You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set out in the Accountants' Report included in "Appendix I — Accountants' Report" to this prospectus. Our financial statements have been prepared in accordance with IFRS. Information included in this section that has not been extracted or derived from the Accountants' Report has been extracted or derived from unaudited management accounts or other records. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which we do not have control. For further information, see the section headed "Risk Factors" in this prospectus.

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 Gold Mines in the Chifeng Municipality, Inner Mongolia, namely the Shirengou Gold Mine, the Nantaizi Gold Mine and the Luotuochang Gold Mine.

Prior to our incorporation on 13 March 2008, our business was operated by Lita. We began gold exploration and mining activities after acquiring control of Luotuochang Mining in October 2006, Shirengou Mining in May 2007 and Nantaizi Mining in July 2007. See the section headed "Corporate Structure and History" in this prospectus. Accordingly, we have a limited financial history, and comparisons between our financial results for 2005, 2006 and 2007 should be reviewed with the understanding that we only had sales starting in November 2007, after we acquired Shirengou Mining in May 2007.

We have two ore processing facilities, one located at the Nantaizi Gold Mine and the other at Luotuochang Gold Mine, which currently have ore processing capacities of 990 tpd and 800 tpd, respectively. Our two ore processing facilities enable us to effectively transform ore into saleable concentrates containing gold and other valuable minerals. The ore processing facility located at the Nantaizi Gold Mine processes ore from both the Nantaizi Gold Mine and the Shirengou Gold Mine. We began sales of concentrates from the facility at the Nantaizi Gold Mine in May 2008. This facility is under expansion and, when completed in 2009, is expected to have an ore processing capacity of approximately 1,480 tpd. The ore processing facility located at the Luotuochang Gold Mine began commercial production and sales of concentrates in September 2008 and is also under expansion. When completed in 2009, this facility is expected to have an ore processing capacity of approximately 1,100 tpd. See the section headed "Future Plans and Use of Proceeds — Future Plans" in this prospectus.

According to the Independent Technical Expert's Report, as at 30 November 2008, the estimated gold grades of our 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. See the section headed "Business — Competitive Advantages" in this prospectus. Based on a review of comparable PRC gold producers listed on the Stock Exchange, our reserves have a higher weighted average gold grade than these gold producers.

According to the Independent Technical Expert's Report, from 1 May to 31 October 2008, the period during which our processing facility at the Nantaizi Gold Mine was in operation, our total production cost per ounce of gold contained in our concentrates at the Shirengou-Nantaizi Mining Complex was RMB1,606 per ounce. From 1 September 2008 to 31 October 2008, the period during which our processing facility at the Luotuochang Gold Mine was in operation, our total production cost per ounce of gold contained in our concentrates at the Luotuochang Gold Mine was RMB1,670 per ounce. Production cost per ounce of gold at the Luotuochang Gold Mine will continue to be higher than that of the Shirengou-Nantaizi Mining Complex due to the higher grade of the reserves at the Shirengou Gold Mine and the Nantaizi Gold Mine as compared to the Luotuochang Gold Mine, resulting in lower extraction cost per ounce of gold for the Shirengou-Nantaizi Mining Complex. In other words, the higher production cost at the Luotuochang Gold Mine is the result of the lower grade of reserves at the mine, as compared to the Shirengou-Nantaizi Mining Complex, and not other factors such as the location of deposits, drilling methods and capital expenditures. Due to that our ore processing facility at the Nantaizi Gold Mine commenced trial production in May 2008 and commercial production in July 2008, whereas our ore processing facility at the Luotuochang Gold Mine only commenced commercial production in September 2008, we expect the Luotuochang Gold Mine to contribute to a higher proportion of our overall production costs, as well as revenues, in the foreseeable future. Furthermore, we believe that we are a low cost producer (per ounce of gold). According to the Independent Technical Expert's Report, our forecast cash cost estimate for 2009 is US$197 per ounce of gold for the Shirengou-Nantaizi Mining Complex and US$329 per ounce of gold for the Luotuochang Gold Mine.

We currently derive all of our revenue from sales of concentrates to customers located in the PRC. Because we did not commence sales of concentrates until November 2007, after our acquisition of Shirengou Mining in May 2007, we did not recognize any revenue in 2005 and 2006. In 2007 and for the ten months ended 31 October 2008, we recognized revenue of RMB8.0 million and RMB173.6 million, respectively.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been, and will continue to be, affected by a number of important factors:

Prices of Products

The sales price of our concentrates is determined by factors such as the prevailing prices of gold and other minerals in the market, the composition of our concentrates in terms of gold and other minerals, and the discount that we apply to each of our minerals in order for our customers to enjoy a certain level of profitability. We sell our concentrates mainly to smelters in the Chifeng Municipality, Inner Mongolia.

We price our concentrates based on the prices of minerals with reference to their prevailing prices on the SGE in the case of gold, the Shanghai Huatong Net (上海華通網) in the case of silver, and the Shanghai Nonferrous Metals Market Net (上海有色金屬網) in the case of other minerals in our concentrates, at or about the time of sale. Please see the section headed "Business" in this prospectus for more details. We consider gold as our core commodity because the value of gold contained in the concentrates we produce exceeds the combined value of all other minerals contained in our concentrates. In 2007, the gold, silver and copper contained in our concentrates accounted for 89.0%, 6.3% and 4.7% of our total revenue, respectively. For the ten months ended 31 October 2008, the gold, silver, copper, lead and zinc contained in our concentrates accounted for 68.3%, 8.6%, 14.2%, 6.0% and 2.9% of our revenue, respectively.

	Year ended 31 December 2007	Ten months ended 31 October 2008
Amount of gold sold (g)	43,751	730,224
Average price of gold (RMB/g)	163	162
Amount of silver sold (g)	307,997	6,036,217
Average price of silver (RMB/g)	1.62	2.47
Amount of copper sold (t)	13.42	621.31
Average price of copper (RMB/t)	28,285	39,707
Amount of lead sold (t)	—	875.49
Average price of lead (RMB/t)	—	11,927
Amount of zinc sold (t)	—	802.03
Average price of zinc (RMB/t)	—	6,324

There was a material change in our revenue mix in the second half of 2008 as we developed the ability to extract lead and zinc, which are other minerals contained in our ores, in addition to gold, silver and copper, as a result of the commencement of operations of our two new processing facilities located at the Nantaizi Gold Mine and the Luotuochang Gold Mine. As a result of our ability to extract lead and zinc from our ores and subsequent sales of these minerals, our revenue from gold as a percentage of our total revenue for the ten months ended 31 October 2008 decreased to 68.3%, although there was no material change in the quantity of gold extracted per unit of ore we mined and processed. Therefore, we believe gold will continue to be our core commodity going forward, and we do not expect material changes in the product quantity mix of our various minerals from our existing Gold Mines in the foreseeable future.

