excess of demand over supply supports the ongoing upsurge of gold prices, which had once exceeded USD1,000 per ounce in 2008. It is expected that the continual fluctuation in the economic environment will result in a greater demand for gold, thus creating a favorable environment supporting the growth of gold producers.



2008 has been a very challenging year for the worldwide economy, yet Real Gold still achieved great result for the Reporting Period. Despite the global economic downturn, Real Gold still managed to keep up with the schedule of its development plan with its agile business model as a private enterprise under the leadership of the management team which possesses extensive experience of gold mining business. In line with the capacity expansion plan, Real Gold raised its total ore processing capacity substantially to 1,790 tonnes per day from 50 tonnes per day in early 2008. Such expansion, together with the high grade of the Company's poly-metallic mines and the low-cost advantage in its operations, has contributed to put the Company in a leading position among its peers in the industry in terms of profitability, and to make the Company one of the lowest cost gold producers in China in terms of production cost per ounce of gold.

During the Reporting Period, the Company recorded a revenue of approximately RMB312.3 million, representing an increase of approximately 3,800% over the corresponding period of last year. Gross profit was approximately RMB231.7 million with a gross profit margin of approximately 74.2%. The profit attributable to equity holders of the Company was approximately RMB103.9 million. Earnings per share was approximately RMB47.31 cents.

Moving forward, amidst the uncertainty about the global economic development in 2009, the Company will continue to leverage its competitive strengths to embrace the opportunities brought by the increasing demand for gold and continuing upsurge of gold prices due to the nature of gold as a safe haven asset. In keeping with our clear and strong development strategy, we plan to exert further efforts in exploring mining areas to increase the proven reserves. We will also expedite the process of identifying acquisition and integration targets, so as to increase the future profit growth potential of the Company.

Chairman's Statement (Continued)

The Company's successful listing on the Main Board of The Stock Exchange of Hong Kong Limited in February 2009 represented an important cornerstone for its initiatives to gain access to the international financing platform. Net proceeds from the listing will be primarily used for the expansion of production capacity and ore processing capacity, to fund future acquisitions of gold resources in Inner Mongolia, Xinjiang and other areas, and for the expansion of exploration activities.

For capacity planning, the plan for further expanding our production capacity has already been implemented. At the Nantaizi Gold Mine and Luotuochang Gold Mine, two ore processing facilities are already undergoing expansion and completion is expected in the fourth quarter 2009 where the total ore processing capacities of the Company will be raised to 2,580 tonnes per day. It is anticipated that the annual ore processing capacity in terms of volume will grow at a compounded rate in the coming two years.

As the exploration carried out has only covered a small area of the existing mines of Real Gold, and many poly-metallic veins and dips with gold contents located in the three mines currently in operation are yet to be explored, therefore, further exploration may identify more mineralized veins. In that regard, the Company will continue to actively conduct large-scale exploration of mines at an accelerated pace in the coming year, so as to bring the growth potential of our reserves to a new height.

Apart from expanding the production capacity of the existing gold mines and further stepping up in the exploration of the existing mines, the Company will also look out for opportunities for acquiring new mines for the sake of sustainable development of the Company. At present, the Company holds options to acquire two gold mines in Xinjiang. Success in such acquisitions will substantially raise the level of gold reserves and production volume of the Company. With the experience of its management team, the Company is poised to sustain a sound track record of operation, fully grasp the massive business opportunities to be identified in the gold mining industry, and enhance its future profitability by acquisitions and integrations.

With a view to raise the gold recovery rates and mitigate the rates of dilution and losses at its gold mines, Real Gold will carry on with its endeavors in research and development for improving the technical knowhow on exploration and ore processing, such as techniques for more effective deep-level mining, in order to increase the Company's profitability and reduce its production costs.

The Company is currently focusing on gold processing and the Company will continue to see gold as its core commodity in future. That having said, Real Gold intends to make timely moves in future in extending its business to gold smelting and refining, which will further expand the scope of the Company's business and to increase the profitability and reduce the risks of the Company's business operations.

Lastly, I would like to take this opportunity to express my heartfelt gratitude again to the Board of Directors, the management and staff for their efforts in endorsing the development of the Company, and to you as Shareholders for your full support. I can assure you that our staff and I will keep up with our efforts in 2009 in consolidating the Company's position as a low-cost, high-margin gold miner and processor, with a view to creating shareholders values and maximizing the shareholders' interests.

Wang Zhentian
Chairman and Executive Director

11 March 2009

Management Discussion and Analysis

BUSINESS REVIEW

Business Review

We own a 97.14% shareholding in three operating gold mines in the Chifeng Municipality, Inner Mongolia, namely the Shirengou Gold Mine, the Nantaizi Gold Mine and the Luotuochang Gold Mine (the "Gold Mines"). Chifeng Municipality is an area rich in mineral resources with a long history of production of precious and nonferrous metals. The ore extracted from our Gold Mines is poly-metallic and has a higher weighted average gold grade than that of comparable gold producers in the Peoples' Republic of China (the "PRC") which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which we believe will enable us to generate greater revenue per tonne of ore.

We specialize in the mining of gold and the processing of ore into concentrates containing gold and other minerals for subsequent sale. Gold is our core commodity because the value of gold contained in the concentrates we produce and sell exceeds the combined value of all the other metals contained in our concentrates, and contributed 89.0% and 71.0% of our total revenue for the year ended 31 December 2007 and 2008, respectively.

We are in a period of significant production growth. We have undertaken extensive exploration and drilling activities at our Gold Mines. We have engaged Behre Dolbear Asia, Inc., an internationally reputable mining consultant and independent third party, to evaluate the gold resources and reserves at our Gold Mines in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and prepare an independent technical expert's report (the "Independent Technical Expert's Report") as set out in the prospectus dated 10 February 2009 (the "Prospectus"). According to the Independent Technical Expert's Report, as at 30 November 2008, our Gold Mines had gold resources of 3,869,000 ounces (approximately 120.3 tonnes) and gold reserves of 2,900,000 ounces (approximately 90.2 tonnes). As at 30 November 2008, the estimated gold grades of the reserves were 8.92 grams per tonne at the Shirengou Gold Mine, 10.10 grams per tonne at the Nantaizi Gold Mine and 3.44 grams per tonne at the Luotuochang Gold Mine. Furthermore, the Independent Technical Expert's Report indicates that there is potential to identify additional mineral resources at our Gold Mines.

We have two ore processing facilities located at the Nantaizi Gold Mine and the Luotuochang Gold Mine, which currently have ore processing capacities of approximately 990 tonnes per day and 800 tonnes per day, respectively. The Nantaizi Gold Mine and the Shirengou Gold Mine are adjacent to each other, and the two mines are referred to together as the Shirengou–Nantaizi Mining Complex. The ore processing facility located at the Nantaizi Gold Mine processes ore from both the Nantaizi Gold Mine and the Shirengou Gold Mine.

At present, the ore processing facility located at the Nantaizi Gold Mine is under expansion and, when completed, is expected to have an ore processing capacity of approximately 1,480 tonnes per day. The ore processing facility located at the Luotuochang Gold Mine is also presently under expansion and, when completed, is expected to have an ore processing capacity of approximately 1,100 tonnes per day. The combined ore processing capacity of both ore processing facilities is expected to reach approximately 2,580 tonnes per day by the fourth quarter of 2009.

Management Discussion and Analysis (Continued)

OPERATION REVIEW

	Jan–Oct-08	Nov-08	Dec-08	2008	Jan-09	Feb-09
Ore processing facility located at the Nantaizi Gold Mine						
Average Daily Capacity (tonne/day)	418.0	990.0	990.0	558.8	990.0	990.0
Production Days (Days)		Full calendar days	Full calendar days	284.2	18.8	15.4
Ore Processed ('000 tonnes)	92.2	30.2	36.5	158.8	18.6	15.2
Average Gold Grade (gram/tonne)	9.1	9.5	9.3	9.2	9.5	9.8
Average Recovery Rate (%)	87.1	86.6	86.1	86.8	85.9	86.0
Payable Gold ('000 ounces)	23.4	8.0	9.4	40.7	4.9	4.1
Equivalent Gold ('000 ounces)	31.8	9.7	11.3	52.8	6.1	5.0
Ore processing facility located at the Luotuochang Gold Mine						
Average Daily Capacity (tonne/day)	500.0	500.0	800.0	585.1	800.0	800.0
Production Days (Days)		Full calendar days	Full calendar days	116.4	15.6	16.2
Ore Processed ('000 tonnes)	26.0	15.7	26.3	68.0	12.5	12.9
Average Gold Grade (gram/tonne)	3.5	3.2	3.2	3.3	3.2	3.3
Average Recovery Rate (%)	85.8	85.7	85.9	85.8	86.1	86.6
Payable Gold ('000 ounces)	2.5	1.4	2.3	6.2	1.1	1.2
Equivalent Gold ('000 ounces)	6.6	3.0	4.3	13.8	2.1	2.1
Total Payable Gold ('000 ounces)	**25.9**	**9.4**	**11.7**	**47.0**	**6.0**	**5.2**
Total Produced Equivalent Gold ('000 ounces)	**38.3**	**12.7**	**15.5**	**66.6**	**8.2**	**7.0**
Total Sold Equivalent Gold ('000 ounces)	**34.5**	**14.2**	**15.2**	**63.9**		
Realized Gold Price (US$/ounce)	**737.0**	**662.1**	**713.0**	**715.0**		

Operational conditions of the ore processing facility located at the Nantaizi Gold Mine

From November 2008 to February 2009, the ore processing facility located at the Nantaizi Gold Mine maintained a daily ore processing capacity of 990 tonnes. The amount of ore processed in November 2008 and December 2008 reached 30,200 tonnes and 36,500 tonnes respectively, making the total amount of ore processed in 2008 attain 158,800 tonnes. As a result of the production halt during the Chinese New Year period, the amount of ore processed in January 2009 and February 2009 decreased to 18,600 tonnes and 15,200 tonnes respectively.

From November 2008 to February 2009, the average gold grade and recovery rate associated with the ore processing facility located at the Nantaizi Gold Mine were highly consistent with the estimation set out in the Independent Technical Expert's Report. The average gold grade was above 9.3 grams per tonne, and the average recovery rate was around 86%.

The monthly production of payable gold at the ore processing facility located at the Nantaizi Gold Mine for each month from November 2008 to February 2009, was 8,000 ounces, 9,400 ounces, 4,900 ounces and 4,100 ounces respectively, while the equivalent gold production during the same period was 9,700 ounces, 11,300 ounces, 6,100 ounces and 5,000 ounces respectively.

Operational conditions of the ore processing facility located at the Luotuochang Gold Mine

The ore processing capacity of ore processing facility located at the Luotuochang Gold Mine reached 800 tonnes per day in December 2008. The amount of ore processed in November 2008 and December 2008 reached 15,700 tonnes and 26,300 tonnes respectively, making the total amount of ore processed in 2008 attain 68,000 tonnes. As a result of the production halt during the Chinese New Year period, the amount of ore processed in January 2009 and February 2009 decreased to 12,500 tonnes and 12,900 tonnes respectively.

From November 2008 to February 2009, the average gold grade and recovery rate associated with the ore processing facility located at the Luotuochang Gold Mine were consistent with the estimation set out in the Independent Technical Expert's Report. The average gold grade was above 3.2 grams per tonne, and the average recovery rate was around 86%.

The monthly production of payable gold at the ore processing facility located at the Luotuochang Gold Mine for each month from November 2008 to February 2009, was 1,400 ounces, 2,300 ounces, 1,100 ounces and 1,200 ounces respectively, while the equivalent gold production during the same period was 3,000 ounces, 4,300 ounces, 2,100 ounces and 2,100 ounces respectively.

Overall, the Company produced 47,000 ounces of payable gold and 66,600 ounces of equivalent gold in 2008. In particular, in November 2008 and December 2008, the amount of payable gold produced was 9,400 ounces and 11,700 ounces respectively, while the amount of equivalent gold produced was 12,700 ounces and 15,500 ounces respectively. The average realized gold price of 2008 was USD715 per ounce, and the revenue of the same year was approximately RMB312.3 million. In January 2009 and February 2009, the amount of payable gold produced was 6,000 ounces and 5,200 ounces respectively, while the amount of equivalent gold produced was 8,200 ounces and 7,000 ounces respectively.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW

Consolidated Income Statement

For The Year Ended 31 December 2008

	2008 RMB'000	2007 RMB'000
Revenue	312,262	8,007
Cost of sales	(80,529)	(4,068)
Gross profit	231,733	3,939
Other income	16,260	953
Administrative expenses	(63,521)	(5,953)
Other expenses	—	(638)
Profit (loss) before taxation	184,472	(1,699)
Taxation	(74,717)	(606)
Profit (loss) for the year	109,755	(2,305)
Attributable to:		
Equity holders of the Company	103,905	(2,245)
Minority interests	5,850	(60)
	109,755	(2,305)
Dividends	—	—
Earnings (loss) per share	RMB47.31 cents	(2,245)

Revenue

For the year ended 31 December 2008, revenue of the Group was approximately RMB312.3 million, representing an increase of approximately RMB304.3 million, or approximately 3,800%, as compared to approximately RMB8.0 million for the year ended 31 December 2007. In 2007, we recognized approximately RMB8.0 million in revenue, reflecting sales of concentrates since November 2007 at the Shirengou Gold Mine. The increase in current year was primarily attributable to the increase of sale volumes as a result of the commencement of the two ore processing facilities during 2008 that are located at the Nantaizi Gold Mine and the Luotuochang Gold Mine, which currently have ore processing capacities of 990 tonnes per day and 800 tonnes per day, respectively.

