
SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Offer Shares. There are risks associated with an investment in the Offer Shares. Some of the particular risks of investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

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 68.3% of our total revenue for the year ended 31 December 2007 and the ten months ended 31 October 2008, respectively. Despite the recent financial turmoil, our Directors believe that the outlook for the gold sector remains positive.

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. 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 PRC gold producers listed on the Stock Exchange, which we believe will enable us to generate greater revenue per tonne of ore. For further details, please refer to the table on page 112 of this prospectus.

We are in a period of significant production growth. We have undertaken extensive exploration and drilling activities at our Gold Mines. 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 g/t at the Shirengou Gold Mine, 10.10 g/t at the Nantaizi Gold Mine and 3.44 g/t 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 do not engage to a material extent in exploration and mining activities. We outsource substantially all our exploration and mining works. We select third-party contractors to undertake our exploration and mining works through a selective tendering process. Prior to engaging third-party contractors, we assess their skills, expertise and experience. All of the third-party contractors must possess the requisite qualifications for undertaking the mining, exploration or construction works for which they are commissioned. The third-party contractors work under the supervision of our management and technical teams. While works are being carried out by third-party contractors, each of our relevant departments is responsible for supervising such works ranging from reviewing engineering quality, quantifying losses and depletion of minerals to supervising and managing the progress and completion of the commissioned works. We require third-party contractors to carry out their works according to the design and plan of the relevant commission and in accordance with the requirements of our Production and Environmental Safety Department and Quality Control Department. Our Production and Environmental Safety Department supervises and inspects safety management. Our Quality Control Department supervises mineral quality to ensure that third-party contractors meet our quality standards.

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We continue to maintain responsibility for technology support, land acquisition and overall coordination and planning. These measures are adopted by us to ensure that we are in full compliance with the relevant government rules and regulations and to detect any events of non-compliance. For further information in relation to our third-party contractors, please refer to the section headed “Business — Third-Party Contractors” in this prospectus.

As at the Latest Practicable Date, we had 34 employees in our in-house exploration team. We have a Geographic Exploration Experts Committee which is responsible for the overall planning, design and distribution of the geographic exploration of our Gold Mines. It is also responsible for surveying, demonstrating and technically assessing new mine projects of any company within our Group. Our Land Exploration Department and Production and Environmental Safety Department are under the direct supervision of the Geographic Exploration Experts Committee. Each of our Gold Mines also has its own professional technical groups. Under the overall planning, design and supervision of our Geographic Exploration Experts Committee, each of the professional technical groups of our Gold Mines is responsible for the specific design, production organization, production direction, supervision and inspection of their respective Gold Mines and for inspecting and ensuring our products meet our quality standards. For further information in relation to our in-house exploration team, please refer to the section headed “Business — Exploration — Our in-house exploration team” in this prospectus.

Although we intend to apply substantially all of the net proceeds from the Global Offering for capital expenditure in relation to our expansion of exploration activities, commercialization of newly discovered mineral resources as a result of exploration, mine development and acquisitions, our current operations and profit estimate do not depend on the discovery and commercialization of new resources or acquisition of new mines. Our Directors believe that the recent financial turmoil will not have any substantial impact on our results and capital expenditure plans. 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 tpd and 800 tpd, respectively. The Nantaizi Gold Mine and the Shirengou Gold Mine are adjacent to each other, and the two mines are referred to together in this prospectus 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 tpd. 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 tpd. The combined ore processing capacity of both ore processing facilities is expected to reach approximately 2,580 tpd by the fourth quarter of 2009.

We had a 50 tpd ore processing facility located at the Shirengou Gold Mine, which was constructed prior to our acquisition of Shirengou Mining. The production technology used at this ore processing facility was outdated and was unable to effectively extract the various types of minerals contained in our ore. We ceased the operation of the 50 tpd ore processing facility after we completed the construction and began the operation of the 500 tpd ore processing facility located at the Nantaizi Gold Mine in May 2008. The daily production capacity of this ore processing facility was subsequently augmented by 490 tonnes on completion of the construction of phase II in September 2008. All ore processing previously undertaken at the 50 tpd ore processing facility located at the Shirengou Gold Mine is now undertaken at the larger, more efficient 990 tpd ore processing facility located at the Nantaizi Gold Mine.

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According to the Independent Technical Expert's Report, as at 30 November 2008, the reserves at the Shirengou-Nantaizi Mining Complex were estimated to be sufficient for production at our anticipated 2011 production level of 450 ktpa for approximately 14.2 years, and the reserves at the Luotuochang Gold Mine were estimated to be sufficient for production at our anticipated 2011 production level of 330 ktpa for approximately 24.9 years. It is estimated that our annual production of gold, silver, copper, lead and zinc contained in the concentrates we produce will reach 151,900 ounces (approximately 4.7 tonnes), 1,290,000 ounces (approximately 40.1 tonnes), 7,660 tonnes, 4,540 tonnes and 4,530 tonnes, respectively, by the fourth quarter of 2011. The gold contained in the concentrates we produce and sell contributed to 89.0% and 68.3% of our total revenue for the year ended 31 December 2007 and the ten months ended 31 October 2008, respectively. We plan to focus on gold as our core commodity by expanding production at our Gold Mines, acquiring new mines and expanding into gold smelting and refining.

For the year ended 31 December 2007, we generated revenue of RMB8.0 million, gross profit of RMB3.9 million and loss attributable to equity holders of our Company of RMB2.2 million. For the year ended 31 December 2007, the concentrates we sold contained gold, silver and copper which accounted for 89.0%, 6.3% and 4.7% of our revenue, respectively. For the ten months ended 31 October 2008, we generated revenue of RMB173.6 million, gross profit of RMB140.3 million and profit attributable to equity holders of our Company of RMB62.3 million. For the ten months ended 31 October 2008, gold, silver, copper, lead and zinc contained in the concentrates we sold accounted for 68.3%, 8.6%, 14.2%, 6.0% and 2.9% of our revenue, respectively.