With respect to the price of gold, in 2005, 2006 and 2007 and the ten months ended 31 October 2008, the average SGE gold price was RMB117 per gram, RMB155 per gram, RMB170 per gram and RMB200 per gram, respectively. The average sales price of our gold was RMB163 per gram in 2007 and RMB162 per gram for the ten months ended 31 October 2008. The closing SGE gold price was RMB164 per gram on 31 October 2008. Our final product is concentrates. Our customers, who are smelters, must further process and refine the concentrates they purchase from us into gold, which then can be sold based on the market price of gold. Following the common industry practice, we sell our concentrates to smelters at a discount to the market price of gold. The discount, which is negotiated between ourselves and the smelters, is essentially the smelters' cost and profit for processing and refining the gold concentrate into gold metal. Therefore, the average selling price of the gold contained in the concentrates sold by us in 2007 and for the ten months ended 31 October 2008 was lower than the average SGE gold price over the corresponding periods.

The price of gold on the SGE increased in the first half of 2008, declined from August to November 2008, and again increased in December 2008. The prevailing gold price on the SGE is one of the factors we consider for setting the sale price of our concentrates. We cannot assure you that the market price of gold will not decline further in the future. The gold price on the SGE has historically been strongly correlated to the international price of gold, which in turn is affected by a number of factors beyond our control. These factors include global fabrication and industrial demand, buying and selling of gold by central banks, macroeconomic factors such as inflation, interest rates and currency exchange rates and production cost levels in major gold-producing regions. Gold has traditionally been considered as a safe investment against stock market volatility with its inverse correlation to stock market performances. The U.S. dollar market price of gold has increased significantly in the past few years; however, since the beginning of 2008, there has been substantial fluctuations in the market price of gold. Daily New York composite spot gold price declined from US$857.55 per ounce on 2 January 2008 to US$724.55 per ounce on 31 October 2008 but increased to US$882.05 on 31 December 2008. Despite the decline of gold price during certain months of 2008, the market price of gold did not decline as significantly as worldwide stock market indices. See the sections headed "Industry Overview — Global Gold Industry" and "Industry Overview — PRC Gold Industry" in this prospectus for more discussion.

Because our Gold Mines contain significant amounts of valuable minerals other than gold and we are able to extract minerals such as lead and zinc going forward, the market price of these other minerals has had and will continue to have an impact on the price of our concentrates. The average price of silver increased in 2008, as compared to its average price in 2007. The average price of copper, zinc and lead in their respective markets decreased in 2008, as compared to the average price of such minerals in 2007. Please see the section headed "Industry Overview — Our By-Product Commodities" for more details. Similar to our competitors, we have limited ability to anticipate and manage commodity price fluctuations. Therefore, we can provide no assurance that the metal prices will not decline in the future or that such prices will otherwise remain at sufficiently high levels to support our profitability.

We do not currently employ any financial instruments to hedge fluctuations in the SGE gold or other metal prices or currency exchange rates. The published mineral prices on the SGE, the Shanghai Huatong Net (上海華通網) and the Shanghai Nonferrous Metals Market Net (上海有色金屬網) have historically converged with the international prices of such minerals, which is denominated in U.S. dollars. All of our revenues are from the domestic sale of concentrates and are denominated in RMB in relation to published metal prices on the SGE, the Shanghai Huatong Net (上海華通網) and the Shanghai Nonferrous Metals Market Net (上海有色金屬網) for the minerals contained in our concentrates. Accordingly, the price achieved for our concentrates has traditionally tracked the global market prices for these minerals, however there is no certainty this will continue. As a result, exchange rate fluctuations may impact our earnings.

Production Volume

Our sales volume is largely dependent upon the demand for our concentrates and our ability to meet such demand. Our ability to meet market demand is limited by the reserves at our Gold Mines and our production capacity.

According to the Independent Technical Expert's Report, as at 30 November 2008, the reserves at the Shirengou-Nantaizi Mining Complex are estimated to be sufficient for production at our anticipated 2011 production level of 450 ktpa, or 1,480 tpd of ore based on 300 working days per year, for approximately 14.2 years, and the reserves at the Luotuochang Gold Mine are estimated to be sufficient for production at our anticipated 2011 production level of 330 ktpa, or 1,100 tpd of ore based on 300 working days per year, 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. According to the Independent Technical Expert's Report, the total production cost at the Shirengou-Nantaizi Mining Complex and the Luotuochang Gold Mine is forecasted to be RMB1,550 per ounce of gold contained in our concentrates and RMB2,510 per ounce of gold contained in our concentrates, respectively, in 2009. The difference in cost is due to the higher concentration of gold in the ore from the Shirengou Gold Mine and the Nantaizi Gold Mine as compared to the ore from the Luotuochang Gold Mine, resulting in lower extraction cost per ounce of gold for the Shirengou-Nantaizi Mining Complex.

Our production capacity is affected by the scale and speed by which we exploit our Gold Mines, the availability of equipment and machinery necessary for extraction, and the capacity and efficiency of labor and third-party contractors we hire for extraction. Our ability to obtain governmental approvals and to meet production, timing and cost estimates are important factors that will impact the exploitation process of our Gold Mines. Unexpected maintenance or technical problems of our existing equipment or failures in delivery of key equipment to our Gold Mines may constrain our production capacity. Additionally, our production may be materially and adversely affected by factors beyond our control, including adverse weather conditions, natural disasters such as earthquakes and unexpected geological formations.

We have constructed two ore processing facilities, one located at the Nantaizi Gold Mine and the other at the Luotuochang Gold Mine, for the processing of ore into concentrates. The ore processing facility located at the Nantaizi Gold Mine currently has an ore processing capacity of 990 tpd, and the ore processing facility located at the Luotuochang Gold Mine currently has an ore processing capacity of 800 tpd. The ore processing facility located at the Nantaizi Gold Mine processes ore from both the Nantaizi Gold Mine and the Shirengou Gold Mine. We have ceased operations at our ore processing facility located at the Shirengou Gold Mine, which had an ore processing capacity of approximately 50 tpd and was in operation until May 2008. At present, the ore processing facilities located at the Nantaizi Gold Mine and the Luotuochang Gold Mine are under expansion and, when completed, the combined ore processing capacity of both ore processing facilities is expected to reach approximately 2,580 tpd by the end of 2009.

Costs of Production

Most of the major components of our costs of production are directly related to production volume. The key factors impacting our costs of production include: variations in production volume, the costs of mining of ore and the costs of processing ore into concentrates.

We outsource all of our exploration and mining works. We select third-party contractors for our mining and construction through a selective tendering process. See the section headed "Business — Third-Party Contractors" in this prospectus for more information regarding the subcontracting process. In respect of subcontracted mining works, we pay the contractor a fixed fee covering design, construction and mining services, which include construction of adits and shafts, extraction and hauling of ore. The fee is usually settled after completion of the relevant projects. In 2007 and for the ten months ended 31 October 2008, fees paid to third-party contractors were RMB0.5 million and RMB14.5 million, respectively, which accounted for 13.0% and 43.5% of our cost of sales, respectively. The substantial increase in subcontracting expenses is due to the increase in our mining activities at all of our Gold Mines as our ore processing facilities at the Nantaizi Gold Mine and the Luotuochang Gold Mine reached a combined ore processing capacity of 1,790 tpd. Although we use third-party contractors, development and mining operations at our Gold Mines are carried out under the supervision of our management and technical teams.