Cost of sales

Cost of sales was approximately RMB80.5 million for the year ended 31 December 2008 and primarily included cost of raw materials consumed, subcontracting fees, auxiliary material costs, electricity costs, depreciation and amortization, environmental protection fees and production safety fees. For the year ended 31 December 2008, our cost of sales accounted for approximately 25.8% of our revenue.

Cost of sales was approximately RMB4.1 million for the year ended 31 December 2007 and primarily included auxiliary material costs, subcontracting fees, electricity costs and depreciation and amortization. For the year ended 31 December 2007, our cost of sales accounted for approximately 50.8% of our total revenue.

Gross profit and gross margin

As a result of the foregoing, gross profit was approximately RMB231.7 million and gross margin was approximately 74.2% for the year ended 31 December 2008. For the year ended 31 December 2007, gross profit was approximately RMB3.9 million and gross margin was approximately 49.2%.

Other income

Other income increased from approximately RMB953,000 for the year ended 31 December 2007 to approximately RMB16.3 million for the year ended 31 December 2008.

The primary source of other income for the year ended 31 December 2008 was government subsidies in the form of a tax benefit granted to us by the PRC government of approximately RMB13.3 million to encourage the development of the gold industry. We also had a release of financial guarantee liability of approximately RMB1.7 million related to the guarantee issued by us in connection with the secured exchangable bonds issued by Lead Honest Management Limited, the Company's controlling shareholder, to certain investors at a consideration of US$50,000,000 (the "Pre-IPO Investment") and a discount on the acquisition of additional interest in subsidiaries of approximately RMB1.0 million for the year ended 31 December 2008 due to the difference between the consideration paid for the additional cash injection by Lita Investment Limited and the carrying amount of the net assets attributable to the additional interest acquired. As the carrying amount of the net assets exceeded the consideration paid, the excess was recognized as other income.

For the year ended 31 December 2007, we recognized other income of RMB936,000 primarily due to government subsidies, which represented the tax benefit granted to us by the PRC government to encourage development of the gold industry.

Administrative expenses

Administrative expenses increased from approximately RMB6.0 million for the year ended 31 December 2007 to approximately RMB63.5 million for the year ended 31 December 2008.

The administrative expenses for the year ended 31 December 2008 primarily represented professional fees associated with the survey of our Gold Mines and the initial public offering of the Company's shares of approximately RMB40.7 million, amortization of mining rights, salaries paid and payable to, and benefits for, our administrative and management staff, financial guarantee expenses related to our provision of the guarantee in connection with the Pre-IPO Investment and other administrative expenses, such as travel and entertainment expenses.

The administrative expenses in 2007 primarily represented professional fees associated with the survey of our Gold Mines, exploration expenses, salaries paid and payable to, and benefits for, our administrative and management staff and other expenses, including travel and entertainment expenses.

Other expenses

Other expenses were approximately RMB638,000 for the year ended 31 December 2007. The other expenses incurred in 2007 were primarily due to a one-time charitable donation of approximately RMB350,000 and a loss on the sale of ore outside of the ordinary course of business of approximately RMB288,000. Such charitable donation and sale of ore did not recur in 2008 and no other expenses were noted for the year ended 31 December 2008.

Tax expenses

Tax expenses were approximately RMB74.7 million for the year ended 31 December 2008, comprising approximately RMB58.0 million of income tax on the profit generated from our Gold Mines, which was taxed at the PRC's new Enterprise Income Tax rate of 25% and a deferred tax liability of approximately RMB16.7 million mainly arising from withholding tax applied on the profit generated from our Gold Mines.

Tax expense was approximately RMB606,000 for the year ended 31 December 2007, primarily due to profit at the Shirengou Mining, which was taxed at the PRC's Enterprise Income Tax rate of 33%, partially offset by unused tax losses carried over from a prior period.

Profit (Loss) attributable to our equity holders

For the year ended 31 December 2008, we had a profit attributable to our equity holders of approximately RMB103.9 million, which was the result of the sales of concentrates primarily from the operation at our Gold Mines.

For the year ended 31 December 2007, we had a loss attributable to our equity holders of approximately RMB2.2 million, as the Group only had sales starting from November 2007.

Dividends

No dividends were declared for the two years ended 31 December 2008 and 2007.

Management Discussion and Analysis (Continued)

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity requirements relate to funding working capital, capital expenditures, acquisition of mining rights and maintaining cash reserves. Our capital requirements include construction of mine shafts and the expansion of the ore processing facilities. For the year ended 31 December 2008, we had net increase in cash and cash equivalents of approximately RMB41.7 million, compared to net increase in cash and cash equivalents of approximately RMB0.7 million for the year ended 31 December 2007. In 2007, we relied on advances from related parties as a significant source of liquidity. As at 31 December 2007, we had net current liabilities of approximately RMB219.0 million primarily due to the amounts due to related parties of RMB247.7 million. The amounts due to related parties arose from the acquisition of the Gold Mines and capital expenditures incurred at the Gold Mines after our acquisitions. In August 2008, our Group repaid the amounts due to related parties using primarily the proceeds from the Pre-IPO Investment and an additional investment by Huizhou Liyin Electronics Co., Ltd. ("Huizhou Liyin"). As at 31 December 2008, we had net current assets of approximately RMB17.0 million.

We plan to fund the capital expenditures and working capital with cash from operating activities, existing bank and cash balances and net proceeds from the initial public offering of the Company's shares. We may also finance our working capital, if needed, using a combination of short-term and long-term bank borrowings.

Cash flows

The following tables set out certain information regarding our consolidated cash flow statement for the years ended 31 December 2008 and 2007:

	Year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Net cash from (used in) operating activities	**176,606**	(4,267)
Net cash used in investing activities	**(293,223)**	(24,281)
Net cash from financing activities	**158,350**	29,293
Increase in cash and cash equivalents	**41,733**	745
Cash and cash equivalents at beginning of the year	**760**	15
Cash and cash equivalents at end of the year	**42,493**	760

Net cash from (used in) operating activities

Net cash used in operating activities for the year ended 31 December 2007 was approximately RMB4.3 million, compared to net cash from operating activities of approximately RMB176.6 million for the year ended 31 December 2008. Our net cash from operating activities for the year ended 31 December 2008 was the result of (i) approximately RMB196.2 million of operating cash inflow before movements in working capital, (ii) an increase in trade and other payables of approximately RMB34.4 million primarily due to payables for construction of mining infrastructure and ore processing facilities and accruals for professional fees, production safety fees and mineral and woodland compensation fees, and (iii) a decrease in trade and other receivables of approximately RMB0.4 million, offset by an increase in inventories of approximately RMB5.2 million.

Our net cash used in operating activities for the year ended 31 December 2007 was primarily attributable to an increase in trade and other receivables of approximately RMB15.7 million primarily as a result of (i) advances to third parties and a receivable from a third party related to a sale of ores at Nantaizi Mining and (ii) an outflow of approximately RMB1.1 million in our operating cash flow before movements in working capital, offset by an increase in trade and other payables of approximately RMB2.4 million primarily due to deposits from customers for purchase of concentrates. Furthermore, as we have a limited operating history and had limited sales to offset our administrative expenses in 2007, we incurred a loss before taxation, which also contributed to our net cash outflow.

Net cash used in investing activities

Our net cash used in investing activities of approximately RMB293.2 million for the year ended 31 December 2008 was primarily attributable to approximately RMB296.6 million used in the purchases of property, plant and equipment for mining and construction of infrastructure at our Gold Mines, approximately RMB6.1 million used in the acquisition of land use rights, offset by repayment from related parties of approximately RMB9.5 million.

Our net cash used in investing activities in 2007 was primarily attributable to approximately RMB14.9 million used in the purchases of property, plant and equipment for mining and construction of infrastructure at our Gold Mines and RMB9.5 million of advances to related parties.

Net cash from financing activities

Our net cash from financing activities of approximately RMB158.4 million for the year ended 31 December 2008 was primarily due to capital injections of an aggregate of approximately RMB387.5 million from Lead Honest Management Limited (including a cash contribution by our controlling shareholder) to subscribe for shares in our Company in July and August 2008 and an additional investment by Huizhou Liyin of approximately RMB10.7 million in July 2008, which were offset by repayments of approximately RMB247.7 million to our controlling shareholder and its related parties.

Our net cash from financing activities for the year ended 31 December 2007 was the result of advances from certain related parties for the purchase of mining rights for the Shirengou Gold Mine.

Analysis of inventories

Our inventories include mineral ores and concentrates. As at 31 December 2008, we had approximately RMB5.2 million of inventories, which comprised primarily concentrates and mineral ores that have not been processed into concentrates at the end of the year. The inventory turnover for concentrates for the year ended 31 December 2008 was 11 days. Inventory turnover for concentrates is calculated based on the inventory of concentrates at the end of the year divided by the cost of sales times the number of days during the year. No inventory turnover was calculated for the year ended 31 December 2007 as we did not have any inventories at 31 December 2007.

Analysis of trade receivables and trade and other payables

As at 31 December 2008, we had trade receivables of approximately RMB19.8 million. Trade receivables turnover for the year ended 31 December 2008 was 23 days.

We did not have any trade receivables in 2007 because we had minimal sales and our customers were required to pay us in full before delivery of our concentrates. As our sales increased, we began to have trade receivables as we allowed some of our customers to make a portion of their payment after delivery based on the length of our relationships with the customers and the customers' credit profile. For sales of concentrates, our customers generally prepay an amount equal to approximately 10% to 20% of the total value of the concentrates to be sold at the time of the signing of the sales contracts. Approximately 80% of the total value of the concentrates sold (including the prepayment) is required to be settled by the customers in cash. The remaining 20% is treated as trade receivables, and must be paid within 30 days after the sales have taken place.

Our trade payables represent payables from the purchases of consumable auxiliary materials from different suppliers. The credit period granted by our suppliers ranges from 30 to 60 days. Our trade payables decreased from approximately RMB41,000 as at 31 December 2007 to approximately RMB16,000 as at 31 December 2008 as we generally pay for the purchases of consumable auxiliary materials in cash. Our other payables increased from approximately RMB2.4 million as at 31 December 2007 to approximately RMB40.2 million as at 31 December 2008 primarily due to payables to contractors engaged to construct our mining infrastructure and ore processing facilities, as well as various tax payables and accruals such as professional fees, production safety fees and mineral and woodland compensation fees and environmental protection fees.

Analysis of other receivables

As at 31 December 2008, we had approximately RMB1.4 million of deposits, prepayments and other receivables, comprising mainly utility deposits and prepayments.

As at 31 December 2007, we had approximately RMB20.6 million of other receivables, of which approximately RMB9.0 million was the result of the sale of ores from the Nantaizi Gold Mine to a third-party smelter and approximately RMB10.0 million due from an unrelated third party. The amount due from the sale of ores was settled in January 2008. The amount due from the unrelated third party was transferred to a related third party, which subsequently transferred the liability to Mr. Wu Ruilin in February 2008. The RMB10.0 million receivable was subsequently offset against amounts owed by us to Mr. Wu Ruilin.

Analysis of net current assets (liabilities) position

As at 31 December 2008, we had net current assets of approximately RMB17.0 million.

The net current liabilities position as at 31 December 2007 was primarily the result of RMB247.7 million due to Mr. Wu Ruilin and companies in which he and Mr. Wang Zhentian, have a beneficial interest, partially offset by RMB21.7 million in deposits, prepayments and other receivables and RMB9.5 million due from companies in which Mr. Wu Ruilin and Mr. Wang Zhentian have a beneficial interest. All the amounts that we borrowed were primarily used to acquire mining rights and plant, property and equipment. The amounts due to Mr. Wu Ruilin and companies in which he and Mr. Wang Zhentian have a beneficial interest were repayable on demand and were repaid in full in August 2008.

Borrowings

As at 31 December 2008 and 31 December 2007, the Group did not have any short-term or long-term bank loans. Gearing ratio, being total interest-bearing loan divided by total assets, as at 31 December 2008 was zero (2007: zero). As at 31 December 2008, we had banking facilities in the total amount of RMB200 million, of which none were utilized. The Group has no banking facility as at 31 December 2007.

Pledge of Assets

As at 31 December 2008, the Company charged over its assets together with assets of two of its subsidiaries, Lita Investment Limited and Rich Vision Holdings Limited, in connection with the Pre-IPO Investment. The said pledge was released on 23 February 2009, the date on which shares of the Company were listed on the Main Board of the Stock Exchange.

Contractual obligations

As at 31 December 2008, we had contractual obligations consisting of operating leases which totalled RMB176,000 (2007: RMB621,000) with RMB168,000 (2007: RMB490,000) due within one year and RMB8,000 (2007: RMB131,000) due between two to five years. Operating leases are rentals for certain of our office premises.

Contingent liabilities

As at 31 December 2008, we had a contingent liability relating to a guarantee given by certain members of our Group during 2008 to secure the US$50 million exchangeable bonds issued by Lead Honest Management Limited. The guarantee was released on 23 February 2009, the date at which shares of the Company were listed on the Main Board of the Stock Exchange.

Capital expenditure

During the year, the Group invested approximately RMB302.7 million (2007: RMB15.0 million) in the addition to property, plant and equipment and prepaid lease payments, which included the construction of the new ore processing facilities located at the Nantaizi Gold Mine and the Luotuochang Gold Mine.

Financial Instruments

The Company did not have any hedging contracts or financial derivatives outstanding for the two years ended 31 December 2008 and 2007.

Employees and emoluments policy

As at 31 December 2008, the total number of employees of the Group was 248. For the year ended 31 December 2008, the staff cost (including directors' remuneration in the form of salaries and other benefits) was approximately RMB5.5 million (2007: RMB3.0 million). Details are set out in Note 10 to the consolidated financial statements.

The Group's emoluments policies are formulated on the performance of individual employee and on the basis of the salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted a share option scheme for its employees, the details of which are set out under the section of "Share Option" in the Directors' Report of this annual report.