Our capital expenditure for the year ended 31 December 2008 and the planned capital expenditures for the two years ending 31 December 2010 are as follows:

<u>Name of the Mines</u>	<u>Capital Cost</u>		
	<u>Year 2008</u>	<u>Year 2009</u>	<u>Year 2010</u>
	(RMB in millions)		
Shirengou-Nantaizi Mining Complex	168.4	55.2	63.7
Luotuochang Gold Mine	<u>131.6</u>	<u>31.1</u>	<u>25.0</u>
Total	<u><u>300.0</u></u>	<u><u>86.3</u></u>	<u><u>88.7</u></u>

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The following table, which appears as Table 6.2 in the Independent Technical Expert's Report, provides information on the gold resources at our Gold Mines as at 30 November 2008 under the JORC Code. For definitions of the technical terms used in the tables, please refer to the section headed "Glossary of Technical Terms" in this prospectus.

Gold Mines Ore Resources Summary — as at 30 November 2008

(The figures below are not pro rated for our 97.14% proportionate ownership in each Gold Mine.)

JORC Mineral Resource Category	Tonnage (kt)	Grades					Contained Metals				
		Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	Au (koz*)	Ag (koz)	Cu (t)	Pb (t)	Zn (t)
Shirengou											
Measured	523	9.54	86.9	0.35	1.67	1.38	161	1,462	1,818	8,730	7,201
Indicated	1,573	10.03	95.6	0.32	1.96	1.49	507	4,835	5,085	30,840	23,435
Subtotal	2,096	9.91	93.4	0.33	1.89	1.46	668	6,296	6,903	39,570	30,636
Inferred	525	9.71	83.2	0.42	1.94	1.40	164	1,404	2,217	10,198	7,367
Total	2,621	9.87	91.4	0.35	1.90	1.45	832	7,700	9,120	49,768	38,003
Nantaizi											
Measured	1,037	11.03	89.6	0.44	1.45	1.38	368	2,986	4,526	14,992	14,298
Indicated	3,241	11.28	90.0	0.50	1.67	1.50	1,175	9,382	16,367	54,082	48,617
Subtotal	4,278	11.22	89.9	0.49	1.61	1.47	1,543	12,368	20,893	69,074	62,915
Inferred	1,026	11.29	90.1	0.50	1.71	1.51	372	2,972	5,166	17,564	15,510
Total	5,303	11.23	90.0	0.49	1.63	1.48	1,916	15,339	26,059	86,638	78,425
Luotuochang											
Measured	935	4.31	49.1	2.67	—	—	129	1,475	24,976	—	—
Indicated	7,007	4.02	48.4	2.60	—	—	905	10,907	181,906	—	—
Subtotal	7,942	4.05	48.5	2.60	—	—	1,035	12,383	206,883	—	—
Inferred	679	4.02	49.3	2.69	—	—	88	1,077	18,273	—	—
Total	8,622	4.05	48.6	2.61	—	—	1,122	13,459	225,156	—	—
Total											
Measured	2,495	8.20	73.8	1.26	—	—	657	5,923	31,321	23,722	21,499
Indicated	11,822	6.81	66.1	1.72	—	—	2,588	25,124	203,358	84,922	72,052
Subtotal	14,316	7.05	67.5	1.64	—	—	3,245	31,047	234,679	108,644	93,551
Inferred	2,230	8.70	76.1	1.15	—	—	624	5,452	25,656	27,762	22,877
Total	16,546	7.27	68.6	1.57	—	—	3,869	36,499	260,335	136,406	116,428

* koz – kilo troy ounce = 31,103.48 grams.

Source: Independent Technical Expert's Report

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The following table, which appears as Table 6.4 in the Independent Technical Expert's Report, provides information on the gold reserves of our Gold Mines as at 30 November 2008 under the JORC Code. According to the Independent Technical Expert's Report, the aggregate proved ore reserves and probable ore reserves, under the JORC Code, of our Gold Mines are 14,597,000 tonnes.

Gold Mines Ore Reserves Summary — as at 30 November 2008

(The figures below are not pro rated for our 97.14% proportionate ownership in each Gold Mine.)

JORC Ore Reserve Category	Tonnage (kt)	Grades					Contained Metals				
		Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	Au (koz)	Ag (koz)	Cu (t)	Pb (t)	Zn (t)
Shirengou Gold-Polymetallic Deposit											
Proved.	523	8.59	78.2	0.31	1.50	1.24	144	1,315	1,636	7,857	6,481
Probable.	1,573	9.03	86.0	0.29	1.76	1.34	457	4,351	4,577	27,756	21,092
Subtotal	2,096	8.92	84.1	0.30	1.70	1.32	601	5,667	6,213	35,613	27,573
Nantaizi Gold-Polymetallic Deposit											
Proved.	1,037	9.93	80.6	0.39	1.30	1.24	331	2,687	4,073	13,493	12,868
Probable.	3,241	10.15	81.0	0.45	1.50	1.35	1,058	8,444	14,730	48,674	43,755
Subtotal	4,278	10.10	80.9	0.44	1.45	1.32	1,389	11,131	18,804	62,167	56,624
Luotuochang Gold-Silver-Copper Deposit											
Proved.	968	3.66	41.7	2.27	—	—	114	1,298	21,979	—	—
Probable.	7,255	3.42	41.2	2.21	—	—	797	9,599	160,078	—	—
Subtotal	8,222	3.44	41.2	2.21	—	—	910	10,897	182,057	—	—
Total											
Proved.	2,528	7.25	65.2	1.10	—	—	589	5,301	27,689	21,350	19,349
Probable.	12,069	5.96	57.7	1.49	—	—	2,311	22,394	179,384	76,430	64,847
Total	14,597	6.18	59.0	1.42	—	—	2,900	27,695	207,073	97,780	84,196

Source: Independent Technical Expert's Report

The following table shows our production capacity during the Track Record Period and our expected production capacity for the dates indicated.