In addition, we believe our unique high-grade poly-metallic mineral reserves will lead to high margins in the future. As at 30 November 2008, our recoverable ore reserves for the major types of minerals, including gold, silver, copper, lead and zinc, were estimated to be approximately 14,597,000 tonnes. According to the Independent Technical Expert's Report, our Gold Mines contain total gold, silver, copper, lead and zinc reserves of approximately 2,900,000 ounces (approximately 90.2 tonnes), 27,695,000 ounces (approximately 861.4 tonnes), 207,073 tonnes, 97,780 tonnes and 84,196 tonnes, respectively. We expect the high grade in gold and significant amounts of other valuable minerals in our reserves will enable us to generate greater revenue per tonne of ore than comparable PRC gold producers listed on the Stock Exchange.

Development, Construction and Mining Operations

Our future expansion and growth will be affected by our ability to meet production, timing and cost estimates for mine development projects currently under construction. Technical considerations, ability to obtain governmental approvals and financing are also important factors that will impact the outcome of any current and future projects. In 2008, we spent approximately RMB4.3 million on further exploration activities at our Gold Mines. In 2007, we had total capital expenditures of RMB14.9 million (excluding capital expenditures due to the acquisition of subsidiaries and mining assets), primarily for the purchase of mining equipment and other capital costs and the construction of our ore processing facilities located at the Shirengou-Nantaizi Mining Complex and the Luotuochang Gold Mine. In 2008, we incurred RMB168.4 million and RMB131.6 million for capital expenditures relating to the mining operations and expansion of ore processing facilities at the Shirengou-Nantaizi Mining Complex and the Luotuochang Gold Mine, respectively, or approximately RMB300.0 million in aggregate. For the ten months ended 31 October 2008, our capital expenditures relating to the mining operations and expansion of ore processing facilities at the Shirengou-Nantaizi Mining Complex and the Luotuochang Gold Mine were RMB136.8 million and RMB111.6 million, respectively.

Economic Growth in the PRC and Globally

Gold is most often used in jewelry, coinage and as a standard for monetary exchange. It also serves as an important industrial metal due to its superior electrical conductivity, resistance to corrosion, malleability and ductility. Gold is also held in investment portfolios. In addition to direct holdings, physical investment demand is substantially driven by net incremental gold stocks held in support of derivative transactions (such as hedging) and exchange-traded funds. Investment demand is a factor of the current and expected value of gold relative to other assets, such as cash, fixed interest securities, equities and property, resulting largely from monetary considerations and expectations regarding future gold prices.

In recent years, the PRC has become an important market, and its influence on the global metals industry, including gold, has been increasing. In 2007, China was the world's second largest gold consumer, with an annual gold consumer demand of 326.1 tonnes, accounting for approximately 11.6% of total global consumer demand for gold. The economic growth of the PRC has been accompanied by growth in gold production with gold output in 2007 totalling 280 tonnes, or 11.3% of global output. See the section headed "Industry Overview" in this prospectus for further details of factors that could affect the demand for our products in the PRC and thus, our revenue and profits.

PRC Government Control and Policies

The PRC local, provincial and central authorities exercise a substantial degree of control over the gold industry in the PRC. Our operations are subject to a range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, development, production, taxation, labor standards, occupational health and safety, waste treatment and environmental protection and operation management. The PRC government has full authority to grant, renew and terminate exploration, mining and gold production permits. While we expect to be able to renew our mining and production permits and convert our exploration permit into a mining permit at our Gold Mines, if for any reason we are unable to do so, our results of operations would be materially and adversely affected.

In the PRC, foreign companies are required to operate within a framework that is different from that imposed on domestic PRC companies. However, the PRC government has been opening up opportunities for foreign investment in mining projects and this process is expected to continue, especially following the PRC's accession into the WTO. However, if the PRC government should cease this liberalization, or impose greater restrictions on participation in the mining sector by foreign-owned or foreign-invested companies, our business and results of operations could be materially and adversely affected.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Revenue

Revenue represents income generated from the sale of our concentrates to customers, and is net of VAT. Although the revenue attributable to gold in our concentrates is exempted from VAT, the revenue attributable to other minerals, such as silver, copper, lead and zinc, in our concentrates are subject to VAT. Our revenue is affected by our total sales volume, which is subject to our production capacity, and the average sales price of our concentrates.

Cost of Sales

Cost of sales includes subcontracting costs, auxiliary materials used in the production process (including forged steel grinding balls, chemical products and explosives), staff costs and retirement benefit scheme contributions, depreciation, electricity costs, environmental protection fees, production safety fees and other production costs. Subcontracting expenses comprise fees paid to third-party contractors for exploration, mining and hauling of ore.

Other Income and Gains

Other income represents interest income received from our bank deposits, government subsidies which represent the benefit granted by the PRC government to encourage the development of the gold industry, release of financial guarantee liability over the duration of the financial guarantee issued by us in connection with the Pre-IPO Investment and discount on acquisition of additional interest in subsidiaries.

Administrative Expenses

Administrative expenses primarily consist of professional fees associated with survey of our Gold Mines and the Global Offering, mineral and woodland compensation fees, amortization of intangible assets, salaries and retirement expenses of our administrative and management staff, exploration expenses, net loss from disposal of fixed assets, financial guarantee expenses relating to the provision of the guarantee issued by us in connection with the Pre-IPO Investment and other administrative expenses.

Other Expenses

Other expenses include a one-time charitable donation and the loss on the sale of ore outside the ordinary course of business.

Tax Expense

We are subject to income tax on an entity basis on profits derived from the sale of concentrates in the PRC. The applicable tax rate for each of the years ended 31 December 2005, 2006 and 2007 was 33%. On 16 March 2007, the PRC government promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Enterprise Income Tax Law") and, on 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Enterprise Income Tax Law. Under the New Enterprise Income Tax Law and the Implementation Regulations, effective 1 January 2008, a unified enterprise income tax rate is set at 25% for both domestic enterprises and foreign invested enterprises. As a result, our PRC subsidiaries are subject to PRC income tax at a tax rate of 25%. Our tax expense represents income tax expense currently payable and is based on taxable profit for the year. Included in tax expense is also deferred tax liability mainly arising from withholding tax applied on the profit of our PRC subsidiaries.

BASIS OF PRESENTATION

Our consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements for the Track Record Period and for the ten months ended 31 October 2007 and 2008 include the results, changes in equity and cash flows of the entities now comprising our group of companies as if the current group structure had been in existence throughout the Track Record Period and for the ten months ended 31 October 2007 and 2008 and from the date of which they were effectively controlled by Mr Wu, taking into account the effective controlling interest in these companies held by Mr Wu prior to the Reorganization. Our consolidated balance sheets as at 31 December 2005, 2006 and 2007 and 31 October 2008 have been prepared to present the assets and liabilities of the entities now comprising our group of companies as if the current group structure had been in existence, taking into account the effective controlling interest held in these entities by Mr Wu as at those dates. The table below sets out our subsidiaries and the starting dates when our subsidiaries' financial information were consolidated.

Name of Subsidiary	Date When Subsidiary's Financial Information Were Consolidated
Lita	28 October 2005
Rich Vision	10 April 2008
Fubon Industrial	23 April 2007
Chifeng Fuqiao	21 August 2007 (date of registration)
Shirengou Mining	25 May 2007
Nantaizi Mining	11 July 2007 (date of registration)
Luotuochang Mining	30 October 2006

For further details regarding the Reorganization, please refer to the subsection headed "Corporate Reorganization" in "Appendix VII — Statutory and General Information" to this prospectus.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that require management to exercise judgment and make estimates which yield materially different results if management has to apply different assumptions or make different estimates.