FUTURE PLANS

Our goal is to be the leading integrated gold producer in the PRC. We intend to be an industry leader in terms of growth, expanding our gold mining and processing operations through further development of our existing Gold Mines and increasing our gold reserves by continued exploration in the Inner Mongolia region. In addition, we intend to acquire and integrate additional gold mines in Inner Mongolia, Xinjiang and other regions.

As set out in the Prospectus, our Directors have formulated the following business development strategies:

- expansion of the ore processing facility located at the Nantaizi Gold Mine;
- expansion of the ore processing facility located at the Luotuochang Gold Mine;
- expansion of mining and exploration activities in Inner Mongolia;
- expansion of mining and exploration activities in Xinjiang and other regions; and
- development of gold smelting and refining operations.

Future material investment and capital costs

Our planned future capital expenditures mainly comprise the capital requirements for our mining operations and the construction of additional production capacities at the Shirengou-Nantaizi Mining Complex and the Luotuochang Gold Mine. Our planned capital expenditures for the two years ending 31 December 2010, which are expected to be funded by net proceeds from the Company's initial public offering and internal resources of the Group, are as follows:

Name of the Mines	Capital Cost Year 2009 (RMB in millions)	Year 2010
Shirengou-Nantaizi Mining Complex	55.2	63.7
Luotuochang Gold Mine	31.1	25.0
Total	86.3	88.7

MARKET RISKS

Our market risks relate principally to fluctuations in commodity prices and, to a lesser extent, fluctuations in exchange rates and interest rates and inflation.

Commodity price risk

The market prices for gold and other metals contained in our concentrates have a significant effect on our results of operation. The market prices for these metals are influenced by numerous factors and events that are beyond our control such as global fabrication and industrial demand, buying and selling of gold by central banks, macroeconomic factors including inflation, interest rates and foreign exchange rates and production cost levels in major metal-producing regions.

We have not entered into commodity derivative instruments or futures to hedge against any potential fluctuations in the Shanghai Gold Exchange and other commodity market prices for metals, in particular for gold contained in our concentrates. Therefore, fluctuations in the metal prices will have a direct effect on our sales and profit.

Foreign exchange risk

We conduct our operations in the PRC and RMB is our reporting and functional currency. All of our revenue and operating costs are denominated in RMB. As domestic metal prices (which are expressed in RMB) move in line with global metal prices (which are typically expressed in U.S. dollars), the price in RMB we can receive for our concentrates depends on the RMB: US dollar exchange rate. The exchange rate of the RMB against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in the PRC's and international political and economic conditions. We have not entered into foreign exchange derivative instruments or futures to hedge against any potential fluctuations in the exchange rate of the RMB against the U.S. dollar.

Interest rate risk

Our income and operating cash flows are not substantially affected by changes in market interest rates. We have no significant interest-bearing assets, except for cash and cash equivalents, nor any interest-bearing liabilities. We have not used any interest rate swaps to hedge against interest rate risk.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wang Zhentian (王振田), *Chairman and Executive Director*

Mr. Wang, aged 44, joined us in August 2007. He graduated from the University of Inner Mongolia (內蒙古大學) with a Bachelor's degree in Economics and is qualified as an accountant. Between 1984 and 2000, Mr. Wang held various positions in the local government of the Chifeng Municipality. In such positions, he was mainly responsible for collecting and analyzing information for the government's policy making, monitoring the implementation of government policies, and conducting policy research. Mr. Wang began his career in mining in May 2000. Between May 2000 and June 2005, Mr. Wang was the deputy general manager of Chifeng Jinyuan Mining Development Co. Ltd. (赤峰金源礦業開發有限責任公司) (an enterprise with geological exploration qualifications). During this period, he participated in and completed various exploration projects in areas close to the Luotuochang Gold Mine, including the acquisition or transfer of mining right projects of Chifeng Xilinguolemengshabu Large and Medium Scale Lead Mine (赤峰錫林郭勒蒙沙布高中型鉛礦), Chifeng Xilinguoledaolundaba Large Scale Copper Mine (赤峰錫林郭勒道倫達壩大型銅礦), Chifeng Aohan Banner Baoguotu Medium Scale Lead and Zinc Mine (赤峰敖漢旗寶國吐中型鉛鋅礦) and the joint exploration of Chifeng Balinzuo Banner Erdaoyingzi Molybdenum Mine (赤峰巴林左旗二道營子鉬礦), and was mainly responsible in each case for exploration and mining rights, commercial negotiations and government liaison.

Between December 2000 and June 2005, Mr. Wang was also the general manager of Chifeng Shuangyuan Mining Co., Ltd. (赤峰雙源礦業有限責任公司) ("Chifeng Shuangyuan"). He was fully responsible for the overall management and operation of Chifeng Shuangyuan including geological exploration, mining and processing, regulatory compliance, safety and environmental protection, product sales and daily operation and management of Chifeng Shuangyuan. Chifeng Shuangyuan is a mining enterprise engaged in the mining, processing and sale of gold. Mr. Wang's significant contributions and achievements, during his tenure at Chifeng Shuangyuan, included the reestablishment of its prospects (through the discovery of additional ore reserves) through exploration, obtaining all the relevant government permits and approvals, and the expansion of its production capacity. Mr. Wang also participated in the development of the Luotuochang Gold Mine which began in November 2004 and was the deputy general manager of Luotuochang Mining between November 2004 and August 2007. During the period from November 2004 to June 2005, Mr. Wang led a team of experts to carry out a preliminary analysis in respect of the geological conditions of the mining area.

In view of Mr. Wang's extensive experience in mining enterprise management and his good working relationship with the government, Mr. Wang was appointed the chief executive officer of Chifeng Fuqiao Mining Co., Ltd. ("Chifeng Fuqiao") in August 2007. Mr. Wang currently serves as a director for each of Balinzuo Banner Xinyuan Mining Company Limited (巴林左旗鑫源礦業有限公司) and Chifeng Zhongtai Mining Company Limited (赤峰中泰礦業有限公司).

Mr. Wang is also a director of Chifeng Fuqiao, Chifeng Shirengou Mining Co. Ltd and Chifeng Nantaizi Mining Co. Ltd.

Mr. Qiu Haicheng (邱海成), *Executive Director and Chief Executive Officer*

Mr. Qiu, aged 39, joined us in August 2007. He graduated from Baotou Institute of Steel (包頭鋼鐵學院) in 2000, majoring in mine engineering. Pursuant to the certificate issued by the Chifeng Jianan Professional Technology Training Centre (赤峰建安職業技術培訓中心) on 12 September 2007, Mr. Qiu Haicheng is qualified as an engineer (工程師). Between September 1993 and November 2004, Mr. Qiu held various positions at the Chifeng Honghuagou mines (赤峰紅花溝金礦), one of the largest stateowned gold mines in the PRC, including as mining technician, assistant mine engineer, mine engineer, senior mine engineer and mine production and safety manager. Between November 2004 and August 2007, Mr. Qiu was employed by Luotuochang Mining (including its predecessors) as its deputy manager. Mr. Qiu was the special assistant to Chifeng

Fuqiao's chief executive officer, Mr. Wang Zhentian, from August 2007 to January 2009 and had successfully established a mining safety and environmental protection system for each of our three Gold Mines. He has approximately 16 years of experience in exploration, mining, production, production safety and mining management. In view of Mr. Qiu's extensive experience, he was appointed the Chief Executive Officer of our Company in February 2009.

Mr. Ma Wenxue (馬文學), *Executive Director, Vice President, Head of the Ore Processing Department*

Mr. Ma, aged 41, joined us in August 2007. He graduated from Shenyang Institute of Gold (瀋陽黃金學院) in July 1988, majoring in ore processing engineering and the University of Liaoning (遼寧大學) with a Bachelor's degree in Economics Law in June 1999 and is qualified as a mine engineer at the intermediate level. Between July 1988 and October 2004, Mr. Ma held various positions at the Chifeng Honghuagou mines (赤峰紅花溝金礦), one of the largest state-owned gold mines in the PRC, including ore processing technician and production scheduling safety officer between July 1988 and July 1990, mainly responsible for ore processing and production. Between July 1990 and August 1993, Mr. Ma was employed as a deputy production manager of Chifeng Honghuagou mines (赤峰紅花溝金礦), mainly responsible for production technology and safety, and management of equipment. He was employed as the processing manager of Chifeng Honghuagou mines (赤峰紅花溝金礦) between August 1993 and October 2004, mainly responsible for overseeing all aspects of the operation of the ore processing facility. Between November 2004 and July 2007, Mr. Ma worked at Kalaqinqi Nantaizixiang Gold Mine (喀喇沁旗南台子鄉金礦) as its chief engineer, mainly responsible for ore processing and management of equipment, scientific planning for the Nantaizi Gold Mine as well as developing the mineral resources. Mr. Ma was employed as Nantaizi Mining's chief engineer until he was appointed a vice president of Chifeng Fuqiao in August 2007 where he is mainly responsible for ore processing, electrical and mechanical engineering, and quality control.

Mr. Ma has received numerous awards for his achievement in technological advancement. For instance, Mr. Ma was awarded the Third Award in Scientific and Technological Advancement of Metallurgical Industry Department (冶金工業部科學技術進步三等獎) in December 1996, the First Award in Scientific and Technological Advancement of Chifeng City (赤峰市科學技術進步一等獎) and the Third Award in Scientific and Technological Advancement of Chifeng City (赤峰市科學技術進步三等獎) in February 1997 for his research and invention of an innovative gold recovery technique from wasted coal (從炭漿廠廢炭中回收金的新工藝). In November 2001, he was awarded the Inner Mongolia Autonomous Region Innovation and Achievement Award in Staff and Worker Economic Technology Project Activity (內蒙古自治區職工經濟技術創新工程活動重大創新成果獎) for his research project conducted in relation to the improvement of gold refining techniques.

Mr. Ma is also a director of Chifeng Fuqiao.

Mr. Cui Jie (崔杰), *Executive Director and Chief Financial Officer*

Mr. Cui, aged 37, joined us in August 2007. He graduated from Inner Mongolia Finance College (內蒙古財經學院) with a Bachelor's degree in industrial accounting. Between July 1992 and September 1997, he held various financial management positions at Inner Mongolia Linxi Beer Factory (內蒙古林西啤酒廠), mainly responsible for auditing. Between September 1997 and October 2004, Mr. Cui held various financial management positions in Finance Bureau of Linxi County (林西縣財務局) and certain financial consultancy companies, mainly responsible for auditing, tax planning, corporate management and providing training to more than a hundred of trainees who graduated from accounting and financial institutions. Between October 2004 and July 2005, Mr. Cui worked as the chief financial officer of Beijing LongTech Huanyu Technology Co., Ltd (北京龍騰環宇科技發展有限公司). He also worked as the general manager of the Beijing branch of Beijing Shuang Bai Financial Accounting Society (雙百（北京）財務軟件開發有限公司) from July 2005 to October 2006, mainly responsible for auditing, tax planning and trademark registration.

Mr. Cui assisted Mr. Wu in founding and establishing Chifeng Fuqiao, and he worked as Shirengou Mining's chief financial officer from December 2006 to August 2007, mainly responsible for accounting management and tax planning. During this period, Mr. Cui also provided financial advice on the future development of Shirengou Mining. Mr. Cui was appointed the chief financial officer of Chifeng Fuqiao in August 2007, responsible for establishing our financial management policies and internal control policies, improving the wages system in relation to our technical personnel, implementing the vertical financial management model and providing training to staff of our Financial Department. He has also established an incentive system for the staff of our Financial Department and introduced an electronic accounting and auditing system to our Group.

Mr. Cui is also a director of Chifeng Fuqiao.

Mr. Lu Tianjun (陸田俊), *Executive Director, Vice President, Head of the Mining Department, and Production and Environmental Safety Department*

Mr. Lu, aged 43, joined us in August 2007. He graduated from Shenyang Gold Professional School (瀋陽黃金專科學校) in geology and mineral exploration. Pursuant to the certificate issued by the Leading Group for Professional Title Reform of the Inner Mongolia Autonomous Region (內蒙古自治區職稱改革領導小組) in June 1994, Mr. Lu is qualified as a project engineer (工程工程師). Between July 1986 and May 2001, he held various positions at the Chifeng Honghuagou mines (赤峰紅花溝金礦), one of the largest state-owned gold mines in the PRC including as leader of technical team, deputy field director (礦區副主任) and field director (礦區主任). In 1991, Mr. Lu published an article entitled Discovery of Mineralization Pattern of No.81 Vein of the Chifeng Honghuagou Mines and its Effects on Exploration (紅花溝金礦81號脈左型 — 側伏規律的發現及其找礦效果) in a national periodical, and the article was subsequently awarded the Second Award for Outstanding Article in respect of Natural Science in the Chifeng Municipality (赤峰市自然科學優秀論文二等獎). Mr. Lu also held various positions at Shirengou Mining and its predecessors between May 2001 and August 2007, including as technical consultant and engineer. Since September 2007, Mr. Lu has been a vice president of Chifeng Fuqiao, responsible for production.

Mr. Lu is also a director of Chifeng Fuqiao.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mak Kin Kwong (麥建光), *Independent non-executive Director*

Mr. Mak, aged 47, joined us as a Director in September 2008 and was designated as an independent non-executive director since January 2009. He graduated from the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in 1985 and is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants in England and Wales. Mr. Mak is the founder and managing director of Venfund Investment Management Ltd. in Shenzhen. Prior to that, Mr. Mak was the managing partner of Arthur Andersen Southern China. He serves as an independent director and audit committee chairman of Dragon Pharmaceutical Inc. (凱龍藥業股份有限公司), Network CN Inc. (安博（美國）有限公司), Trina Solar Limited (天合光能有限公司), China GreenTech Corp. Ltd. (國人通信股份有限公司) and China Security & Surveillance Technology, Inc. (中國安防技術有限公司), all listed in the United States; and as an independent director of Gemdale Industries Inc. (金地集團股份有限公司), which is listed in the PRC. Mr. Mak also serves as an independent non-executive director and audit committee chairman of Huabao International Holdings Ltd. (華寶國際控股有限公司), China Dongxiang (Group) Co., Ltd. (中國動向（集團）有限公司) and Pou Sheng International (Holdings) Limited (寶勝國際（控

Profile of Directors and Senior Management (Continued)

股）有限公司), all listed in Hong Kong. In addition, Mr. Mak is a non-executive director and audit committee member of Bright World Precision Machinery Ltd. (沃得精機股份有限公司), a company listed in Singapore and Vinda International Holdings Ltd. (維達國際控股有限公司), a company listed on the Main Board.