Name of the Mines	Our production level and forecast (ore processing capability tpd)					
	Actual					Forecast
	2007 and before	January to April 2008	June 2008	October 2008	December 2008	4th Quarter 2009
Shirengou Gold Mine ⁽¹⁾	50	50	0	0	0	0
Nantaizi Gold Mine	0	0	500	990	990	1,480
Luotuochang Gold Mine	0	0	0	500	800	1,100
Total	50	50	500	1,490	1,790	2,580

Note:

- (1) The 50 tpd ore processing facility located at the Shirengou Gold Mine was constructed prior to our acquisition of Shirengou Mining. The production technologies used at the 50 tpd ore processing facility were relatively outdated and were unable to effectively extract the various types of minerals contained in the ore. The 50 tpd ore processing facility ceased production in May 2008 after the ore processing facility located at the Nantaizi Gold Mine commenced production.

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The following table shows the revenue and production volume for the year ended 31 December 2007, the six months ended 30 June 2008 and for each month ended 31 July 2008, 31 August 2008, 30 September 2008 and 31 October 2008:

	<u>Jan-Dec 2007</u>	<u>Jan-Jun 2008</u>	<u>July 2008</u>	<u>August 2008</u>	<u>September 2008</u>	<u>October 2008</u>
Revenue (RMB in thousands)						
Shirengou Gold Mine.	8,007	12,369	12,972	20,848	16,528	14,381
Nantaizi Gold Mine . .	—	21,794	19,265	5,484	9,886	14,678
Luotuochang Gold Mine	—	—	—	—	11,282	14,099
Total:	<u>8,007</u>	<u>34,163</u>	<u>32,237</u>	<u>26,332</u>	<u>37,696</u>	<u>43,158</u>
Production volume (in t)						
Shirengou Gold Mine.	5,820	6,530	5,980	12,170	9,951	9,985
Nantaizi Gold Mine . .	—	13,190	9,190	3,690	5,799	15,745
Luotuochang Gold Mine	—	—	—	—	11,680	14,360
Total:	<u>5,820</u>	<u>19,720</u>	<u>15,170</u>	<u>15,860</u>	<u>27,430</u>	<u>40,090</u>

Under the Mineral Resources Law of the PRC, all mineral resources in the PRC are owned by the State. Mining enterprises, including us, must obtain mining or exploration permits prior to undertaking any mining or exploration activities, and such mining and exploration permits are limited to a specific geographic area and time period.

The following table shows the details of the mining and/or exploration permits we currently hold in respect of our Gold Mines.

Shirengou Mining

<u>Type</u>	<u>Serial number</u>	<u>Production capacity</u>	<u>Mine area</u>	<u>Validity period</u>	<u>Portion of mineral resources covered by this permit</u>	<u>Portion of ore reserves covered by this permit</u>
Mining permit	1500000820448	60,000 tonnes/year	10.9035 km ²	September 2008–September 2011	100%	100%

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Nantaizi Mining

<u>Type</u>	<u>Serial number</u>	<u>Production capacity</u>	<u>Mine area</u>	<u>Validity period</u>	<u>Portion of mineral resources covered by this permit</u>	<u>Portion of ore reserves covered by this permit⁽¹⁾</u>
Mining permit.	1500000720684	10,000 tonnes/year	1.5869 km ²	December 2007–December 2010	15%	16%
Mining permit.	1500000810520	60,000 tonnes/year	1.4168 km ²	27 October 2008–27 October 2011	59%	58%
Exploration permit. . .	T15120080702012284	N/A	3.19 km ²	21 July 2008–21 July 2009	26%	26%

Luotuochang Mining

<u>Type</u>	<u>Serial number</u>	<u>Production capacity</u>	<u>Area</u>	<u>Validity period</u>	<u>Portion of mineral resources covered by this permit</u>	<u>Portion of ore reserves covered by this permit</u>
Mining permit.	1500000810063	60,000 tonnes/year	6.48 km ²	February 2008–February 2011	100%	100%

Note: The portion of ore reserves covered by the current exploration permit arises from completed exploration work and no further exploration work is needed. Although we intend to apply substantially all of the net proceeds from the Global Offering for capital expenditure in relation to our expansion of exploration activities, and commercialization of newly discovered mineral resources as a result of exploration, mine development and acquisitions, our current operations and profit estimate do not depend on the discovery and commercialization of new resources or acquisitions of new mines.

All mineral resources and ore reserves of the Shirengou Gold Mine and Luotuochang Gold Mine are within the scope of their respective mining rights.

Approximately 74% of the mineral resources and 74% of the ore reserves for the Nantaizi Gold Mine are within the scope of Nantaizi Mining's mining rights. The remaining mineral resources and ore reserves for the Nantaizi Gold Mine are within the scope of Nantaizi Mining's exploration rights.

OUR KEY ACTIVITIES

We are engaged in the business of owning mining assets and processing ore. We outsource substantially all our exploration and mining works. We select third-party contractors to undertake our exploration and mining works through a selective tendering process. Prior to engaging third-party contractors, we assess their skills, expertise and experience. All of the third-party contractors we engage must possess the requisite qualifications for undertaking the mining, exploration or construction works for which they are commissioned. The third-party contractors work under the supervision of our management and technical teams.