Our financial statements have been prepared in accordance with IFRS. Our significant accounting policies are set forth in note 3 to the Accountants' Report, attached as Appendix I to this prospectus. IFRS requires that we adopt accounting policies and make estimates that our Directors believe are most appropriate in the circumstances for the purposes of giving a true and fair view of our results and financial position. We believe the most complex and sensitive judgment, because of their significance to our financial statements, result primarily from the need to make estimates about the effects of markets that are inherently uncertain. Actual results in these areas could differ from our estimates. We have identified below the accounting policies that we believe are the most critical to our consolidated financial statements and that involve the most significant estimates and judgments.

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 recognized when goods are delivered and title has passed.

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.

Assets	Estimated Useful Lives
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 estimated total proven and probable reserves of our Gold 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, such as staff 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. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from 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 year in which the item is derecognized.

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 period or 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 or periods and it further excludes items that are never taxable nor deductible. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on the 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 recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise 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 recognized for taxable temporary differences arising on investments in subsidiaries, except where we are 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 realized. 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.

Provisions for Restoration Cost

We are 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 we have a present obligation as a result of a past event, and it is probable that we 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 calculated on the basis of the amount and timing of future cash expenditure to perform the required work. The amount is discounted to present value where the effect is material. We have made provisions for the restoration costs for the mines held by Shirengou Mining, Nantaizi Mining and Luotuochang Mining. We currently accrue for restoration costs at a rate of RMB75,000 per hectare for exploration and mining we undertake at our Gold Mines. This is the maximum per hectare rate specified in the guidelines published by the local government.

Restoration cost is provided in the period in which the obligation is identified and are capitalized to the costs of mining structures. The cost is charged to profit or loss through amortization of the assets, which are amortized using the unit of production method based on the actual production volume over the total estimated proven and probable reserves of our Gold Mines.

While we believe that the provisions we have made for restoration costs are adequate, the actual amounts incurred to rehabilitate the land after the underground sites have been mined may differ materially from the amounts that we estimated for future liabilities. Changes to our estimates might occur as a result of changes in environmental laws and regulations, our mining plans or the timing of our performance of mining and processing activities.

Impairment of Tangible and Intangible Assets

At each balance sheet date, we review the carrying amounts of our 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 recognized 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, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Mining Rights

Mining rights with definite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization is provided using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of our Gold Mines. The process of estimating quantities of reserves is inherently uncertain and complex and requires significant judgments and decisions based on available geological, engineering and economic data. We amortize mining rights using the unit of production method, rather than on a straight-line basis over the estimated mine life. In 2007 and for the ten months ended 31 October 2008, we had amortization expenses for mining rights of RMB157,000 and RMB2.7 million, respectively. If we were to use the straight-line method, then the estimated mining rights amortization for the year ended 31 December 2008 and each of the years ending 31 December 2009 and 2010 would be RMB12.3 million. This compares to our mining rights amortization of RMB4.6 million for the year ended 31 December 2008 and our estimated mining rights amortization of RMB10.0 million and RMB12.3 million for each of the two years ending 31 December 2009 and 2010, respectively, using the unit of production method.

RESULTS OF OPERATIONS

We have a limited financial history and comparisons between our financial results for 2005, 2006 and 2007 and for the ten months ended 31 October 2007 and 2008 should be reviewed with the understanding that we only began sales of our concentrates in 2007 at the Shirengou Gold Mine. The financial information set forth in the Accountants' Report presents our consolidated financial position, operational results and cash flow as of and for the years ended 31 December 2005, 2006 and 2007 and for the ten months ended 31 October 2007 and 2008. For further details, please refer to the Accountants' Report attached as Appendix I to this prospectus.

	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	(15)	(118)	(2,305)	(3,832)	66,137
Attributable to:					
Equity holders of the Company	(15)	(118)	(2,245)	(3,668)	62,332
Minority interests	—	—	(60)	(164)	3,805
	(15)	(118)	(2,305)	(3,832)	66,137
Dividends	—	—	—	—	—
Basic (loss) earnings per share	(15)	(118)	(2,245)	(3,668)	0
Number of shares for the calculation of basic (loss) earnings per share	1	1	1	1	152,909,336

Cost of Sales

	Year ended 31 December			Ten months ended 31 October	
	2005	2006	2007	2007	2008
	(RMB in thousands)				
Subcontracting expenses	—	—	527	—	14,490
Auxiliary materials	—	—	2,289	—	9,586
Electricity costs	—	—	285	—	8,093
Depreciation	—	—	157	—	2,287
Staff costs and retirement benefit scheme contributions	—	—	757	—	1,353
Environmental protection fees	—	—	—	—	1,518
Production safety fees	—	—	—	—	1,015
Other production expenses	—	—	53	—	1,298
Period-end inventory	—	—	—	—	(6,313)
Total cost of sales	—	—	4,068	—	33,327

Administrative Expenses

	Year ended 31 December			Ten months ended 31 October	
	2005	2006	2007	2007	2008
	(RMB in thousands)				
Professional fees associated with survey of Gold Mines and the Global Offering	—	—	996	451	17,829
Mineral and woodland compensation fees	—	—	642	—	6,611
Amortization of intangible assets	—	—	157	1	2,699
Salary and retirement expenses	—	—	1,102	459	1,647
Exploration expenses	—	5	1,014	225	266
Net loss from disposal of property, plant and equipment	—	—	12	—	994
Financial guarantee expenses(1)	—	—	—	—	4,103
Other administrative expenses	15	117	2,030	2,356	6,475
Total administrative expenses	15	122	5,953	3,492	40,624

Note:

(1) In July 2008, Lead Honest, our Company, Lita, Rich Vision, Mr Wu and certain investors entered into the Subscription Agreement pursuant to which Lead Honest issued secured exchangeable bonds due 2009 to the Bondholders at a consideration of US$50 million. The Pre-IPO Investment is secured by, among other things, guarantee given by certain members of our Group, which will be released upon

Listing. See the section headed "Exchangeable Bonds" in this prospectus. The guarantee has been charged to the consolidated income statement as a provision for financial guarantee contract on the date of inception at approximately RMB4.1 million. The financial guarantee liability of approximately RMB4.1 million is released to other income in the consolidated income statement beginning in August 2008 on a straight-line basis over the one year period of the financial guarantee.

TEN MONTHS ENDED 31 OCTOBER 2007 AND 2008

Revenue

For the ten months ended 31 October 2007, we did not recognize any revenue, as we only had sales starting in November 2007. For the ten months ended 31 October 2008, we recognized RMB173.6 million in revenue, reflecting sales of concentrates primarily from the Shirengou Gold Mine and the Nantaizi Gold Mine, and, to a lesser extent, from the Luotuochang Gold Mine. In May 2008, we commenced trial ore processing operations at our ore processing facility located at the Nantaizi Gold Mine, and after we commenced full ore processing operations at this location, our sales increased significantly as compared to 2007. We commenced commercial production and sales of concentrates at our ore processing facility located at the Luotuochang Gold Mine in September 2008, and we expect that sales of concentrates from this mine will further contribute to our revenue in future periods.