Mr. Zhao Enguang (趙恩光), *Independent non-executive Director*

Mr. Zhao, aged 65, joined us as a Director in April 2008 and was designated as an independent non-executive director since January 2009. He graduated from Lanzhou University (蘭州大學) with a Bachelor's degree in Operational Research (數力系運籌專業) in 1966. Pursuant to a letter issued by the Leading Group for Professional Title Reform of the Ministry of Metallurgy of the PRC (中華人民共和國冶金工業部職稱改革工作領導小組) on 31 August 1994, Mr. Zhao Enguang is a professor grade engineer.

Mr. Zhao was an assistant to the chief executive and a vice project engineer of the Automation Research and Development Institute of Metallurgical Industry (冶金自動化研究院). He was also a director and the board secretary of Aritime Company Limited (北京金自天正智能控制股份有限公司) from December 1999 to January 2003.

Mr. Zhao has been a deputy secretary general of the Listed Companies Association of Beijing (北京上市公司協會). He has also been a member of the Professional Technology Engineering Appraisal Committee of the China Iron and Steel Association (中國鋼鐵工業協會工程技術專業職務評審委員會).

Mr. Xiao Zuhe (肖祖核), *Independent non-executive Director*

Mr. Xiao, aged 42, joined us as a Director in April 2008 and was designated as an independent non-executive director since January 2009. He graduated from the Jiang Xi University of Finance and Economics (江西財經大學) (formerly known as 江西財經學院) with a Bachelor's degree in Economics in 1988 and is qualified as an accountant in the PRC and in Hong Kong. From 1989 to 2001, Mr. Xiao has also undertaken the following postgraduate courses: International Financial Management and Accounting with the Ministry of Finance of PRC (中華人民共和國財政部) in 1989; Training Scheme of Accountants of PRC with the Hong Kong Society of Accountants (香港會計師公會) in 1991; and the Postgraduate Certificate in Professional Accounting with City University of Hong Kong (香港城市大學) in 2001. Mr. Xiao is a member of Hong Kong Institute of Certified Public Accountants.

Mr. Xiao was an auditor at Jiang Xi Certified Public Accountants (PRC) between 1988 and 1991. In 1991, he worked for Ho and Ho & Company (a firm of accountants based in Hong Kong) as a trainee auditor. In 1993, he returned to Jiang Xi Certified Public Accountants (PRC) as the audit department manager. In 1995, Mr. Xiao joined Shenzhen Fortune (Group) Ltd as assistant chief financial officer. In 1996, Mr. Xiao returned to Ho and Ho & Company as a semi-senior audit clerk. In 1999, Mr. Xiao joined Qiao Xing Universal Telephone, Inc (僑興環球) in Hong Kong as the finance manager. Between 2001 and 2002, Mr. Xiao served as the chief financial officer of Qiao Xing Universal Telephone, Inc (僑興環球). Since 2005 to the present, Mr. Xiao has been the chief executive officer of Benefit Capital Limited.

OTHER SENIOR MANAGEMENT

Mr. Li Qing (李慶), *Deputy Head of the Production and Environmental Safety Department*

Mr. Li, aged 39, joined us in August 2007. He graduated from Shenyang Institute of Gold (瀋陽黃金學院) in July 1991 majoring in geological surveying, and graduated from Changchun University of Technology (長春工業大學) in September 2007 majoring in mining engineering. Pursuant to the certificate issued by the Inner Mongolia Department of Personnel (內蒙古自治區人事廳) in August 1999, Mr. Li Qing is qualified as a geodetic engineer (測繪工程工程師).

Profile of Directors and Senior Management (Continued)

Between July 1991 and June 1998, Mr. Li held the position of surveyor with the Chifeng Honghuagou mines (赤峰紅花溝金礦), one of the largest state-owned gold mines in the PRC.

Between June 1998 and June 2004, Mr. Li held the position of surveyor with Inner Mongolia Hong Feng Industrial Co., Ltd. (內蒙宏峰實業股份有限公司) (formerly a listed company specializing in nonferrous metals and precious metals). Mr. Li was mainly responsible for the surveying of five major gold and lead mines, monitoring and inspecting data measurement, and surveying and map administration for all the mines. In addition, Mr. Li worked on the planning, statistics gathering and allocation of resources.

Further, he was responsible for the surveying and construction of the principal hauling shaft. Between June 2004 and August 2007, Mr. Li held the position of technical mining director with Shirengou Mining and was responsible for the production technology of the Shirengou Gold Mine.

Since August 2007, Mr. Li has held the position of Deputy Head of the Production and Environmental Safety Department with Chifeng Fuqiao. During this period, Mr. Li has been responsible for our Group's surveying and mapping works including the use of advanced surveying and mapping equipment.

Zhao Guoming (趙國銘), *Deputy Head of the Ore Processing Department*

Mr. Zhao, aged 43, joined us in August 2007. Mr. Zhao graduated from Shanxi Mining Institute (山西礦業學院) in July 1988 with a major in mining mechanical engineering. Pursuant to the certificate issued by the Leading Group for Professional Title Reform of the Inner Mongolia Autonomous Region (內蒙古自治區職稱改革領導小組) in November 1995, Mr. Zhao Guoming is qualified as a project engineer (工程工程師). Pursuant to the certificate issued by Inner Mongolia Department of Personnel (內蒙古自治區人事廳) in July 2005, Mr. Zhao Guoming is qualified as a mechanical engineer (機械工程師).

Between July 1988 and October 1998, Mr. Zhao held various positions with Inner Mongolia Jintao Co., Ltd. (內蒙古金陶股份有限公司) (one of the largest gold mining companies in Inner Mongolia) including technician, head of the mechanical and electrical department, and manager of machinery and production.

Between November 1998 and March 2003, Mr. Zhao held the position of production manager of Changchun Gold Design Institute (長春黃金設計院) and was responsible for its sub-contracting projects.

Between January 2004 and September 2007, Mr. Zhao held the position of Deputy Head of the ore processing department of Shirengou Mining and was responsible for system design, configuration and management in mine upgrading, transportation, ventilation, drainage and air pressure.

Since October 2007, Mr. Zhao has held the position of Deputy Head of the ore processing department of Chifeng Fuqiao and has been responsible for the overall management of the mechanical and electrical equipment of the mines of our Group.

Mr. Zhao has been awarded numerous technical achievement awards, including Third Prize in National Gold System Equipment Management Knowledge Contest (全國黃金系統設備管理知識競賽三等獎) in 1990.

Profile of Directors and Senior Management (Continued)

Ma Xiwen (馬希文), *Head of the Land Exploration Department and Head of the Independent Supervisory Committee*

Mr. Ma, aged 67, joined our Group in August 2007. Mr. Ma graduated from the China University of Geosciences (中國地質大學) (formerly known as Beijing Geological Institute (北京地質學院)) in July 1968 as a geological engineer with a major in mineral resources and geology. Pursuant to the certificate issued by the Ministry of Geology and Mineral Resources of the PRC (中華人民共和國地質礦產部) in May 1991, Mr. Ma Xiwen is qualified as a senior geological engineer (礦產地質高級工程師). Mr. Ma has been engaged in geological field work for more than 30 years and is very experienced in geological survey and mining exploration.

Between July 1968 and December 2004, Mr. Ma held various positions with No. 10 Institute of Chifeng Geological Exploration (赤峰地勘十院) and was responsible for redeployment and exploration for the region.

Between July 1976 and September 1980, Mr. Ma participated in the 1:5 regional surveys of Huanggangliang District (黃崗梁地區) and prepared respective sections of the report and maps for that project. Mr. Ma was awarded the Technology Third Class Award of Inner Mongolia (內蒙古科技三等獎) for this work. Between October 1980 and April 1983, Mr. Ma worked at the Geological Department (地質科) and was responsible for the interpretation work of aerial and satellite photographs.

Between May 1983 and July 1987, Mr. Ma participated in the 1:50000 regional surveying project of Wulanba District (烏蘭壩地區) and was the sub-group technician. As part of this work, Mr. Ma discovered a large metallic zone in the Wulanba area, a tin deposit in Aonadaba and a lead-zinc polymetallic deposit in Haobugao. Between August 1987 and April 1988, Mr. Ma was responsible for the quality inspection work of Geological Department (地質科). Between May 1988 and May 1991, he participated in the 1:50,000 regional surveying and mapping of Baiyinnuoer District (白音諾爾地區).

Between June 1991 and April 1992, he participated in preparing maps of the Sino-Mongolia border region. Between April 1992 and December 1995, Mr. Ma was responsible for quality control and between January 1996 and December 2004, Mr. Ma was the chief editor of mineral exploration reports and the respective map preparation at No. 10 Institute of Chifeng Geological Exploration (赤峰地勘十院).

Between December 2004 and September 2007, Mr. Ma held the position of geological engineer of Nantaizi Mining and was responsible for the design and organization of the 1:5,000 geographical plotting of Nantaizi mining area, ground surface trough exploration, ground surface drilling exploration and pit exploration.

Between September 2007 and December 2008, Mr. Ma held the position of chief engineer of Land Exploration Department of Chifeng Fuqiao and has been responsible for geological exploration of the Nantaizi Gold Mine and the Shirengou Gold Mine.

In January 2009, Mr. Ma was appointed the head of the Land Exploration Department of Chifeng Fuqiao and is responsible for the overall management of our exploration projects.

Ms. Yu Lulu (于璐璐) is the secretary to the Board and our joint company secretary, responsible for establishing business development strategies together with our Directors and other senior management, liaising with potential investors of our Group and participating in major and strategic decision-making processes. She now works for our Company on a full-time basis.

Profile of Directors and Senior Management (Continued)

Ms. Yu, aged 30, joined us in October 2005. She assisted Mr. Wu in founding and establishing Chifeng Fuqiao. Ms. Yu received a Master of Science degree in Investment Analysis from the University of Stirling, Scotland on 27 January 2006. She also graduated from the Qing Dao University in the PRC and the University of Massey, New Zealand with a Bachelor of Arts and a Graduate Diploma in July 2001 and November 2003, respectively.

From November 2005 to August 2006, Ms. Yu was the managing director of the investment department of Qiao Xing Group Limited, a company controlled by Mr. Wu. From September 2006 to March 2007, she was the board secretary to Qiao Xing Mobile Communications Co., Ltd., a company listed on the New York Stock Exchange, and she was the coordinator of the initial public offering process for that company. Since April 2007 and until our listing on the Stock Exchange, she has also been a personal assistant to Mr. Wu in Qiao Xing Group Limited.

Ms. Lam Yuen Hung (林婉紅) is our qualified accountant and joint company secretary. She works for our Company on a full-time basis.

Ms. Lam, aged 33, joined us in April 2008. She graduated from the Hong Kong University of Science and Technology with a Bachelor degree in Business Administration in Accounting. She is an Associate Member of Hong Kong Institute of Certified Public Accountants and a Fellow Member of the Association of Chartered Certified Accountants. Ms. Lam has over 8 years experience in auditing and accounting. Prior to joining our Company, she was a manager at an international accounting firm.

Directors' Report

The Board hereby presents its report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008.

CORPORATE REORGANIZATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 13 March 2008. Through a series of the Group Reorganization procedures, the Company became the holding company of the Group on 11 April 2008.

Details of the Reorganization are set out in the paragraph headed "Corporate reorganization" on page 3 to 5 of Appendix VII (Statutory and General Information) to the prospectus of the Company dated 10 February 2009 (the "Prospectus").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 February 2009 (the "Listing Date").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Particulars of the principal activities of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

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 42 of this annual report.

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

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended 31 December 2008 amounted to approximately RMB300 million. Details of the movements during the year in the Group's property, plant and equipment are set out in note 15 to the consolidated financial statements.

According to the property valuation report as set out in Appendix IV to the Prospectus, the Group's properties were valued at approximately RMB114.6 million (the "Valuation Amount") as at 31 December 2008, whereas the prepaid lease payments and buildings of the Group were stated at cost less accumulated depreciation or amortization in the consolidated financial statements in this annual report with carrying values of approximately RMB6.2 million and RMB104.7 million respectively as at 31 December 2008. The additional aggregated depreciation and amortization that would have been charged against the consolidated income statement had the prepaid lease payments and buildings been stated at the Valuation Amount amounted to approximately RMB0.1 million.

SHARE CAPITAL

Details of the movements during the year in the issued share capital of the Company are set out in note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 45 of this annual report.

As at 31 December 2008, the Company's reserves available for distribution to shareholders in accordance with the articles of association of the Company is nil.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four years are set out on page 77 and page 78 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended 31 December 2008 and 2007, sales to the Group's five largest customers, in aggregate represented 95.9% and 100.0% of the Group's total sales, respectively. For the years ended 31 December 2008 and 2007, sales to the single largest customers amounted to approximately 37.7% and 51.4% of our total sales, respectively.

For the years ended 31 December 2008 and 2007, our purchases of raw materials and auxiliary materials from our five largest suppliers accounted for approximately 76.5% and 52.9%, respectively, of the Group's total purchases. For the years ended 31 December 2008 and 2007, purchases from the single largest supplier amounted to approximately 27.0% and 28.4% of our total purchases, respectively.