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We are engaged in the following key activities with respect to our mineral resources:

- **overall management** — despite outsourcing substantially all of our exploration and mining works to third-party contractors, our staff manage and supervise the overall development of each Gold Mine’s mineral resources and the mineral quality in order to ensure that third-party contractors meet our quality standards. Although our third-party contractors receive payments for performing specific tasks that they undertake, they do not have any economic interest in our mineral resources. Please refer to the section headed “Business — Third-Party Contractors” in this prospectus;
- **exploration** — our geological team constantly analyzes data to identify potential exploration targets and to assess the prospectivity, scale, nature and timing of exploration activities for each specific location or target. Once an exploration target is identified and acquired, we then manage and execute the continued exploration at the site. Please refer to the section headed “Business — Exploration” in this prospectus;
- **mining** — we engage third-party contractors on medium-term contracts to extract materials from the ore body and to transport them to our ore processing facilities. Please refer to the section headed “Business — Mining” in this prospectus;
- **processing** — we process the extracted ore at our ore processing facilities to produce saleable mineral concentrates. Please refer to the section headed “Business — Ore Processing” in this prospectus; and
- **concentrates sales** — we mainly sell our products to smelters or trading entities in the Chifeng Municipality and other surrounding areas in the PRC. Please refer to the section headed “Business — Sale of Products” in this prospectus.

COMPETITIVE ADVANTAGES

We believe our success to date and potential for future growth can be attributed to a combination of our competitive strengths, including the following:

- strong exposure to gold;
- unique high-grade poly-metallic mineral reserves;
- significant reserves position with strong organic growth potential;
- leading in efficiencies and cost position;
- effective management structure with a strong senior management team; and
- well positioned to capitalize on opportunities in Inner Mongolia and Xinjiang.

For further information, please refer to the section headed “Business — Competitive Advantages” in this prospectus.

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CONTROLLING SHAREHOLDER — MR WU

Historically, the role of Mr Wu, our ultimate controlling shareholder, has been to assist in identifying and acquiring our initial strategic assets (i.e. our Gold Mines). However, since acquisition of our Gold Mines, Mr Wu has hired a team of professional management for our Group and hence has neither been involved in the daily development of our Gold Mines nor in the operations of our Group. Therefore, we have been operating independently from our controlling shareholder.

Although future acquisitions are part of our growth strategy, it should be noted that we do not need to make additional acquisitions to ensure the ongoing viability of our business. This is because we are at the stage of developing and commencing commercial operation of our Gold Mines. According to the Independent Technical Expert's Report, once all our ore processing facilities operate at their full capacity of 2,580 tpd by the end of 2009, our ore reserves will be sufficient to support production at our anticipated full production level for 14.2 years for the Shirengou-Nantaizi Mining Complex and 24.9 years, in the case of the Luotuochang Gold Mine, before the reserves are fully depleted. In addition, our current operations and profit estimate do not depend on the acquisition of new mines or on the discovery and commercialization of new resources.

We have a management team who is responsible for identifying acquisition opportunities and making investment decisions. Accordingly, we are able to operate independently without the day-to-day influence of Mr Wu. Any future acquisitions will be identified and assessed by our Acquisitions Committee which comprises Mr Wang Zhentian, Mr Qiu Haicheng (our Chief Executive Officer), Mr Ma Wenxue, Mr Lu Tianjun and Mr Cui Jie (our Chief Financial Officer), who are experienced in mining and exploration management, processing and production, mining and ore extraction, and minerals exploration and financial matters, respectively.

Mr Wu's role in the future is expected to be limited to exerting influence on our Company at the shareholder level as he is, and will continue to be after Listing, the ultimate controlling shareholder of our Company.

BUSINESS STRATEGIES

Our goal is to become a leading integrated gold producer in the PRC. We plan to accomplish our goal through the following strategies:

- growing production at our existing Gold Mines and outsourcing our mining and exploration works;
- horizontal expansion through future acquisitions of high-quality gold mines;
- vertical integration of our gold production process; and
- pursuing technological innovation, effective energy savings, industrial safety and environmental protection.

For further information, please refer to the section headed "Business — Business Strategies" in this prospectus.

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BUSINESS DEVELOPMENTS

We have completed trial production and commenced commercial production at phase I of our ore processing facility located at the Nantaizi Gold Mine, which has a daily ore processing capacity of approximately 500 tonnes. Pursuant to the letter of approval issued by Inner Mongolia Autonomous Region Environmental Protection Bureau (內蒙古自治區環境保護局) on 9 May 2008, phase I of our ore processing facility and tailings dam located at the Nantaizi Gold Mine were granted permission to commence trial production for a period of three months commencing on 15 May 2008. Under the terms of the letter of approval, Nantaizi Mining was required to obtain a valid environmental protection permit during the trial production period in relation to phase I of our ore processing facility located at the Nantaizi Gold Mine. Nantaizi Mining obtained such permit on 8 June 2008. The trial production period for phase I of our ore processing facility located at the Nantaizi Gold Mine ended on 21 July 2008, when we obtained all necessary permits and approvals required for operations and commenced commercial production.

Following the commencement of trial production at phase I of our ore processing facility located at the Nantaizi Gold Mine, Nantaizi Mining obtained the following approvals:

- the environmental protection permit on 8 June 2008, which has a validity period of three years;
- the production safety permit for its underground mining activity on 21 July 2008, which has a validity period of three years; and
- the production safety permit for its tailings dam on 21 July 2008, which has a validity period of three years.