The price of gold on the SGE increased in the first half of 2008 but declined from August to November 2008, which impacted the price of our concentrates. There can be no assurance that the market price of gold will not decline in the future and impact our revenue.

Cost of Sales

For the ten months ended 31 October 2007, we did not incur any cost of sales as our mining operations had not yet commenced. Cost of sales was RMB33.3 million for the ten months ended 31 October 2008 and primarily included subcontracting fees, auxiliary material costs, electricity costs, depreciation, environmental protection fees and production safety fees. We incurred high subcontracting fees because we increased our mining activities as our new ore processing facilities at the Nantaizi Gold Mine and the Luotuochang Gold Mine began production. For the ten months ended 31 October 2008, our cost of sales accounted for 19.2% of our revenue.

After the ore processing facility located at the Nantaizi Gold Mine began trial production and sales of concentrates in May 2008, the Shirengou-Nantaizi Mining Complex had cost of sales of approximately RMB26.3 million for the six months ended 31 October 2008, which included depreciation of approximately RMB1.7 million. After the ore processing facility located at the Luotuochang Gold Mine commenced commercial production and sales of concentrates in September 2008, Luotuochang Mining had cost of sales of approximately RMB6.6 million for the two months ended 31 October 2008, which included depreciation of approximately RMB0.3 million.

Gross Profit and Gross Margin

As a result of the foregoing, gross profit was RMB140.3 million and gross margin was 80.8% for the ten months ended 31 October 2008. We may experience a decrease in gross margin if the sales price of our concentrates decreases due to a decline in the prevailing prices of the minerals contained in our concentrates, particularly gold.

Other Income

Other income increased from approximately RMB10,000 for the ten months ended 31 October 2007 to RMB9.3 million for the ten months ended 31 October 2008. The primary source of other income for the ten months ended 31 October 2007 was bank interest income. The primary source of other income for the ten months ended 31 October 2008 was government subsidies in the form of a tax benefit granted to us by the PRC government to encourage the development of the gold industry. We also had a release of financial guarantee liability of RMB1.0 million related to the guarantee issued by us in connection with the Pre-IPO Investment and a discount on the acquisition of additional interest in subsidiaries of RMB1.0 million for the ten months ended 31 October 2008 due to the difference between the consideration paid for the additional cash injection by Lita and the carrying amount of the net assets of our Group 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.

Administrative Expenses

Administrative expenses increased from RMB3.5 million for the ten months ended 31 October 2007 to RMB40.6 million for the ten months ended 31 October 2008. The administrative expenses for the ten months ended 31 October 2007 primarily consisted of purchases of low-value consumables. The administrative expenses for the ten months ended 31 October 2008 primarily represented professional fees associated with the survey of our Gold Mines and the Global Offering, mineral and woodland compensation fees, amortization of intangible assets, salaries paid and payable to, and benefits for, our administrative and management staff, financial guarantee expenses related to our provision of the guarantee issued by us in connection with the Pre-IPO Investment and other administrative expenses, such as travel and entertainment expenses.

After the ore processing facility located at the Nantaizi Gold Mine began trial production and the sales of concentrates in May 2008, the Shirengou-Nantaizi Mining Complex had administrative expenses of approximately RMB10.6 million for the six months ended 31 October 2008, which included amortization of approximately RMB2.5 million. Our companies other than the Gold Mines had administrative expenses of approximately RMB22.1 million for the same period, which included depreciation of approximately RMB10,000. For calculating operating cash costs of the Shirengou-Nantaizi Mining Complex in the Independent Technical Expert's Report, two-thirds of the RMB22.1 million of administrative expenses were allocated to the Shirengou-Nantaizi Mining Complex.

After our ore processing facility located at the Luotuochang Gold Mine commenced commercial production and the sale of concentrates in September 2008, Luotuochang Mining had administrative expenses of approximately RMB1.4 million for the two months ended 31 October 2008, which included amortization of approximately RMB0.2 million. Our companies other than the Gold Mines had administrative expenses of approximately RMB6.2 million for the same period, which included depreciation of approximately RMB5,000. For calculating operating cash costs of Luotuochang Mining in the Independent Technical Expert's Report, one-third of the RMB6.2 million of administrative expenses was allocated to Luotuochang Mining.

Other Expenses

We incurred RMB350,000 of other expenses for the ten months ended 31 October 2007 due to a one-time charitable donation. We did not incur other expenses for the ten months ended 31 October 2008.

Tax Expense

Tax expense was nil for the ten months ended 31 October 2007 as we had no revenue during that period. Tax expense was RMB42.8 million for the ten months ended 31 October 2008, comprising RMB33.3 million of income tax on our profit from the Gold Mines, which was taxed at the PRC's new Enterprise Income Tax rate of 25% and a deferred tax liability of RMB9.5 million mainly arising from withholding tax applied on the profit of our Gold Mines. In addition, in the ten months ended 31 October 2008 we utilized the tax losses of Nantaizi Mining and Luotuochang Mining in the amount of RMB1,777,000, which were carried forward from the prior year.

(Loss) Profit Attributable to our Equity Holders

Since we did not have any sales during the ten months ended 31 October 2007 and purchased low-value consumables for use by the Shirengou Gold Mine, we had a loss attributable to our equity holders of RMB3.7 million for the ten months ended 31 October 2007. For the ten months ended 31 October 2008, we had a profit attributable to our equity holders of RMB62.3 million, which was the result of the sales of concentrates primarily from Shirengou Mining and Nantaizi Mining, and, to a lesser extent, from Luotuochang Mining.

Dividends

No dividends were declared for the ten months ended 31 October 2007 and 2008.

YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

Revenue

In 2005 and 2006, we did not recognize any revenue, as our mining operations had not yet commenced. In 2007, we recognized RMB8.0 million in revenue, reflecting sales of concentrates since November 2007 at the Shirengou Gold Mine. The revenue recognized in 2007 was primarily due to sales of 255.8 tonnes of concentrates with an average sales price of RMB31,306 per tonne.

Cost of Sales

In 2005 and 2006, we did not incur any cost of sales as our mining operations had not yet commenced. Cost of sales was RMB4.1 million in 2007 and primarily included auxiliary material costs, subcontracting costs, electricity costs and depreciation and amortization. In 2007, our cost of sales accounted for 50.8% of our total revenue.

Gross Profit and Gross Margin

As a result of the foregoing, gross profit was RMB3.9 million and gross margin was 49.2% in 2007.

Other Income

Other income increased from RMB4,000 in 2006 to RMB953,000 in 2007. In 2007, we recognized other income of RMB936,000 primarily due to government subsidies, which represented the tax benefit granted by the PRC government to encourage development of the gold industry. In 2006, our only source of other income was from bank interest income of RMB4,000.

Administrative Expenses

Administrative expenses increased from RMB15,000 in 2005 to RMB122,000 in 2006 and to RMB6.0 million in 2007. 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. In 2006, we incurred administrative expenses that primarily consisted of purchases of low-value consumables at Luotuochang Mining. In 2005, we had miscellaneous administrative expenses.