For the year ended 31 December 2008, none of the Directors or any of their associates or any shareholders who, to the knowledge of our Directors, owns more than 5% of the Company's issued share capital, had any interest in our five largest suppliers or customers.

DIRECTORS

The Directors during the year and up to the date of this annual report are as follows:

Executive Directors

Mr. Wang Zhentian	(appointed on 13 March 2008 and designated as an executive director on 30 January 2009)
Mr. Qiu Haicheng	(appointed and designated as an executive director on 2 February 2009)
Mr. Ma Wenxue	(appointed on 13 March 2008 and designated as an executive director on 30 January 2009)
Mr. Cui Jie	(appointed on 13 March 2008 and designated as an executive director on 30 January 2009)
Mr. Lu Tianjun	(appointed on 25 August 2008 and designated as an executive director on 30 January 2009)
Mr. Wu Ruilin	(appointed on 13 March 2008 and resigned on 18 December 2008)
Mr. Cao Jing Xuan	(appointed on 13 March 2008 and passed away on 29 December 2008)

Independent non-executive Directors

Mr. Mak Kin Kwong	(appointed on 19 September 2008 and designated as an independent non-executive director on 30 January 2009)
Mr. Zhao Enguang	(appointed on 30 April 2008 and designated as an independent non-executive director on 30 January 2009)
Mr. Xiao Zuhe	(appointed on 30 April 2008 and designated as an independent non-executive director on 30 January 2009)
Mr. Zhang Yihong	(appointed on 30 April 2008 and resigned on 19 September 2008)

In accordance with the provisions of the Company's articles of association, all Directors will retire from directorship in the forthcoming annual general meeting and, being eligible, shall offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of our existing executive Directors (other than Mr. Qiu Haicheng) has entered into a service agreement with the Company for an initial fixed term of three years commencing on 30 January 2009. Mr. Qiu Haicheng has entered into a service agreement with the Company for an initial fixed term of three years commencing on 2 February 2009.

Each of our independent non-executive Directors has been appointed by the Company for an initial fixed term of two years commencing on 30 January 2009.

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered into any service agreement with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF THE DIRECTORS

The remuneration of each Director is approved at general meetings. Other emoluments will be determined by the members of the nomination and remuneration committee with reference to the duties, responsibilities, performance of the Directors and the results of the Group.

Details of the remuneration of the Directors are set out in note 10 to the consolidated financial statements of this annual report.

EMOLUMENTS POLICY

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted a share option scheme for its employees.

RETIREMENT BENEFIT SCHEMES

The Group participates in a state-managed 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 20% of the local standard basic salaries.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustee.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the independent non-executive Directors are independent in accordance with Rule 3.13.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

For the year ended 31 December 2008, since the shares of the Company were not listed on the Stock Exchange, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), Section 352 of the SFO, and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules were not applicable to the Company, the Directors and chief executives.

SHARE OPTIONS

The Company has adopted a share option scheme on 30 January 2009 (the "Share Option Scheme"). The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by a written resolution passed by our sole shareholder on 30 January 2009:

(a) Purpose

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to our Company.

(b) Who may join

Our Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares at a price calculated in accordance with subparagraph (f) below:

(i) any employee or proposed employee (whether full-time or part-time and including any executive Director), consultants or advisers of or to our Company, any of our subsidiaries or any entity ("Invested Entity") in which our Company holds an equity interest;

(ii) any non-executive Directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to our Company or any of our subsidiaries or any Invested Entity;

(iv) any customer of our Company or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to our Company or any Invested Entity; and

(vi) any shareholder of our Company or any of our subsidiaries or any Invested Entity or any holder of any securities issued by our Company or any of our subsidiaries or any Invested Entity,

and for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by us for the subscription of Shares or other securities of our Company to any person who falls within any of the above classes of participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by our Directors from time to time on the basis of the participants' contribution to the development and growth of our Company.

(c) Maximum number of Shares

(i) The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 30% of our issued share capital from time to time. No options may be granted under any schemes of our Company (or the subsidiary of our Company) if such grant will result in the maximum number being exceeded.

(ii) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme, to be granted under the Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 66,000,000 Shares, being 10% of the total number of Shares in issue at the time dealings in our Shares first commence on the Stock Exchange ("General Mandate Limit").

(d) Maximum entitlement of each participant and connected persons

(i) Unless approved by our shareholders, the total number of Shares issued and to be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the Shares in issue ("Individual Limit").

(ii) Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our shareholders in compliance with the Note to Rule 17.03(4) and Rule 17.06 of the Listing Rules and/or such other requirements as prescribed in the Listing Rules and the approval of our shareholders in general meeting with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before our shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 17.03(9) of the Listing Rules.

(iii) In addition to the shareholders' approval set out in Note (1) to Rule 17.03(3) and Note to Rule 17.03(4) of the Listing Rules, each grant of options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

(iv) Where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, canceled and outstanding) under the Share Option Scheme or any other share option schemes of our Company to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate more than 0.1% of the Shares in issue; and

(b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK$5 million,

such further grant of options must be approved by our shareholders.

(e) Minimum period of holding an option and performance target

Our Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

(f) Subscription price for Shares

The subscription price of a Share in respect of any option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, provided that such price shall not be less than the highest of (i) the nominal value of our Shares, (ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the date of grant of the option and (iii) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a Business Day). A consideration of HK$1.00 is payable on acceptance of the offer of the grant of an option.

(g) Rights are personal to grantee

An option granted under the Share Option Scheme shall not be transferable or assignable and is personal to the grantee.

(h) Time of exercise of option

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day upon which the offer for the grant of the option is accepted but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

(i) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of our Memorandum of Association and the Articles of Association for the time being in force and will rank pari passu in all respects with the then existing fully paid Shares in issue on the date of exercise of the option and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercise of the option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with reference to a record date falling before the date of exercise of the option. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee of such option has been duly entered on our register of members or the holder thereof.

(j) Period of the Share Option Scheme

Unless terminated by us by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on 23 February 2009, the date on which shares of the Company were listed on the Stock Exchange.

(k) Present status of the Share Option Scheme

As of the date of this annual report, no option has been granted or agreed to be granted under the Share Option Scheme.

Further details of the Share Option Scheme are set out in Appendix VII to the Prospectus.

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVES

At no time during the year did any of the existing Directors or chief executive hold any shares of the Company. None of the existing Directors and chief executive had any interests in the share capital or debt securities of the Company or any of its associated corporations (as defined in the SFO). None of the Directors, chief executives and their spouses and children under eighteen years old was granted rights to subscribe for the share capital or debt securities of the Company or any of its associated corporations and there was no exercise of such rights by any of such persons.

At no time during the year had the Company or any of its subsidiaries, holding companies or any fellow subsidiaries entered into any arrangement which enables the existing Directors or chief executives to have the right to acquire benefits by means of acquisition of shares or debentures in the Company or any other legal entities.

SUBSTANTIAL SHAREHOLDERS

The register of members maintained by the Company pursuant to Section 366 of Part XV of the SFO shows that, as at 31 December 2008, Lead Honest held 100% issued shares of the Company.

Save as disclosed above, none of the existing Directors is aware that any person (not being a Director or Chief Executives of the Company) had an interest or short position in the shares and underlying shares of the Company as at 31 December 2008.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the business of the Group, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of year or at any time during the year.

Other than the financial guarantee contract disclosed in note 23 to the consolidated financial statements of this annual report, no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of it subsidiaries subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

So far as the Directors were aware, none of the Directors or their associates had any interest in a business that competes or may compete with the business of the Group.

CONNECTED TRANSACTION

As set out in note 31 to the consolidated financial statements of this annual report, during the year, the sale of concentrates to Chifeng Fubon Copper Company, a related company in which Mr. Wu Ruilin, a former Director and a controlling shareholder of the Company, has beneficial interest, amounted to RMB11,281,182 which represented approximately 3.6% of our revenue for the year ended 31 December 2008. As such transaction was discontinued before the date of listing of the Company's shares, the Company was not required to comply with the requirements under Chapter 14A of the Listing Rules.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Company established its audit and risk management committee on 30 January 2009. The audit and risk management committee currently comprises three independent non-executive Directors, namely Mr. Mak Kin Kwong, Mr. Zhao Enguang and Mr. Xiao Zuhe.

The audit and risk management committee has adopted a written terms of references which is in compliance with the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules. The audit and risk management committee is primarily responsible for the review and supervision of the financial reporting process and internal control process. It has reviewed the accounting principles, accounting standards and methods adopted by the Company together with the management, discussed the matters concerning the internal controls, as well as reviewed the Group's audited annual results for the year ended 31 December 2008.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands where the Company is incorporated.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the period from the date of the listing of the Company's shares on the Main Board of the Stock Exchange and up to the date of this annual report.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules. As the Company's shares were listed on 23 February 2009, the Company was not required to comply with the requirements under the Code or the continuing obligations requirements of a listed company pursuant to the Listing Rules for the year ended 31 December 2008. Since the date of listing of the Company's shares on the Main Board of the Stock Exchange and up to the date of this annual report, the Company has complied with all the applicable code provisions as set out in the Code.

For details of the Corporate Governance Report, please refer to pages 36 to 40 of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The listing of the Company's shares commenced on 23 February 2009. Since the date of listing of shares of the Company on the Main Board of the Stock Exchange and up to the date of this annual report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

Shares of the Company were listed on 23 February 2009 on the Main Board of the Stock Exchange. The net proceeds from the Company's issue of new shares (after deducting underwriting commission and related expenses) amounted to approximately HK$565.2 million, which are intended to be applied in accordance with the proposed application set out in the section headed "Future Plans and Use of proceeds" in the Prospectus.

SUFFICIENCY OF PUBLIC FLOAT

The shares of the Company were listed on 23 February 2009 on the Main Board of the Stock Exchange. Based on the publicly available information and to the best of the Directors' knowledge, information and belief and at the date of this annual report, the Company has maintained sufficient public float since the listing of the shares of the Company on the Main Board of the Stock Exchange.

POST BALANCE SHEET EVENTS

The details of post balance sheet events of the Group are set out in note 34 to the consolidated financial statements.

AUDITORS

The Company has appointed Messrs. Deloitte Touche Tohmatsu as auditors of the Company for the year ended 31 December 2008. A resolution will be proposed for approval by shareholders at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed by the Company from Monday, 27 April 2009 to Thursday, 30 April 2009, both days inclusive. During such period, no transfer of shares of the Company will be registered. In order to qualify for entitlement to attend the forthcoming annual general meeting of the Company, all completed transfer forms accomplished by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 24 April 2009.

On behalf of the Board
Wang Zhentian
Chairman

11 March 2009

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code of corporate governance. The directors of the Company ("Directors") consider that since the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 23 February 2009 ("Listing Date") and up to the date of this annual report, the Company has complied with the code provisions under the CG Code.

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the shareholders.

Set out below is detailed discussion of the corporate governance practices adopted and observed by the Company from the Listing Date up to the date of this annual report ("Review Period").

A. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its own securities dealing code for the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Review Period.

B. BOARD OF DIRECTORS

(i) Board composition

The Board currently comprises a combination of executive Directors and independent non-executive Directors. As at the date of this annual report, the board of Directors ("Board") consisted the following Directors:

Executive Directors
Mr. WANG Zhentian *(Chairman)*
Mr. QIU Haicheng *(Chief executive officer)*
Mr. MA Wenxue
Mr. CUI Jie
Mr. LU Tianjun

Independent non-executive Directors
Mr. MAK Kin Kwong
Mr. ZHAO Enguang
Mr. XIAO Zuhe

The executive Directors, with the assistance from the senior management, form the core management team of the Company. The executive Directors have the overall responsibility for formulating the business strategies and development plan of the Group and the senior management are responsible for supervising and executing the plans of the Company and its subsidiaries (together, the "Group").

(ii) Board Functions and duties

The principal functions and duties conferred on our Board include:

- convening general meetings and reporting our Board's work at general meetings;
- implementing the resolutions passed by our shareholders in general meetings;
- deciding our business plans and investment plans;
- preparing our annual financial budgets and final reports;
- formulating the proposals for profit distributions, recovery of losses and for the increase or reduction of our registered capital; and
- exercising other powers, functions and duties conferred by our shareholders in general meetings.

(iii) Board Meetings

During the Review Period, there was one board meeting held, at which the Directors approved, among other things, the annual results of the Group for the year ended 31 December 2008.

Prior notice convening the Board meeting was despatched to the Directors setting out the matters to be discussed. At the meeting, the Directors were provided with the relevant documents to be discussed and approved. The joint company secretaries of the Company are responsible for keeping minutes for the Board meetings.

(iv) Attendance record

The following is the attendance record of the board meeting held by the Board during the Review Period:

	Attendance at meeting
Executive Directors	
Mr. WANG Zhentian *(Chairman)*	1/1
Mr. QIU Haicheng *(Chief executive officer)*	1/1
Mr. MA Wenxue	1/1
Mr. CUI Jie	1/1
Mr. LU Tianjun	0/1
Independent non-executive Directors	
Mr. MAK Kin Kwong	1/1
Mr. ZHAO Enguang	1/1
Mr. XIAO Zuhe	1/1

(v) Independent non-executive Directors

In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed three independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of shareholders of the Company. Two of the independent non-executive Directors, Mr. MAK Kin Kwong and Mr. Xiao Zuhe, have over 20 years in the accounting, banking and finance sectors. Mr. Mak is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants in England and Wales. Mr. Xiao is a member of the Hong Kong Institute of Certified Public Accountants.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence. The Board considers that all independent non-executive Directors are being considered to be independent by reference to the factors stated in the Listing Rules.

C. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Company's chairman and the chief executive officer are segregated. Mr. WANG Zhentian is the chairman of the Board who is chiefly responsible for managing the Board and while Mr. QIU Haicheng is the chief executive officer of the Company who takes charge of the supervision of the execution of the policies determined by the Board. The chairman also chairs the Board meetings and briefs the Board members on the issues discussed at the Board meetings.

D. INDEPENDENT NON-EXECUTIVE DIRECTORS

All the independent non-executive Directors have been appointed for a fixed term of two years commencing from 30 January 2009.

The independent non-executive Directors have attended the Board meeting held during the Review Period and provided independent judgment on the issues discussed.

E. NOMINATION AND REMUNERATION OF DIRECTORS

The Company established a nomination and remuneration committee on 30 January 2009 with written terms of reference in compliance with the CG Code. The nomination and remuneration committee comprises Mr. WANG Zhentian, Mr. ZHAO Enguang and Mr. XIAO Zuhe. Mr. XIAO Zuhe is the chairman of the nomination and remuneration committee. The primary duties of the nomination and remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management, and to identify suitable individuals to become members of the Board and advise on the selection of individuals nominated for directorships.

The nomination and remuneration committee selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Company's business.

The nomination and remuneration committee has not held any meeting during the Review Period as the remuneration package and the service agreement of each Director have been considered and approved at a full Board meeting held before the establishment of the nomination and remuneration committee. After the Listing Date, there is no new Director appointed. It is the Company's policy that the remuneration package of each Director and senior management shall be determined by reference to, inter alia, their duties, responsibilities, experience and qualifications.

Before the listing of the Company, the Directors have been provided with training on their duties and responsibilities as a director of a listed company and the compliance issues under the Listing Rules.

According to the articles of association of the Company, at each annual general meeting one-third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and shall be eligible for re-election. The Directors to be retired by rotation shall be those who have been longest in office since their last appointment or re-election. Every Director shall be subject to retirement at an annual general meeting at least once every three years.

F. AUDIT AND RISK MANAGEMENT COMMITTEE

The Company has established an audit and risk management committee with written terms of reference based upon the provisions and recommended practices of the CG Code on 30 January 2009. The primary duties of the audit and risk management committee are to review and supervise the financial reporting process and internal control systems of the Group. At present, the audit and risk management committee comprises Mr. MAK Kin Kwong, Mr. ZHAO Enguang and Mr. XIAO Zuhe, being the three independent non-executive Directors of the Company. Mr. MAK Kin Kwong is the chairman of the audit and risk management committee.

Up to the date of this annual report, the audit and risk management committee has held one meeting, at which the members of audit and risk management committee have reviewed and discussed with the external auditors of the Company the Group's combined financial statements for the year ended 31 December 2008, who is of the opinion that such statements have complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

The following is the attendance record of the committee meeting held by the audit and risk management committee during the Review Period.

	Attendance at meeting
Mr. MAK Kin Kwong *(Chairman)*	1/1
Mr. ZHAO Enguang	1/1
Mr. XIAO Zuhe	1/1

G. AUDITORS' REMUNERATION

For the year ended 31 December 2008, apart from the provisions of annual audit services, the Group's external auditor, Deloitte Touche Tohmatsu, was also reporting accountants of the Company in relation to the listing. For the year ended 31 December 2008, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

	For the year ended 31 December 2008 HK$'000
Audit services	
Annual audit services	1,500
Reporting accountants in relation to the listing	8,680
Non-audit services	
Tax advisory services	293

The audit and risk management Committee is responsible for making recommendation to the Board as to the appointment, re-appointment and removal of the external auditors, which is subject to the approval by the Board and at the general meetings of the Company by its shareholders.

H. DIRECTOR'S RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the accounts of the Group and other financial disclosures required under the Listing Rules and the management will provide information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

I. INTERNAL CONTROL

The internal control system has been designed to safeguard the assets of the Company, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. They have carried out an annual review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board is responsible for implementing the internal control system and reviewing its effectiveness. For the year ended 31 December 2008, the Board considered that the Company's internal control system is adequate and effective and the Company has complied with the code provisions on internal control of the CG Code.

J. GOING CONCERN

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF REAL GOLD MINING LIMITED
瑞金礦業有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Real Gold Mining Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 76, 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 CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board 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 the consolidated 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated 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 consolidated 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 Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

11 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Revenue	8	**312,262**	8,007
Cost of sales		**(80,529)**	(4,068)
Gross profit		**231,733**	3,939
Other income	9	**16,260**	953
Administrative expenses		**(63,521)**	(5,953)
Other expenses		**—**	(638)
Profit (loss) before taxation	11	**184,472**	(1,699)
Taxation	12	**(74,717)**	(606)
Profit (loss) for the year		**109,755**	(2,305)
Attributable to:			
Equity holders of the Company		**103,905**	(2,245)
Minority interests		**5,850**	(60)
		109,755	(2,305)
Dividends	13	**—**	—
Earnings (loss) per share	14	**RMB47.31 cents**	(2,245)

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	316,160	21,963
Mining rights	16	190,719	195,343
Prepaid lease payments	17	6,084	147
		512,963	217,453
CURRENT ASSETS			
Prepaid lease payments	17	125	3
Inventories	18	5,234	—
Trade and other receivables	19	21,244	21,664
Amounts due from related parties	20	—	9,479
Bank balances and cash		42,493	760
		69,096	31,906
CURRENT LIABILITIES			
Trade and other payables	21	40,227	2,406
Amounts due to related parties	22	—	247,712
Financial guarantee liability	23	2,393	—
Tax payable		9,460	754
		52,080	250,872
NET CURRENT ASSETS (LIABILITIES)		17,016	(218,966)
		529,979	(1,513)
CAPITAL AND RESERVES			
Share capital	24	387,522	—
Reserves		109,330	(2,378)
Equity attributable to equity holders of the Company		496,852	(2,378)
Minority interests		15,728	190
		512,580	(2,188)

Consolidated Balance Sheet (Continued)

At 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT LIABILITIES			
Provision for restoration cost	25	**675**	675
Deferred tax liabilities	26	**16,724**	—
		17,399	675
		529,979	(1,513)

The consolidated financial statements on pages 42 to 76 were approved and authorised for issue by the Board of Directors on 11 March 2009 and are signed on its behalf by:

Wang Zhentian
DIRECTOR

Cui Jie
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to the equity holders of the Company						
	Share capital RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	(Accumulated losses) retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2007	—	—	—	(133)	(133)	—	(133)
Acquisition of subsidiaries (note 27)	—	—	—	—	—	7,760	7,760
Acquisition of additional interest in subsidiaries (notes 27)	—	—	—	—	—	(7,510)	(7,510)
Loss for the year	—	—	—	(2,245)	(2,245)	(60)	(2,305)
Appropriation to reserve	—	203	—	(203)	—	—	—
At 31 December 2007	—	203	—	(2,581)	(2,378)	190	(2,188)
Issue of new shares (note 24)	387,522	—	—	—	387,522	—	387,522
Capital contribution by minority shareholders (note 27)	—	—	—	—	—	10,737	10,737
Acquisition of additional interest in subsidiaries (note 27)	—	—	—	—	—	(1,049)	(1,049)
Waiver of advance from immediate holding company	—	—	7,803	—	7,803	—	7,803
Profit for the year	—	—	—	103,905	103,905	5,850	109,755
Appropriation to reserve	—	16,711	—	(16,711)	—	—	—
At 31 December 2008	387,522	16,914	7,803	84,613	496,852	15,728	512,580

Statutory reserve represents the appropriation of 10% of profit after taxation determined based on the accounting standards and regulations in the People's Republic of China (the "PRC") as required by the Articles of Association of one of the Company's PRC subsidiaries. The appropriation may cease to apply if the balance of the statutory reserve has reached 50% of that PRC subsidiary's registered capital.

Other reserve comprises amount advanced and waived by Lead Honest Management Limited ("Lead Honest"), the Company's immediate holding company, during the year.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
OPERATING ACTIVITIES			
Profit (loss) before taxation		**184,472**	(1,699)
Adjustments for:			
Interest income		**(155)**	(17)
Allowance for other receivables		**—**	114
Amortisation of mining rights		**4,624**	157
Amortisation of prepaid lease payments		**48**	—
Depreciation of property, plant and equipment		**4,872**	339
Discount on acquisition of additional interest in subsidiaries		**(1,049)**	—
Loss on disposal/write-off of property, plant and equipment		**994**	12
Financial guarantee expense		**4,103**	—
Amortisation of financial guarantee contract		**(1,710)**	—
Operating cash flows before movements in working capital		**196,199**	(1,094)
Decrease (increase) in trade and other receivables		**420**	(15,662)
Decrease in consumables and spare parts		**—**	696
(Increase) decrease in inventories		**(5,234)**	9,400
Increase in trade and other payables		**34,353**	2,376
Cash generated from (used in) operations		**225,738**	(4,284)
Interest received		**155**	17
Income tax paid		**(49,287)**	—
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**176,606**	(4,267)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(296,595)**	(14,881)
Addition of prepaid lease payments		**(6,107)**	(150)
Repayment from (advance to) related parties		**9,479**	(9,479)
Acquisition of subsidiaries	27	**—**	229
NET CASH USED IN INVESTING ACTIVITIES		**(293,223)**	(24,281)

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
FINANCING ACTIVITIES			
Proceeds from issue of shares		387,522	—
Contribution from minority shareholders		10,737	—
Advance from immediate holding company		7,803	—
(Repayment to) advance from related parties		(247,712)	29,293
NET CASH FROM FINANCING ACTIVITIES		158,350	29,293
INCREASE IN CASH AND CASH EQUIVALENTS		41,733	745
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		760	15
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		42,493	760

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 13 March 2008 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 23 February 2009. Its immediate holding company is Lead Honest Management Limited ("Lead Honest"), incorporated in the British Virgin Islands, and its ultimate holding company is Tercel Holdings Limited, incorporated in Bahamas. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is Room 1201B, 12/F, Java Commercial Centre, 128 Java Road, North Point, Hong Kong.

Through a series of group reorganisation procedures (the "Reorganisation") to rationalise the structure of the Company and its subsidiaries (the "Group") in preparation for the listing of the Company's shares on the Main Board of Stock Exchange, the Company became the holding company of the Group on 11 April 2008. Details of the Reorganisation were set out in the prospectus issued by the Company dated 10 February 2009.

The Company is an investment holding company. Details of principal activities of its subsidiaries are set out in note 33.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements for the year ended 31 December 2007 have been prepared as if the current group structure had been in existence since 1 January 2007 or from the date of which they were effectively controlled by Mr. Wu Ruilin, the controlling shareholder, and taking into account the effective controlling interest in these companies held by Mr. Wu Ruilin prior to the Reorganisation.

The consolidated balance sheet as at 31 December 2007 has been prepared as if the current group structure had been in existence, and taking into account the effective controlling interest held in these companies by Mr. Wu Ruilin as at 31 December 2007.

The consolidated financial statements have been presented in Renminbi ("RMB"), which is also the functional currency of the Company and its principal subsidiaries.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS ("IFRS")

For the purpose of preparing and presenting the consolidated financial statements, the Group adopted International Accounting Standards ("IASs"), IFRSs, amendments and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are effective for the Group's financial year beginning on 1 January 2008 consistently for the current and prior years.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS ("IFRS") (Continued)

The Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs[1]
IAS 1 (Revised)	Presentation of Financial Statements[2]
IAS 23 (Revised)	Borrowing Costs[2]
IAS 27 (Revised)	Combined and Separate Financial Statements[3]
IAS 32 & 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
IAS 39 (Amendment)	Eligible Hedged Items[3]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combinations[3]
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
IFRS 8	Operating Segments[2]
IFRIC 13	Customer Loyalty Programmes[4]
IFRIC 15	Agreements for the Construction of Real Estate[2]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[5]
IFRIC 17	Distributions of Non-cash Assets to Owners[3]
IFRIC 18	Transfers of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008
6 Effective for transfers received on or after 1 July 2009

The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material effect on how the results and financial position of the Group are prepared and presented.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, and in accordance with the accounting policies which conform with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

All significant intergroup transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interest in a subsidiary

On acquisition of additional interest in a subsidiary, goodwill is calculated as the difference between the consideration paid for the additional interest and the carrying amount of the net assets of the subsidiary attributable to the additional interest acquired. If the additional interest in the net assets of the subsidiary exceeds the consideration paid for the additional interest, the excess is recognised immediately in the profit and loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales related tax.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the profit or loss on a straight-line basis over the relevant lease terms.

Foreign currencies

In preparing the financed statements of each individual entities, the transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as other income.

Retirement benefits costs

Contributions to state-managed retirement benefits schemes and the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

Taxation

Taxation represents the sum of income tax expense currently payable and deferred tax.

The income tax expense currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable nor deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any identified impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress and mining structures, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Depreciation on mining structures is provided to write off the cost of the mining structures using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ore mines.

Construction in progress represents buildings, mining structures, and plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less any identified impairment loss. Cost comprises construction expenditure and other direct costs attributable to such projects, if the amount of capital expenditures and the time involved to complete the construction are significant. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Deprecation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the period in which the item is derecognised.

Mining rights

Mining rights with definite useful lives are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ore mines.

Prepaid lease payments

Prepaid lease payments represent lease payments paid for the right to use the land on which various ore mines, plants and buildings are situated for a definite period. Prepaid lease payments are released to profit or loss on a straight-line basis over the period of the rights.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for restoration cost

The Group is required to make payments for restoration and rehabilitation of the land after the underground sites have been mined. Provision for restoration cost is required when the Group has a present obligation as a result of past event, and it is probable that the Group will be required to settle that obligation. Provision is measured in accordance with the relevant rules and regulations applicable in the PRC at the balance sheet date, and is discounted to their present value where the effect is material.