We have also commenced commercial production at phase II of our ore processing facility located at the Nantaizi Gold Mine, which has a daily ore processing capacity of approximately 490 tonnes. Pursuant to the letter of approval issued by Inner Mongolia Autonomous Region Environmental Protection Bureau (內蒙古自治區環境保護局) on 28 September 2008, phase II of our ore processing facility located at the Nantaizi Gold Mine was granted permission to commence trial production for a period of three months commencing from 29 September 2008. The trial production period for phase II of our ore processing facility at the Nantaizi Gold Mine ended on 20 October 2008, when we obtained all necessary permits and approvals required for operations, including an approval letter in respect of environmental protection inspection and acceptance in respect of phase II, and commenced commercial production.

Moreover, we have commenced commercial production at phase I of our ore processing facility located at the Luotuochang Gold Mine, which has a daily ore processing capacity of approximately 500 tonnes, having received all necessary permits and approvals required for operations in September 2008.

We have recently completed trial production at phase II of our ore processing facility located at the Luotuochang Gold Mine, which has an additional daily ore processing capacity of approximately 300 tonnes. Pursuant to the letter of approval issued by Inner Mongolia Autonomous Region Environmental Protection Bureau (內蒙古自治區環境保護局) on 5 December 2008, the phase II of our ore processing facility located at the Luotuochang Gold Mine was granted permission to commence trial production for a period of three months commencing from 27 November 2008. We commenced sales of the products produced at phase II of our ore processing facility located at the Luotuochang Gold Mine and have begun to generate revenue therefrom since December 2008. The trial production period for phase II of

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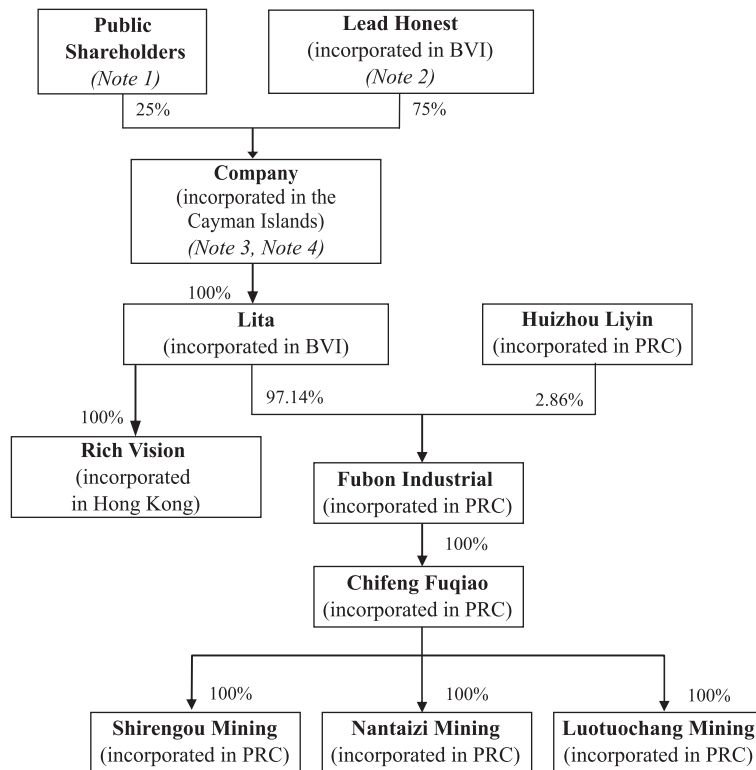
our ore processing facility located at the Luotuochang Gold Mine ended on 26 December 2008, when we received an approval letter in respect of environmental protection inspection and acceptance in respect of phase II, and commenced commercial production.

As part of our business strategy to identify key growth prospects, we entered into two option agreements on 26 March 2008 and 25 April 2008, respectively, with two independent third parties in respect of two gold mines in Qitai County, Xinjiang, the PRC. These options allow us, at our sole discretion, to purchase the mining rights and related assets of one or both of the mines within ten years from the respective dates of the option agreements.

For further information, please refer to the section headed “Business — Business Developments” in this prospectus.

OUR SHAREHOLDING STRUCTURE

The following chart sets forth our corporate structure immediately upon completion of the Global Offering and Capitalization Issue, assuming the Over-allotment Option is not exercised and without taking into account any Shares that may be granted under the Share Option Scheme.



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Notes:

1. The Global Offering consists of (subject to adjustment and the Over-allotment Option) the Hong Kong Public Offering of 16,500,000 new Shares and the International Offering of 148,500,000 Shares (comprising 87,700,000 new Shares to be offered by our Company and 60,800,000 Sale Shares to be offered by the Selling Shareholder).
2. The entire issued share capital of Lead Honest is held by a company incorporated in the Bahamas, Tercel Holdings Limited, whose entire issued share capital is in turn held by the Trustee as the trustee of the Wu Family Trust. The Wu Family Trust is a discretionary trust established by Mr Wu as settlor and the Trustee as trustee on 22 May 2008. The beneficiaries of the Wu Family Trust include family members of Mr Wu. Mr Wu is deemed to be interested in the 495,000,000 Shares held by Lead Honest immediately upon completion of the Global Offering and Capitalization Issue pursuant to Part XV of the SFO.
3. Since the Bondholders are not entitled to any Shares until the exchange of the Exchangeable Bonds which will not occur until after expiration of the lock-up period of six months after the Listing Date, and there have not been any other Share transfers, the shareholding immediately following the Global Offering should be Lead Honest holding 75% of Shares and the public holding 25% of Shares (assuming a 25% offering).
4. The Bondholders are not entitled to any Shares at the Listing Date, as the Exchangeable Bonds will only be exchanged after the expiration of the lock-up period of six months after the Listing Date. At least 50% of the Exchangeable Bonds will be settled at Listing, the remaining amount of principal outstanding in respect of the Exchangeable Bonds (plus interest) will be eligible for exchange into Shares held by Lead Honest. Assuming that the Bondholders exchange the Exchangeable Bonds (excluding applicable interest) at the first instance after the six-month lock-up period, they will be entitled to approximately 6.19% and 1.60% of the total Shares outstanding at the lower-end of the Offer Price range of HK\$4.35 per Offer Share and at the higher-end of the Offer Price range of HK\$6.25 per Offer Share, respectively. For more information on the Exchangeable Bonds, please refer to the section headed “Exchangeable Bonds” in this prospectus.