Other Expenses

Other expenses were RMB638,000 in 2007. The other expenses incurred in 2007 were primarily due to a one-time charitable donation of RMB350,000 and a loss on the sale of ore outside of the ordinary course of business of RMB288,000. In connection with the acquisition of assets of Nantaizi Mining, we acquired a deposit of gold, silver, copper, lead and zinc ores. In December 2007, we sold the ore to a smelter in China due to our limited ore processing capability at that time. We sold the ore at a slight mark-up to the cost of the ore, but we incurred a loss of RMB288,000 due to VAT that we paid during the sale.

Tax Expense

Tax expense was nil in 2005 and 2006 as we had no revenue in either year. Tax expense was RMB606,000 in 2007, primarily due to profit at 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.

Loss Attributable to our Equity Holders

Loss attributable to our equity holders increased from RMB15,000 in 2005 to RMB118,000 in 2006 and to RMB2.2 million in 2007. This was primarily the result of increased administrative expenses incurred at our Gold Mines from 2005 to 2007, a period of time when we had either no or limited sales.

Dividends

No dividends were declared for the years ended 31 December 2005, 2006 and 2007.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity requirements relate to funding working capital, capital expenditures, acquisition of mining rights and maintaining cash reserves. We engage third-party contractors to carry out a significant part of our mining operations. Our capital requirements include construction of mine shafts and the expansion of processing facilities. For the ten months ended 31 October 2007 we had net increase of cash and cash equivalents of approximately RMB2.2 million, compared to net increase of cash and cash equivalents of approximately RMB67.1 million for the ten months ended 31 October 2008. We generated net increase of cash and cash equivalents of RMB20,000 and RMB745,000 in 2005 and 2007, respectively, and net decrease of cash and cash equivalents of RMB5,000 in 2006. In the past, we relied on advances from related parties as a significant source of liquidity. As at 31 December 2007, we had net current liabilities of RMB219.0 million primarily due to amounts due to related parties of RMB247.7 million. The amounts due to related parties arose from the acquisition of our three Gold Mines and capital expenditures incurred at these 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. See the section headed "Exchangeable Bonds" in this prospectus. As at 31 October 2008, we had net current assets of RMB5.5 million.

From time to time, we may enter into short-term borrowings, and as a result, we may need to allocate a portion of our cash flow to service these obligations. As at 31 December 2008, our total unutilized banking facility was RMB200 million. On 21 July 2008, Fubon Industrial entered into a short-term borrowing facility with Guangdong Development Bank Co., Ltd. (Huizhou Branch) to be used for working capital purposes. Mr Wu, our ultimate controlling shareholder, provided us with the initial banking contact at Guangdong Development Bank Co., Ltd. (Huizhou Branch); however, he was not involved in the negotiation or the finalization of the terms of the facility. Under the terms of the loan agreement, Fubon Industrial may draw down up to RMB200 million at any time from July 2008 until September 2010. The applicable interest rate will be the relevant base rate, which is the benchmark lending rate published by the PBOC from time to time in accordance with its interest rate policy, on the date that any sum is borrowed. Under the terms of the loan agreement, Fubon Industrial will be limited in its ability to pay dividends if: (i) the after tax profits for a particular year are zero or negative, (ii) the after tax profit is not sufficient to cover the accumulated deficit of past accounting years, (iii) the profit before tax has not been used to repay the interest, loan principal and fees incurred in the accounting year, or (iv) the profit before tax is not sufficient to repay the interest, loan principal and fees for the next accounting period. Guangdong Development Bank Co., Ltd. (Huizhou Branch) may terminate its loan commitment if: (i) Fubon Industrial's business suffers serious deterioration or loses its current business reputation, (ii) Fubon Industrial transfers property or funds to third parties in an attempt to avoid its obligation to repay the loan, or (iii) any other condition occurs that would result in Fubon Industrial not being able to repay the loan. Fubon Industrial does not have any present intention to draw down on Guangdong Development Bank Co., Ltd. (Huizhou Branch)'s loan facility.

We plan to fund the capital expenditures described in this prospectus and working capital with cash from operating activities, existing bank and cash balances and net proceeds from the Global Offering. We may also finance our working capital, if needed, using a mix of short-term and long-term bank borrowings. We do not plan to use loans repayable on demand from related parties going forward. Based on our current mine production plan, and assuming metal prices and exchange rates do not differ significantly from estimates prevailing on the Latest Practicable Date, our Directors confirm that our cash flows from operating activities, existing bank and cash balances, bank borrowings available to us and the estimated proceeds from the Global Offering will be sufficient to finance our capital expenditures and working capital for our present requirements and for the period ending 24 months from the date of this prospectus.

Cash Flows

We have a limited financial history and comparisons between our financial results for 2005, 2006 and 2007 and for the ten months ended 31 October 2007 and 2008 should be reviewed with the understanding that we only had sales starting in November 2007. Accordingly, our cash flows information for 2005 and 2006 and the ten months ended 31 October 2007 are not meaningful. The following table sets out certain information regarding our consolidated cash flows for the years ended 31 December 2005, 2006 and 2007 and for the ten months ended 31 October 2007 and 2008 and estimated consolidated cash flows for the year ended 31 December 2008 and the years ending 31 December 2009 and 2010:

	Year ended 31 December			Ten months ended 31 October		Estimated for the year ended 31 December(1)	Estimated for the year ending 31 December(1)	
	2005	2006	2007	2007	2008	2008	2009	2010
	(RMB in thousands)							
Net cash (used in) from operating activities	(15)	273	(4,267)	(11,882)	117,906	166,121	375,930	445,907
Net cash used in investing activities	—	(528)	(24,281)	(15,438)	(218,582)	(293,309)	(110,614)	(90,050)
Net cash from financing activities	35	250	29,293	29,521	167,824	167,824	306,000	—
Increase (decrease) in cash and cash equivalents	20	(5)	745	2,201	67,148	40,636	571,316	355,857
Cash and cash equivalents at beginning of the year/period	—	20	15	15	760	760	41,396	612,712
Cash and cash equivalents at end of the year/period	20	15	760	2,216	67,908	41,396	612,712	968,569

Note:

(1) The estimated figures are prepared by our Directors and are unaudited. The estimated figures assume the application of estimated net proceeds from the Global Offering. Our actual results may differ from the current estimates.

Net Cash (used in) from Operating Activities

Net cash used in operating activities for the ten months ended 31 October 2007 was RMB11.9 million, compared to net cash from operating activities of RMB117.9 million for the ten months ended 31 October 2008. Our net cash from operating activities for the ten months ended 31 October 2008 was the result of (i) RMB117.0 million of operating cash inflow before movements in working capital, (ii) an increase in trade and other payables of RMB25.9 million primarily due to payables for construction of mining infrastructure and ore processing facilities, and (iii) a decrease in trade and other receivables of RMB7.1 million primarily due to payments of receivables from third parties, net of prepayments by us for purchases of plant and equipment, a deposit for a proposed purchase of a new mine and an increase in trade receivables during the period, offset by an increase in inventories of RMB6.3 million. Our net cash used in operating activities for the ten months ended 31 October 2007 was the result of (i) an increase in inventories of RMB10.9 million primarily due to acquired mineral ore as a result of our acquisition of Nantaizi Mining in July 2007 and (ii) a decrease in trade and other payables of RMB1.7 million due to payments of other payables to third parties, net of receipt of trade deposits, offset by a decrease in trade and other receivables of RMB3.7 million primarily due to payments of other receivables by third parties.