Restoration cost is provided in the period in which the obligation is identified and is capitalised to the costs of mining structures. This cost is charged to profit or loss through amortisation of the assets, which are amortised using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ore mines.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets (including trade and other receivables, amounts due from related parties and bank balances) are classified as loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

Loans and receivables are assessed for indicators of impairment at each balance sheet date and are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted. Objective evidence of impairment could include significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

An impairment loss from loans and receivables is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Group's financial liabilities (including trade and other payables, amounts due to related parties and amount due to immediate holding company) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 "Revenue".

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty at the balance sheet date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Provision for restoration cost

The provision of restoration cost has been estimated by the directors based on current regulatory requirements and is discounted to their present value where the effect is material. However, significant changes in the regulatory requirements or the changes in timing of the performance of reclamation activities will result in changes to provision from period to period.

Estimated allowance for receivables

Management regularly reviews the recoverability of trade and other receivables and amounts due from related parties. Allowance for these receivables is made based on the evaluation of collectability and on management's judgement by reference to the estimation of the future cash flows discounted at an effective interest rate to calculate the present value.

A considerable amount of judgement is required in assessing the ultimate realisation of these debtors, including their current creditworthiness. If the actual future cash flows were less than expected, additional allowance may be required.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Mining rights and mining structures

Mining rights and mining structures are amortised using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ore mines. The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting mineral prices and costs change. Reserve estimates are based on current production forecasts, prices and economic conditions. The directors exercises their judgement in estimating the total proved and probable reserves of the ore mines.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of amounts due to related parties and amount due to immediate holding company, and equity attributable to equity holders of the Company which comprises issued share capital and reserves.

Management reviews the capital structure regularly, taking into account of the cost and risk associated with the capital. The Group will then balance its capital structure through the payment of dividends, new shares issues as well as the issue of new debt or the redemption of the existing debt.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008 RMB'000	2007 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**62,483**	30,865
Financial liabilities		
Amortised cost	**12,499**	249,202
Financial guarantee liability	**2,393**	—

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2008

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from/to related parties, bank balances, trade and other payables and amount due to immediate holding company. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Credit risk

The Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantee 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 as disclosed in note 23.

The Group is exposed to concentration of credit risk as a substantial portion of its revenue is generated from a limited number of customers. At 31 December 2008, the Group's trade receivables of RMB19,833,000 were owed by 4 customers.

In order to minimise the credit risk, the Group reviews the recoverable amount of each trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid fund is limited because the counterparties are banks with good reputation.

Liquidity risk

In management of the liquidity risk, the Group monitors the adequacy of funding for its daily operation and may consider to issue new debt or offer new shares in order to fulfill the working capital requirements. In the opinion of the directors, the liquidity risk of the Group is minimal.

The remaining contractual maturity for the trade and other payables are less than one month and those of the amounts due to related parties and immediate holding company are repayable on demand. No interest is charged on the Group's financial liabilities.

At 31 December 2008, it was not probable that the counterparties to the financial guarantee will claim under the contract. Consequently, the financial guarantee contract is accounted for in accordance with IAS 18 and has been released subsequent to the balance sheet date upon the listing of the shares of the Company.

7. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

The fair values of financial assets and financial liabilities (other than financial guarantee liability) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated balance sheet approximate their fair values.

The fair value of the financial guarantee liability is determined based on premium charge quoted by a financial institution for granting the financial guarantee with similar items and risks.

8. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amount received and receivable for goods sold, less sales related tax, for the year.

The Group is engaged in one operating segment which is the production and sale of gold concentrates. Accordingly, no business segment information is presented.

The Group also operates within one geographical segment because its revenue is generated in the People's Republic of China (the "PRC") and all of its assets are located in the PRC. Accordingly, no geographical segment information is presented.

9. OTHER INCOME

	2008 **RMB'000**	2007 RMB'000
Government subsidies	**13,346**	936
Amortisation of financial guarantee contract	**1,710**	—
Discount on acquisition of additional interest in subsidiaries	**1,049**	—
Bank interest income	**155**	17
	16,260	953

Government subsidies represent the tax benefit granted by the PRC government to encourage the Group's production and sale of gold concentrates.

During the year, Lita Investment Limited ("Lita"), a wholly-owned subsidiary of the Company, injected a sum of approximately RMB164,063,000 as capital contribution to 富邦工業(惠州)有限公司 ("Fubon Industrial (富邦)") and, accordingly, its equity interest in Fubon Industrial (富邦) was increased from 95% to 97.14%, resulting in a discount on acquisition of approximately RMB1,049,000.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2008

10. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

The emoluments paid or payable to each of the directors during the year were as follows:

	Mr. Lu Tian Jun RMB'000	Mr. Wang Zhen Tian RMB'000	Mr. Cao Jing Xuan RMB'000 (note i)	Mr. Ma Wen Xue RMB'000	Mr. Cui Jie RMB'000	Mr. Wu Ruilin RMB'000 (note ii)	Mr. Mak Kin Kwong RMB'000	Mr. Zhang Yihong RMB'000 (note iii)	Mr. Zhao Enguang RMB'000	Mr. Xiao Zuhe RMB'000	Total RMB'000
2008											
Fees	—	—	—	—	—	—	—	—	—	—	—
Other emoluments											
— salaries and other benefits	49	49	49	49	49	—	—	—	—	—	245
— retirement benefit scheme contributions	9	9	9	9	9	—	—	—	—	—	45
	58	58	58	58	58	—	—	—	—	—	290
2007											
Fees	—	—	—	—	—	—	—	—	—	—	—
Other emoluments											
— salaries and other benefits	16	24	25	12	13	—	—	—	—	—	90
— retirement benefit scheme contributions	3	5	4	2	2	—	—	—	—	—	16
	19	29	29	14	15	—	—	—	—	—	106

Notes:

(i) Mr. Cao Jing Xuan ceased as director on 29 December 2008.

(ii) Mr. Wu Ruilin resigned as director on 18 December 2008.

(iii) Mr. Zhang Yihong resigned as director on 19 September 2008.

(b) Five highest paid employees' emoluments

The five highest paid individuals for the year included two (2007: three) directors whose remuneration are included above. The emoluments of the remaining three (2007: two) individuals are as follows:

	2008 RMB'000	2007 RMB'000
Salaries and other benefits	756	66
Retirement benefit scheme contributions	13	9
	769	75

Emoluments of the three (2007: two) highest paid employees were within the band less than HK$1,000,000.

During the year, no remuneration has been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. No directors have waived any remuneration during the year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2008

11. PROFIT (LOSS) BEFORE TAXATION

	2008 RMB'000	2007 RMB'000
Profit (loss) before taxation has been arrived at after charging:		
Directors' remuneration (note 10)	**290**	106
Other staff costs	**4,456**	2,464
Retirement benefit scheme contributions	**790**	427
Total staff costs	**5,536**	2,997
Less: Amount capitalised in construction in progress	**(773)**	(1,138)
	4,763	1,859
Auditor's remuneration	**1,327**	47
Amortisation of mining rights	**4,624**	157
Amortisation of prepaid lease payments	**48**	—
Allowance for other receivables	**—**	114
Depreciation of property, plant and equipment	**4,872**	339
Financial guarantee expense	**4,103**	—
Loss on disposal of/write-off property, plant and equipment	**994**	12
Cost of inventories consumed	**80,529**	4,068
Operating lease payments for rented premises	**462**	217

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2008

12. TAXATION

	2008 RMB'000	2007 RMB'000
PRC Enterprise Income Tax	57,993	606
Deferred tax (note 26)	16,724	—
	74,717	606

PRC Enterprise Income Tax is calculated at the prevailing tax rate on taxable income determined in accordance with the relevant laws and regulations in the PRC.

For the year ended 31 December 2007, the Company's subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax calculated at 33% of taxable income.

On 16 March 2007, the PRC government promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations has changed the tax rate from 33% to 25% for the Company's PRC subsidiaries from 1 January 2008 onwards. The New Law imposes withholding tax upon the distribution of the profits earned by the Company's PRC subsidiaries on or after 1 January 2008 to their shareholders.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

12. TAXATION (Continued)

The charge for the year can be reconciled to the profit (loss) before taxation per the consolidated income statement as follows:

	2008 **RMB'000**	2007 RMB'000
Profit (loss) before taxation	**184,472**	(1,699)
Tax at applicable PRC Enterprise Income Tax rate of 25% (2007: 33%)	**46,118**	(561)
Tax effect of expenses not deductible for tax purpose	**11,939**	198
Tax effect of tax losses not recognised	**380**	1,231
Utilisation of tax losses previously not recognised	**(444)**	(262)
Deferred taxation arising from withholding tax on undistributed profit of PRC subsidiaries	**16,724**	—
Taxation charge for the year	**74,717**	606

13. DIVIDENDS

No dividend has been paid or proposed by the Company for the year ended 31 December 2008 and 2007.

14. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for the year is based on the profit (loss) for the year attributable to the equity holders of the Company during the year and on the weighted average number of shares of 219,639,995 shares (2007: 1 share) which has been adjusted for the capitalisation issue as detailed in note 34 (ii).

No diluted earnings (loss) per share has been presented as there are no potential ordinary shares outstanding during both years.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2008

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings 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	165	—	679	—	22	808	1,674
Acquisition of subsidiaries (note 27)	436	67	2,280	87	—	491	3,361
Acquisition of mining assets (note 28)	127	153	1,446	4	—	—	1,730
Additions	—	675	1,263	49	423	13,146	15,556
Transfer	19	5	412	—	—	(436)	—
Disposals	—	—	(13)	—	—	—	(13)
At 31 December 2007	747	900	6,067	140	445	14,009	22,308
Additions	**7,872**	**54,298**	**28,397**	**37**	**42**	**209,417**	**300,063**
Transfer	**97,842**	**83,668**	**35,510**	**—**	**—**	**(217,020)**	**—**
Write-off	**(905)**	**(67)**	**—**	**—**	**—**	**(74)**	**(1,046)**
At 31 December 2008	**105,556**	**138,799**	**69,974**	**177**	**487**	**6,332**	**321,325**
DEPRECIATION							
At 1 January 2007	1	—	5	—	1	—	7
Provided for the year	30	4	256	15	34	—	339
Eliminated on disposals	—	—	(1)	—	—	—	(1)
At 31 December 2007	31	4	260	15	35	—	345
Provided for the year	**915**	**2,214**	**1,631**	**27**	**85**	**—**	**4,872**
Eliminated on write-off	**(48)**	**(4)**	**—**	**—**	**—**	**—**	**(52)**
At 31 December 2008	**898**	**2,214**	**1,891**	**42**	**120**	**—**	**5,165**
CARRYING VALUES							
At 31 December 2008	**104,658**	**136,585**	**68,083**	**135**	**367**	**6,332**	**316,160**
At 31 December 2007	716	896	5,807	125	410	14,009	21,963

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The property, plant and equipment, other than construction in progress and mining structures, are depreciated over their estimated useful lives, after taking into account their residual value, as follows:

Buildings	8–20 years
Plant and machinery	10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

Depreciation on mining structures is provided to write off the cost of the mining structures using the unit of production method based on the actual production volume over the total estimated proved and probable reserves of the ore mines.

16. MINING RIGHTS

	RMB'000
COST	
At 1 January 2007	44,500
Acquisition of subsidiaries (note 27)	68,000
Acquisition of mining assets (note 28)	83,000
At 31 December 2007 and 31 December 2008	195,500
AMORTISATION	
At 1 January 2007	—
Charged for the year	157
At 31 December 2007	157
Charged for the year	**4,624**
At 31 December 2008	**4,781**
CARRYING VALUES	
At 31 December 2008	**190,719**
At 31 December 2007	195,343

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2008

17. PREPAID LEASE PAYMENTS

The prepaid lease payments represent land use rights in the PRC held under medium-term lease and is analysed for reporting purposes as follows:

	2008 RMB'000	2007 RMB'000
Non-current	6,084	147
Current	125	3
	6,209	150

18. INVENTORIES

	2008 RMB'000	2007 RMB'000
Mineral ores	2,803	—
Concentrates	2,431	—
	5,234	—

19. TRADE AND OTHER RECEIVABLES

	2008 RMB'000	2007 RMB'000
Trade receivables	19,833	—
Deposits	431	388
Prepayments	823	650
Other receivables	157	20,626
	21,244	21,664

The average credit period granted to the Group's customers is 30 days. The trade receivables as at 31 December 2008 were aged within 30 days.

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 December 2008

20. AMOUNTS DUE FROM RELATED PARTIES

Name of related parties	Balance at 31.12.2008 RMB'000	Balance at 1.1.2008 RMB'000	Maximum outstanding balance during the year RMB'000
赤峰富邦銅業有限責任公司 ("富邦銅業") (note i)	—	127	127
赤峰博川礦業有限公司 (note i)	—	880	880
赤峰富博礦業有限公司 (note i)	—	5,000	5,000
內蒙古僑興礦冶投資管理有限公司 (notes i and ii)	—	635	635
巴林左旗鑫源礦業有限公司 (note i)	—	2,837	2,837
	—	9,479	

Notes:

(i) Mr. Wu Ruilin has beneficial interest in the above companies.

(ii) Mr. Wong Zhen Tian, a director of the Company, has beneficial interest in the above company.

The amounts were of non-trade nature, unsecured, non-interest bearing and fully settled during the year.