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table sets forth, for the periods indicated, the selected financial data from our consolidated financial information. For more information, please refer to “Appendix I — Accountants’ Report” to this prospectus.

Consolidated Income Statements

	Year ended 31 December			Ten months ended 31 October	
	2005	2006	2007	2007	2008
	(RMB in thousands, except number of shares)				
Revenue	—	—	8,007	—	173,586
Cost of sales	—	—	(4,068)	—	(33,327)
Gross profit	—	—	3,939	—	140,259
Other income	—	4	953	10	9,267
Administrative expenses . . .	(15)	(122)	(5,953)	(3,492)	(40,624)
Other expenses	—	—	(638)	(350)	—
(Loss) profit before taxation	(15)	(118)	(1,699)	(3,832)	108,902
Taxation	—	—	(606)	—	(42,765)
(Loss) profit for the year/ period	<u>(15)</u>	<u>(118)</u>	<u>(2,305)</u>	<u>(3,832)</u>	<u>66,137</u>
Attributable to:					
Equity holders of the Company	(15)	(118)	(2,245)	(3,668)	62,332
Minority interests	—	—	(60)	(164)	3,805
	<u>(15)</u>	<u>(118)</u>	<u>(2,305)</u>	<u>(3,832)</u>	<u>66,137</u>
Dividends	—	—	—	—	—
Basic (loss) earnings per share	<u>(15)</u>	<u>(118)</u>	<u>(2,245)</u>	<u>(3,668)</u>	<u>0</u>
Number of shares for the calculation of basic (loss) earnings per share	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>152,909,336</u>

SUMMARY

Consolidated Balance Sheets

	At 31 December			At 31 October
	2005	2006	2007	2008
	(RMB in thousands)			
NON-CURRENT ASSETS				
Property, plant and equipment	—	1,667	21,963	267,095
Mining rights	—	44,500	195,343	192,644
Prepaid lease payments	—	—	147	6,104
	<u>—</u>	<u>46,167</u>	<u>217,453</u>	<u>465,843</u>
CURRENT ASSETS				
Prepaid lease payments	—	—	3	125
Inventories	—	—	—	6,313
Trade and other receivables	—	—	21,664	14,547
Amounts due from related parties	—	—	9,479	—
Bank balances and cash	20	15	760	67,908
	<u>20</u>	<u>15</u>	<u>31,906</u>	<u>88,893</u>
CURRENT LIABILITIES				
Trade and other payables	—	30	2,406	64,299
Amounts due to related parties	35	46,285	247,712	—
Amount due to immediate holding company	—	—	—	7,798
Financial guarantee liability	—	—	—	3,077
Tax payable	—	—	754	8,266
	<u>35</u>	<u>46,315</u>	<u>250,872</u>	<u>83,440</u>
NET CURRENT (LIABILITIES)				
ASSETS	(15)	(46,300)	(218,966)	5,453
	<u>(15)</u>	<u>(133)</u>	<u>(1,513)</u>	<u>471,296</u>
CAPITAL AND RESERVES				
Share capital	—	—	—	387,522
Reserves	(15)	(133)	(2,378)	59,954
Equity attributable to equity holders of the Company	(15)	(133)	(2,378)	447,476
Minority interests	—	—	190	13,683
	<u>(15)</u>	<u>(133)</u>	<u>(2,188)</u>	<u>461,159</u>
NON-CURRENT LIABILITIES				
Provision for restoration cost	—	—	675	675
Deferred tax liabilities	—	—	—	9,462
	<u>—</u>	<u>—</u>	<u>675</u>	<u>10,137</u>
	<u>(15)</u>	<u>(133)</u>	<u>(1,513)</u>	<u>471,296</u>

SUMMARY

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2008

The following profit estimate is based on the assumptions set out in “Appendix III — Profit Estimate” to this prospectus, including:

- (i) there will be no material changes in the existing political, legal, fiscal or economic conditions in Cayman Islands, the PRC or any other countries or territories in which our Group operates;
- (ii) there will be no material changes in legislation, regulations or rules in Cayman Islands, the PRC or any other countries or territories in which our Group operates or with which our Group has arrangements or agreements, which materially adversely affect our Group’s business;
- (iii) there will be no material changes in the bases or rates of taxation, both direct or indirect, in the PRC or any other countries or territories where our Group operates, except as otherwise disclosed in this prospectus;
- (iv) there will be no material changes in inflation rates, interest rates or foreign currency exchange rates from those currently prevailing; and
- (v) our Group’s operations and business will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of our Directors, including but not limited to the occurrence of natural disasters, epidemics or serious accidents.

Our Directors understand that the financial performance of our Company is highly dependent upon the market prices of metals contained in the concentrates we produce (in particular the market price of gold). In preparing the profit estimate, our Directors estimated the market prices of metals after evaluating a number of sources, including recent historical prices, spot prices, the forward curve and analyst’s forecasts. The lowest market prices for metals, after evaluating the sources, have been used and represent our Directors’ best estimate for the purpose of preparing the profit estimate.