Net cash from operating activities was RMB273,000 in 2006, and net cash used in operating activities was RMB4.3 million in 2007. Our net cash used in operating activities in 2007 was primarily attributable to an increase in trade and other receivables of 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 RMB1.1 million in our operating cash flow before movements in working capital, offset by an increase in trade and other payables of 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. Our net cash from operating activities in 2006 was primarily attributable to a decrease in consumables and spare parts. Net cash used in operating activities in 2005 was RMB15,000, which was directly correlated with our loss before taxation of RMB15,000 for that year as we did not have any mining operations in 2005.

Net Cash used in Investing Activities

Net cash used in investing activities for the ten months ended 31 October 2007 was RMB15.4 million, compared to net cash used in investing activities for the ten months ended 31 October 2008 of RMB218.6 million. Our net cash used in investing activities for the ten months ended 31 October 2008 was primarily attributable to RMB212.4 million used in the purchases of property, plant and equipment for mining and construction of infrastructure at our Gold Mines. Our net cash used in investing activities for the ten months ended 31 October 2007 was the result of the purchases of plant and equipment for mining and construction of infrastructure at our Gold Mines.

Net cash used in investing activities was RMB528,000 and RMB24.3 million in 2006 and 2007, respectively. Our net cash used in investing activities in 2007 was primarily attributable to RMB14.9 million used in the purchases of plant and equipment for mining and construction of infrastructure at our Gold Mines and RMB9.5 million of advances to related parties. In 2006, our net cash used in investing activities was primarily attributable to the purchases of plant and equipment for mining and construction of infrastructure at the Luotuochang Gold Mine.

Net Cash from Financing Activities

Net cash from financing activities was RMB29.5 million for the ten months ended 31 October 2007, compared to RMB167.8 million for the ten months ended 31 October 2008. Our net cash from financing activities for the ten months ended 31 October 2008 was primarily due to capital injections of an aggregate of RMB387.5 million from Lead Honest (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 RMB10.7 million in July 2008, which were offset by repayments of RMB238.2 million to our controlling shareholder and its related parties. Our net cash from financing activities for the ten months ended 31 October 2007 was the result of advances from certain related parties for the purchase of mining rights for the Shirengou Gold Mine.

Net cash from financing activities was RMB250,000 and RMB29.3 million in 2006 and 2007, respectively, and was attributable to advances from certain related parties for the purchase of mining rights and advances to other related parties.

Analysis of Inventories

Our inventories included ore and concentrates. Our average inventory turnover days is not yet meaningful because we did not have any outstanding inventory as at 31 December 2005, 2006 or 2007, as we only began our mining operations and sales of concentrates in November 2007. As at 31 October 2008, we had RMB6.3 million of inventories, which comprised primarily concentrates and mineral ores that have not been processed into concentrates at period end. The inventory turnover for concentrates for the ten months ended 31 October 2008 was 33 days. Inventory turnover for concentrates is calculated based on the inventory of concentrates at the end of the period divided by the cost of sales times the number of days during the period.

Analysis of Trade Receivables and Trade and Other Payables

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 signing 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. As at 31 October 2008, we had trade receivables of RMB5.3 million.

Our trade and other payables represent payables from the purchases of consumable auxiliary materials from different suppliers, payables relating to the construction of mine infrastructure, various tax payables and accruals such as production safety fees and mineral and woodland compensation fees. The credit period granted by our suppliers ranges from 30 to 60 days. Our trade payables decreased from RMB41,000 as at 31 December 2007 to nil as at 31 October 2008 as we generally pay for the purchases of consumable auxiliary materials in cash. Our other payables increased from RMB2.4 million as at 31 December 2007 to RMB64.3 million as at 31 October 2008 primarily due to payables of RMB36.0 million due to contractors engaged to construct our mining infrastructure and ore processing facilities, as well as various tax payables and accruals such as production safety fees and mineral and woodland compensation fees.

Analysis of Other Receivables

We did not have any other receivables as at 31 December 2005 and 2006, as we only began our mining operations and sales of concentrates in 2007. As at 31 December 2007, we had RMB20.6 million of other receivables, of which RMB9.0 million was the result of sale of ores from the Nantaizi Gold Mine to a third-party smelter and 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 in February 2008. The RMB10.0 million receivable was subsequently offset against amounts owed by us to Mr Wu.

As at 31 October 2008, we had RMB5.5 million of other receivables, primarily due to a deposit for a purchase of a new mine, which was later refunded to us in November 2008 because the purchase was not consummated, and prepayments for purchases of plant and equipment.

Analysis of Net Current Liabilities

As at 31 December 2005, 2006 and 2007 we had net current liability positions of RMB15,000, RMB46.3 million and RMB219.0 million, respectively. The net current liability position as at 31 December 2005 was primarily the result of RMB35,000 due to Mr Wu. The net current liability position as at 31 December 2006 was the result of RMB46.3 million collectively due to Mr Wu and companies in which he has a beneficial interest. The net current liability position as at 31 December 2007 was primarily the result of RMB247.7 million due to Mr Wu 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 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 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.

As at 31 October 2008, we had net current assets of RMB5.5 million.

Working Capital

Based on the unaudited management accounts of our Group as at 31 December 2008, being the latest practicable date for the purpose of this net current assets statement, we had net current assets as set out in the following table:

	At 31 December 2008 (unaudited)
	(RMB in thousands)
Current assets	
Prepaid lease payments	125
Inventories	5,290
Trade and other receivables	21,336
Bank balances and cash	42,493
	69,244
Current liabilities	
Trade and other payables	22,928
Financial guarantee liability	2,393
Tax payable	8,587
	33,908
Net current assets	35,336

As a gold mining company, approximately 80% of our sales are settled in cash within a month, while we are able to obtain extended credit terms ranging from 30 to 60 days from our suppliers. As a result, we believe we have a highly liquid operating position with strong cash from operating activities.

Taking into account our cash from operating activities, net proceeds from the Global Offering and the available bank facility, our Directors are of the opinion that we have sufficient working capital for our present requirements and for at least the next 24 months from the date of this prospectus.

CAPITAL EXPENDITURES

Capital expenditures consist of capital costs at our Gold Mines, which include purchase of mining equipment, expansion of ore processing facilities, costs for constructing mining structures, costs for obtaining and renewing mining and exploration licenses and certain other costs. In 2007 and the ten months ended 31 October 2008, our principal capital requirements were in relation to the mining operations at the Shirengou-Nantaizi Mining Complex and the construction of ore processing facilities at the Nantaizi Gold Mine and the Luotuochang Gold Mine. The following table sets forth the historical capital costs of our Gold Mines in 2007 and for the ten months ended 31 October 2008, excluding capital expenditures due to the acquisition of subsidiaries and mining assets:

	Year ended 31 December 2007	Ten months ended 31 October 2008
	(RMB in thousands)	
Shirengou-Nantaizi Mining Complex	8,453	136,813
Luotuochang Gold Mine	6,428	111,645
Total	14,881	248,458

Our planned future capital expenditures mainly comprise the capital requirements for our mining operations and construction of additional production capacities at the Shirengou-Nantaizi Mining Complex and the Luotuochang Gold Mine. We expended approximately RMB300.0 million in 2008 and plan to expend approximately RMB86.3 million and RMB88.7 million in 2009 and 2010, respectively. The following table sets forth the capital expenditure for the year ended 31 December 2008 and the planned capital expenditures for the years ending 31 December 2009 and 2010:

	For the year ended 31 December	For the year ending 31 December	
	2008	2009	2010
	(RMB in millions)		
Shirengou-Nantaizi Mining Complex	168.4	55.2	63.7
Luotuochang Gold Mine	131.6	31.1	25.0
Total	300.0	86.3	88.7

We may also incur capital expenditures after acquiring additional mining companies as well as mining or exploration assets (including by exercising an option over the mining rights and assets in the two gold mines in Qitai County, Xinjiang, the PRC) when the appropriate opportunities arise. Please refer to the subsection headed "Business — Business Strategies" in this prospectus for a further description of our growth strategy.