21. TRADE AND OTHER PAYABLES

	2008 RMB'000	2007 RMB'000
Trade payables	16	41
Other payables	40,211	2,365
	40,227	2,406

The average credit period granted by the Group's suppliers is 30 to 60 days. The trade payables as at 31 December 2008 were wholly due within 30 days.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2008

22. AMOUNTS DUE TO RELATED PARTIES

Name of related parties	**2008 RMB'000**	2007 RMB'000
巴林左旗萬華礦業有限公司 (note i)	—	833
巴林左旗鑫源礦業有限公司 (note i)	—	1,000
赤峰中泰礦業有限責任公司 ("中泰礦業") (note i)	—	1,119
富邦銅業 (note i)	—	439
赤峰浩洲礦業有限責任公司 (note i)	—	34,567
赤峰博川礦業有限公司 (note i)	—	3,620
赤峰三川礦業有限公司 (note i)	—	3,150
內蒙古僑興礦冶投資管理有限公司 (notes i and ii)	—	22,926
僑興集團有限公司 (note i)	—	174,439
深圳達瑞進出口貿易有限公司 (note i)	—	87
Ankson Limited (note i)	—	4,500
Mr. Wu Ruilin	—	1,032
	—	247,712

Notes:

(i) Mr. Wu Ruilin has beneficial interest in the above companies.

(ii) Mr. Wang Zhen Tian, a director of the Company, has beneficial interest in the above company.

The amounts were of non-trade nature, unsecured, non-interest bearing and fully settled during the year.

23. FINANCIAL GUARANTEE LIABILITY

On 25 July 2008, Lead Honest, the Company, Lita, Rich Vision Holdings Limited ("Rich Vision"), both subsidiaries of the Company, Mr. Wu Ruilin and certain investors (the "Bondholders") entered into a subscription agreement pursuant to which Lead Honest agreed to issue secured exchangeable bonds due 2009 to the Bondholders at a consideration of US$50,000,000 (with an option by the Bondholders to subsequently increase by an aggregate principal amount of US$30,000,000) (the "Pre-IPO Investment") and to use part of the proceeds to subscribe for additional shares in the Company. At 31 December 2008, an aggregate amount of US$41,349,016 out of the US$50,000,000 has been injected by Lead Honest into the Company.

The Pre-IPO Investment is secured by, amongst others, the followings:

(a) joint and several guarantee given by the Company, Lita, Rich Vision and Mr. Wu Ruilin;

(b) charge over the assets of Lead Honest, the Company, Lita and Rich Vision;

(c) mortgage of issued share capital of Lead Honest, the Company, Lita and Rich Vision; and

(d) mortgage of paid-up registered capital of Fubon Industrial (富邦) held by Lita.

The guarantee and pledge of assets and shares given by the Company, Lita, Rich Vision and Fubon Industrial (富邦) were released upon the listing of the shares of the Company on the Stock Exchange. The financial guarantee provided by the Group has been charged to the consolidated income statement as provision for financial guarantee contract on the date of inception at approximately RMB4,103,000. The financial guarantee liability is released to the consolidated income statement during the year on a straight-line basis over the contracted period of the financial guarantee.

24. SHARE CAPITAL

The share capital of the Group as at 31 December 2007 represented the issued and fully paid share capital of Lita, the then holding company of the Group.

The share capital of the Group as at 31 December 2008 represents the issued and fully paid share capital of the Company.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2008

24. SHARE CAPITAL (Continued)

Movements of the share capital of the Company are as follows:

	Notes	**Authorised** HK$	**Issued and fully paid** HK$
Ordinary shares of HK$1 each:			
At 13 March 2008 (date of incorporation)	(i)	380,000	1
Increase in authorised share capital on 18 July 2008	(ii)	999,620,000	—
Issue of new shares			
— on 21 May 2008	(iii)	—	999
— on 30 July 2008	(iv)	—	253,815,919
— on 21 August 2008	(v)	—	188,126,796
At 31 December 2008		1,000,000,000	441,943,715

	RMB'000
Shown in the financial statements as	387,522

Notes:

(i) The Company was incorporated on 13 March 2008 with an authorised share capital of HK$380,000 divided into 380,000 ordinary shares of HK$1 each. At the date of incorporation, 1 ordinary share was allotted and issued for cash at par to the subscriber to provide the initial capital to the Company.

(ii) On 18 July 2008, the authorised share capital of the Company was increased from HK$380,000 to HK$1,000,000,000 by the creation of an additional 999,620,000 ordinary shares of HK$1 each.

(iii) On 21 May 2008, the Company issued additional 999 ordinary shares of HK$1 each for cash at par to Lead Honest.

(iv) On 30 July 2008, Lead Honest injected a sum of HK$253,815,919 (equivalent to approximately RMB222,470,000) to subscribe for 253,815,919 ordinary shares of HK$1 each in the Company.

(v) On 21 August 2008, Lead Honest further injected a sum of HK$188,126,796 (equivalent to approximately RMB165,052,000) to subscribe for an additional 188,126,796 ordinary shares of HK$1 each in the Company. The proceeds were used for capital injection in Lita.

The new shares rank pari passu with the then existing shares in all respects.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2008

25. PROVISION FOR RESTORATION COST

	2008 **RMB'000**	2007 RMB'000
At beginning of the year	**675**	—
Capitalised in property, plant and equipment	**—**	675
At end of the year	**675**	675

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue the cost for land reclamation and mine closures for the Group's existing mines. The provision for restoration cost has been determined by the directors based on their best estimates in accordance with the PRC rules and regulations.

26. DEFERRED TAXATION

The followings are the deferred tax liability mainly arising from withholding tax applied on the profit of the PRC subsidiaries for the year and movement thereon during the year:

	RMB'000
At 1 January 2007 and 31 December 2007	—
Charge to consolidated income statement	16,724
At 31 December 2008	16,724

At 31 December 2008, the Group has unused tax losses of approximately RMB2,747,000 (2007: RMB3,003,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to unpredictability of future profit streams. The tax losses can be carried forward for 5 years from the year they arise.

27. ACQUISITION OF SUBSIDIARIES

On 25 May 2007, the Group acquired mining assets from independent third parties at considerations of RMB65,340,000 by way of acquisition of 90% equity interests in 赤峰石人溝金礦有限責任公司 ("Shirengou Mining (石人溝)").

On 23 April 2007, the Group acquired 90% equity interest in Fubon Industrial (富邦) at a consideration of RMB4,500,000.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2008

27. ACQUISITION OF SUBSIDIARIES (Continued)

The net assets acquired in these transactions are as follows:

	Year ended 31 December 2007		
	Shirengou Mining (石人溝) RMB'000	**Fubon Industrial (富邦)** RMB'000	**Total** RMB'000
Net assets acquired:			
Property, plant and equipment	3,274	87	3,361
Mining rights	68,000	—	68,000
Inventories	630	—	630
Consumables and spare parts	696	—	696
Other receivables	257	6,116	6,373
Bank balances and cash	148	81	229
Trade and other payables	(6,712)	—	(6,712)
Amounts due to related parties	—	(1,284)	(1,284)
Tax payable	(148)	—	(148)
	66,145	5,000	71,145
Net assets and liabilities assumed by/assigned to the ex-shareholders (note i)	6,455	—	6,455
	72,600	5,000	77,600
Minority interests	(7,260)	(500)	(7,760)
	65,340	4,500	69,840
Satisfied by:			
Cash consideration settled by related parties (note ii)	65,340	4,500	69,840
Cash inflow arising on acquisition:			
Bank balances and cash acquired	148	81	229

Notes:

(i) Under the acquisition agreements of Shirengou Mining (石人溝), the ex-shareholders agreed to assume certain assets and liabilities of Shirengou Mining (石人溝) with the net carrying amounts of RMB6,455,000.

(ii) The purchase considerations in connection with the acquisition of equity interest in Shirengou Mining (石人溝) and Fubon Industrial (富邦) amounting to RMB65,340,000 and RMB4,500,000 were settled by certain related parties on behalf of the Group.

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 December 2008

28. ACQUISITION OF MINING ASSETS

During the year ended 31 December 2007, the Group acquired the following mining assets from 富邦銅業 at a consideration of RMB93,500,000 which was satisfied by the assumption of the amount due to certain related parties in which Mr. Wu Rulin has beneficial interest:

	RMB'000
Assets acquired:	
Property, plant and equipment	1,730
Mining rights	83,000
Inventories	8,770
	93,500
Satisfied by:	
Assumption of amount due to a related party	93,500

29. MAJOR NON-CASH TRANSACTIONS

Other than the non-cash transactions disclosed in notes 27(i), 27(ii) and 28, the purchase considerations in connection with the acquisition of additional 5% equity interest in Fubon Industrial (富邦) and additional 10% equity interest in Shirengou Mining (石人溝) amounting to RMB250,000 and RMB7,260,000 respectively during the year ended 31 December 2007 were settled by certain related parties on behalf of the Group.

At 31 December 2008, construction in progress of RMB3,490,000 (2007: RMB22,000) has not yet been settled and the amount is included in other payables.

30. OPERATING LEASE COMMITMENTS

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

	2008 **RMB'000**	2007 RMB'000
Within one year	**168**	490
Between two and five years	**8**	131
	176	621

Lease terms are ranged from 1 to 3 years with fixed rentals.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2008

31. RELATED PARTY DISCLOSURES

Other than the transactions disclosed in notes 23, 27, 28 and 29, the Group entered into the following transactions with related parties during the year:

Name of company	Nature of transaction	2008 RMB'000	2007 RMB'000
中泰礦業	Acquisition of property, plant and equipment by the Group	—	259
富邦銅業	Sales by the Group	11,281	—

32. RETIREMENT BENEFITS SCHEMES

The Group participates in a state-managed 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 20% of the local standard basic salaries.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustee.

At the balance sheet date, the Group had no significant obligation apart from the contribution as stated above.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2008

33. PARTICULARS OF THE COMPANY'S SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2008 and 2007 are as follows:

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company 2008 Directly	2008 Indirectly	2007 Directly	2007 Indirectly	Principal activities
Lita Investment Limited	British Virgin Islands 16 February 2004	US$55,942,117	100%	—	100%	—	Investment holding
Rich Vision Holdings Limited	Hong Kong 9 April 2008	HK$1	—	100%	—	100%	Inactive
富邦工業(惠州)有限公司 Fubon Industrial (Huizhou) Co., Ltd. (formerly known as 惠州安臣塑膠模具科技有限公司)* (note i)	The People's Republic of China ("PRC") 23 June 2006	HK$437,000,000	—	97.14%	—	95%	Investment holding
赤峰富僑礦業有限公司 Chifeng Fuqiao Mining Co., Ltd.* (note ii)	PRC 21 August 2007	RMB5,000,000	—	97.14%	—	95%	Investment holding
赤峰石人溝金礦有限責任公司 Chifeng Shirengou Mining Co., Ltd.* (note ii)	PRC 10 November 2004	RMB600,000	—	97.14%	—	95%	Exploration, mining and processing of gold ore and sale of concentrates in the PRC
赤峰南台子金礦有限公司 Chifeng Nantaizi Mining Co., Ltd. (note ii)	PRC 11 July 2007	RMB1,000,000	—	97.14%	—	95%	Exploration, mining and processing of gold ore and sale of concentrates in the PRC
巴林左旗國濤礦產品貿易有限責任公司 Balinzuo Banner Guotao Materials Products Trading Co., Ltd.* (note ii)	PRC 1 July 2005	RMB1,000,000	—	97.14%	—	95%	Exploration, mining and processing of gold ore sale of concentrates in the PRC

Notes:

(i) A Sino-foreign equity joint venture.

(ii) A limited liability company.

* English translated name is for identification only.

34. SUBSEQUENT EVENTS

(i) The Company's share option scheme (the "Scheme") was approved by written resolutions of the sole shareholder on 30 January 2009 for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. No options had been granted under the Scheme since the date of its adoption.

(ii) Pursuant to the written resolutions of the sole shareholder passed on 30 January 2009 and conditional on the share premium account of the Company being credited pursuant to the listing of the Company's shares on the Stock Exchange on 23 February 2009, the Company capitalised HK$113,856,285 standing to the credit of the share premium account of the Company to pay up in full 113,856,285 new ordinary shares of HK$1 each for allotment and issue to the then sole shareholder. The new shares rank pari passu with all shares then in issue.

(iii) On 23 February 2009, the Company issued 104,200,000 new ordinary shares of HK$1 each for cash pursuant to the Company's initial public offering at a price of HK$6.25 per share to the public for listing of those shares on the Stock Exchange. The new shares rank pari passu with all shares then in issue.

(iv) The financial guarantee contract set out in note 23 was released upon the listing of the Company's shares on 23 February 2009.

Financial Summary

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	2008 **RMB'000**	2007 RMB'000	2006 RMB'000	2005 RMB'000
Revenues	**312,262**	8,007	—	—
Profit (loss) before taxation	**184,472**	(1,699)	(118)	(15)
Taxation	**(74,717)**	(606)	—	—
Profit (loss) after taxation	**109,755**	(2,305)	(118)	(15)
Minority interests	**(5,850)**	(60)	—	—
Profit (loss) attributable to shareholders	**103,905**	(2,245)	(118)	(15)
Earnings (loss) per share				
Basic	**RMB47.31 cents**	(2,245)	(118)	(15)

Financial Summary (Continued)

CONSOLIDATED BALANCE SHEET

As at 31 December

	2008 **RMB'000**	2007 RMB'000	2006 RMB'000	2005 RMB'000
Assets				
Property, plant and equipment	**316,160**	21,963	1,667	—
Mining rights	**190,719**	195,343	44,500	—
Prepaid lease payment	**6,084**	147	—	—
Current assets	**69,096**	31,906	15	20
Total assets	**582,059**	249,359	46,182	20
Equity and liabilities				
Share capital	**387,522**	—	—	—
Reserves	**109,330**	(2,378)	(133)	(15)
Shareholders' funds	**496,852**	(2,378)	(133)	(15)
Minority interests	**15,728**	190	—	—
Total equity	**512,580**	(2,188)	(133)	(15)
Current liabilities	**52,080**	250,872	46,315	35
Non-current liabilities	**17,399**	675	—	—
Total equity and liabilities	**582,059**	249,359	46,182	20