Our Directors’ forecast market price of gold, which constitutes the majority of our revenue and significantly impacts our financial performance, used for the profit estimate is US\$819/oz.

The consolidated profit attributable to equity holders of our Company for 2008 will be different from the following profit estimate if the estimated market prices of metals differ from the actual prices. For a sensitivity analysis of the consolidated profit attributable to equity holders of our Company for 2008 with respect to market prices of metals, please refer to “Appendix III — Profit Estimate” to this prospectus.

Estimated consolidated net profit attributable to equity holders of our Company ⁽¹⁾	HK\$114.0 million (RMB100.5 million)
Pro forma estimated earnings per Share	
— weighted average ⁽²⁾	HK\$0.351 (RMB0.310)
— fully diluted ⁽³⁾	HK\$0.172 (RMB0.152)

Notes:

- (1) The bases and assumptions on which the estimated consolidated profit attributable to equity holders of our Company for the year ended 31 December 2008 has been prepared are set out in Appendix III to this prospectus. Our Directors are not aware of any extraordinary items which have arisen in the year ended 31 December 2008.

SUMMARY

- (2) The calculation of the pro forma estimated earnings per Share on a weighted average basis is based on the estimated consolidated profit attributable to equity holders of our Company for the year ended 31 December 2008 and 324,442,000 Shares which represent the weighted average number of 220,242,000 Shares in issue adjusted as if the Global Offering had been completed on 1 January 2008 in accordance with Listing Rule 4.29(8). It does not take into account any Shares which may be issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.
- (3) The calculation of the pro forma estimated earnings per Share on a fully diluted basis is based on the estimated consolidated profit attributable to equity holders of our Company for the year ended 31 December 2008 of HK\$114.0 million, assuming the Global Offering was completed on 1 January 2008 and a total of 660,000,000 Shares were in issue and outstanding during the entire year. It does not take into account any Shares which may be issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

GLOBAL OFFERING STATISTICS⁽¹⁾

	<u>Based on an Offer Price of HK\$4.35 per Offer Share</u>	<u>Based on an Offer Price of HK\$6.25 per Offer Share</u>
Market capitalization of the Shares ⁽²⁾	HK\$2,871.0 million	HK\$4,125.0 million
Prospective price/earnings multiple		
— weighted average ⁽³⁾	12.39 times	17.81 times
— pro forma fully diluted ⁽⁴⁾	25.29 times	36.34 times
Unaudited pro forma adjusted net tangible asset value per Share ⁽⁵⁾	HK\$1.01	HK\$1.30

Notes:

- (1) All statistics are based on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of the market capitalization is based on 660,000,000 Shares expected to be in issue immediately following the completion of the Global Offering and Capitalization Issue. It does not take into account any Shares which may be issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.
- (3) The calculation of the prospective price/earnings multiple on a weighted average basis is based on the pro forma estimated earnings per Share on a weighted average basis of HK\$0.351 at the respective Offer Price of HK\$4.35 and HK\$6.25.
- (4) The calculation of the prospective price/earnings multiple on a fully diluted basis is based on the pro forma estimated earnings per Share on a fully diluted basis of HK\$0.172 at the respective Offer Price of HK\$4.35 and HK\$6.25.
- (5) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in “Appendix II — Unaudited Pro Forma Adjusted Net Tangible Assets” to this prospectus and on the basis of 660,000,000 Shares in issue at the respective Offer Price of HK\$4.35 and HK\$6.25 immediately following completion of the Global Offering and Capitalization Issue, without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

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If the Over-allotment Option is exercised in full, assuming an Offer Price of HK\$5.30 (being the mid-point of the estimated Offer Price range of HK\$4.35 and HK\$6.25), the unaudited proforma adjusted net tangible asset value per Share will be approximately HK\$1.16 per Share.

DIVIDEND AND DIVIDEND POLICY

After completion of the Global Offering, our shareholders will be entitled to receive dividends we declare. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, acquisitions, capital requirements and surplus, general financial conditions, contractual restrictions and other factors which our Directors deem relevant. In addition, our controlling shareholders will be able to influence our dividend policy. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business, primarily through acquisitions. However, we will consider paying dividends if no attractive mine acquisition and investment opportunities arise. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our shareholders in compliance with relevant laws and regulations.

Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Please refer to “Appendix VI — Summary of the Constitution of the Company and Cayman Companies Law” to this prospectus.

We have not entered into any agreement under which future dividends are waived or agreed to be waived.

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.

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.

For further information, please refer to the section headed “Future Plans and Use of Proceeds — Future Plans” in this prospectus.

SUMMARY

USE OF PROCEEDS

Based on an Offer Price of HK\$5.30 (being the mid-point of the estimated Offer Price range of HK\$4.35 to HK\$6.25), the net proceeds of the Global Offering (after deduction of underwriting fees and estimated expenses payable by us in connection with the Global Offering) are estimated to be approximately HK\$782.0 million. Of these net proceeds, we will receive approximately HK\$469.2 million and the Selling Shareholder will receive approximately HK\$312.8 million.

Our Group currently intends to apply the net proceeds as follows:

- approximately 38.3% (approximately HK\$179.7 million) will be used to fund future acquisitions of gold resources in Inner Mongolia, Xinjiang and other regions. Of this total amount, approximately RMB18.4 million (equivalent to approximately HK\$20.9 million) will be used for future acquisitions of gold mines located in Inner Mongolia (including in the Chifeng Municipality) and RMB140.0 million (equivalent to approximately HK\$158.8 million) will be used for future acquisitions of gold mines located in Xinjiang and other regions;
- approximately 23.0% (approximately HK\$107.9 million) will be used to expand our exploration activities and to commercialize any mineral resources discovered as a result of our exploration activities. Of the approximately HK\$107.9 million, only 67% (approximately HK\$72.3 million) will be used for exploration activities, the remaining portion will be used in facilitating actual production;
- approximately 36.3% (approximately HK\$170.3 million) will be used to fund capital expenditures at our existing Gold Mines including mine development and the completion of the new processing plants at the Nantaizi Gold Mine and Luotuochang Gold Mine; and
- the remainder (approximately HK\$11.3 million) and interest accrued thereon will be used for general corporate purposes.

In the event that the Offer Price is set at HK\$4.35, HK\$6.25 or at any price in between, our Directors will apply the net proceeds in the manner and proportion as shown above.

In the event that the Over-allotment Option is exercised in full, we estimate that we will receive net proceeds of approximately HK\$477.6 million at the lower-end of the Offer Price range of HK\$4.35 per Offer Share and HK\$715.2 million at the higher-end of the Offer Price range of HK\$6.25 per Offer Share, after deducting the estimated underwriting fees and expenses payable by us. The additional net proceeds received from the exercise of the Over-allotment Option will be applied pro rata to the abovementioned purposes.

If we have raised sufficient funds or generated enough cash from operations, we intend to fund the construction of a gold smelting and refining facility intended to be built at the Nantaizi Gold Mine.

We will not receive any of the proceeds from the sale of Sale Shares in the Global Offering by the Selling Shareholder.

SUMMARY

RISK FACTORS

We believe that there are certain risks involved in our operations. These risks can be broadly categorized into: (i) risks relating to our industry; (ii) risks relating to our business; (iii) risks relating to conducting operations in the PRC; and (iv) risks relating to the Global Offering. Set out below is a summary of the risks referred to above. For further information, please refer to the section headed “Risk Factors” in this prospectus.

Risks Relating to Our Industry

- Exploration of mineral properties is speculative in nature, requires capital expenditure and may be unsuccessful.
- Changes to the PRC regulatory regime for the gold mining industry may have an adverse impact on our results of operations.
- Changes in PRC tax laws and regulations applicable to the mining industry may adversely affect our results of operations.

Risks Relating to Our Business

- We are a developing mining business. Our limited operating history may not serve as an adequate basis to judge our future operating results and prospects.
- The accuracy of the gold resources and reserves estimates of our Gold Mines is based on a number of assumptions, and we may produce less gold than our current estimates.
- The process of estimating quantities of reserves and the method we use to amortize our mining rights have a material effect on our results of operations.
- We rely on third-party contractors to provide exploration and mining services in respect of our Gold Mines.
- We rely on major customers.
- Fluctuations in the U.S. dollar market price of gold, the U.S. dollar market price of the other metals contained in the concentrates we produce or the RMB/U.S. dollar exchange rate could materially and adversely affect our profitability and cash flows.
- Our business is exposed to uncertainties in relation to our expansion plans, further exploration opportunities and future acquisitions.
- There is no assurance that we can obtain or renew permits necessary for exploration, mining or production at our Gold Mines or in respect of any mines we acquire in the future.
- Our operations are exposed to risks in relation to production safety and the occurrence of accidents, such as the mishandling of dangerous articles, and natural disasters.
- Our operations are exposed to risks in relation to environmental protection and rehabilitation.
- We may not be adequately insured against losses and liabilities arising from our operations.
- We may not be able to maintain the provision of adequate and uninterrupted supplies of electricity, water, necessary raw materials, auxiliary materials, equipment and spare parts at favorable prices or at all.

SUMMARY

- Severe weather conditions could materially and adversely affect our business and results of operations.
- Our mining operations have a finite life and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards.
- We may not be able to retain or secure key qualified personnel, key senior management or other personnel for our operations.
- If we fail to manage our liquidity situation carefully, our ability to expand and, in turn, our results of operations may be materially and adversely affected.
- We rely principally on dividends and other distributions on equity paid by our PRC subsidiaries to fund cash and financing requirements, and limitations on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.
- Our risk management and internal control systems improvements may not be adequate or effective.

Risks Relating to Conducting Operations in the PRC

- Our business, financial condition, results of operations and prospects could be negatively affected by PRC political, economic and legal developments and changes to government policies.
- Our business could be negatively affected by changes and uncertainties in the PRC legal system.
- Government control of currency conversion and changes in the exchange rate between the RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.
- The dividends we receive from our PRC subsidiaries and our global income may be subject to PRC tax under the newly enacted PRC Enterprise Income Tax Law, which would have a material adverse effect on our business.
- Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to taxes under PRC tax laws.
- PRC regulations relating to loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of this offering to contribute additional capital or make loans to our PRC subsidiaries.
- PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders or our PRC subsidiaries to liabilities or penalties, limit our ability to inject capital into our PRC subsidiaries or limit the ability of our PRC subsidiaries to distribute profits to us.
- Restrictions on foreign investment in the PRC mining industry could materially and adversely affect our business and results of operations.
- Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options may subject such employees or us to fines and legal or administrative sanctions.

SUMMARY

- Outbreak of the Severe Acute Respiratory Syndrome (“SARS”), the H5N1 strain of bird flu (“Avian Flu”) or other epidemics could severely disrupt our business and operations.

Risks Relating to the Global Offering

- There has been no prior public market for our Shares.
- Investors should not place undue reliance on industry and market information and statistics derived from official government publications contained in this prospectus.
- Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future.
- The market price of our Shares could be lower than the Offer Price.
- You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or disseminated through other media relating to us and/or the Global Offering, certain of which may not be consistent with the information contained in this prospectus.