INDEBTEDNESS

As at 31 October 2008, we did not have any short-term or long-term bank loans. We had a total of RMB7.8 million due to our immediate holding company, Lead Honest, which was remitted to us for general working capital purposes in accordance with the Subscription Agreement. The amount due to Lead Honest was unsecured and non-interest bearing, and, in December 2008, Lead Honest waived the right to repayment of such amount. Under the terms of the term-loan facility granted by Guangdong Development Bank Co., Ltd. (Huizhou Branch), Fubon Industrial may draw down up to RMB200 million at any time from July 2008 until September 2010. Guangdong Development Bank Co., Ltd. (Huizhou Branch) may terminate its loan commitment if: (i) Fubon Industrial's business suffers serious deterioration or loses its current business reputation, (ii) Fubon Industrial transfers property or funds to third parties in an attempt to avoid its obligation to repay the loan, or (iii) any other condition occurs that would result in Fubon Industrial not being able to repay the loan. Fubon Industrial does not have any present intention to draw down on Guangdong Development Bank Co., Ltd. (Huizhou Branch)'s loan facility.

As at 31 December 2008, being the latest practicable date for the purpose of this indebtedness statement, we did not have any indebtedness. As at 31 December 2008, we had banking facilities in the total amount of RMB200 million, of which none were utilized.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

As at 31 October 2008, we had contractual obligations consisting of operating leases which totaled RMB286,000 with RMB270,000 due within one year and RMB16,000 due between two to five years. Operating leases are rentals for certain of our office premises. As at 31 October 2008, we had RMB1.5 million in capital commitments in respect of purchases of equipment for the ore processing facilities at the Luotuochang Gold Mine and the Nantaizi Gold Mine, which were not provided for in the consolidated balance sheet.

CONTINGENT LIABILITIES

As at 31 October 2008 and 31 December 2008, we had a contingent liability relating to a guarantee given by certain members of our Group to secure the US$50 million Exchangeable Bonds issued by Lead Honest. The guarantee will be released upon Listing. See the section headed "Exchangeable Bonds" in this prospectus.

DISCLAIMER

Save as otherwise disclosed herein and apart from intra-group liabilities, we did not have any mortgages, charges, debentures or other loan capital or bank overdrafts, finance leases or hire purchase commitments, or liabilities under acceptances or acceptance credits outstanding at the close of business on 31 October 2008.

Our Directors, save as otherwise disclosed herein, have confirmed that there have been no material changes in our commitments since 31 October 2008, and there has been no material change in our contingent liabilities and indebtedness since 31 December 2008.

OFF-BALANCE SHEET TRANSACTIONS

During the Track Record Period, we did not enter into any material off-balance sheet transactions or arrangements.

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 price for gold and other metals contained in our concentrates have a significant effect on our results of operation. The market price 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. See the section headed "Risk Factors — Risks Relating to Our Business" in this prospectus for more details. We have not entered into commodity derivative instruments or futures to hedge against any potential fluctuations in the SGE 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. For further information, see the section headed "Risk Factors — Risks Relating to Conducting Operations in the PRC" in this prospectus.

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. A reasonably possible change of 50 basis points in interest rates would have no material impact on our profit or loss during the Track Record Period, nor would it materially impact our equity. We have not used any interest rate swaps to hedge against interest rate risk.

Inflation

In recent years, the PRC has not experienced significant inflation, and therefore, inflation has not had a significant effect on our business during the Track Record Period. According to the National Bureau of Statistics of China, the change in the PRC's Consumer Price Index was 1.8%, 1.5%, 4.8% and 6.7% in 2005, 2006 and 2007 and for the first ten months of 2008, respectively. We have not been materially and adversely affected by the recent inflationary and deflationary pressures in the PRC.

PROFIT ESTIMATE

Estimated consolidated 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.

(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 that 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.

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.

DISTRIBUTABLE RESERVES

Our distributable reserves consist of share premium and retained profits. Under the Cayman Companies Law, the share premium account is distributable to shareholders if immediately following the date on which we propose to distribute the dividend, we will be in a position to pay off our debts as they fall due in the ordinary course of business. As at 31 October 2008, we had a reserve balance of RMB59.8 million available for distribution to our shareholders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes as set out below is for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our net tangible assets as at 31 October 2008 as if it had taken place on 31 October 2008.

The unaudited pro forma statement of adjusted net tangible assets is hypothetical in nature, and it may not give a true picture of our consolidated net tangible assets as at 31 October 2008 or any future date following the Global Offering. It is prepared based on our consolidated net assets attributable to the equity holders of our Company as at 31 October 2008 as set out in the Accountants' Report attached as Appendix I to this prospectus, and adjusted as described below. For more details on the unaudited pro forma statement, please refer to the Unaudited Pro Forma Statement attached as Appendix II to this prospectus.

	Audited consolidated net tangible assets attributable to the equity holders of our Company as at 31 October 2008(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of our Company	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of our Company per Share(3)	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$4.35 per Share	260,342	328,908	589,250	0.89	1.01
Based on an Offer Price of HK$6.25 per Share	260,342	498,170	758,512	1.15	1.30

Notes:

(1) The consolidated net tangible assets attributable to equity holders of our Company as at 31 October 2008 was determined as follows:

	RMB'000
Audited consolidated net assets of our Group as set out in Appendix I to this prospectus	461,159
Less: Minority interest	(13,683)
Consolidated net assets attributable to equity holders of our Company	447,476
Less: Intangible assets attributable to equity holders of our Company	(187,134)*
Consolidated net tangible assets attributable to equity holders of our Company	260,342

* 97.14% of intangible assets is attributable to equity holders of our Company.

(2) The estimated net proceeds from the Global Offering are based on 104,200,000 Shares at the Offer Price of HK$4.35 and HK$6.25 after deduction of the underwriting fees and the other related expenses payable by our Company. 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.

Lead Honest will sell a total of 60,800,000 Sale Shares to raise at least US$25 million through the secondary sale of Shares under the Global Offering for the purpose of the repayment of at least 50% of the Exchangeable Bonds.

(3) The unaudited pro forma net tangible assets attributable to the equity holders of our Company as at 31 October 2008 per Share is based on 660,000,000 Shares expected to be in issue immediately following 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.

(4) By comparing the valuation of our Group's property interests including buildings and land use rights as at 31 December 2008 of RMB111.3 million as set out in Appendix IV to this prospectus, the valuation surplus is approximately RMB3.6 million as compared to the carrying amounts of our Group's property interests as at 31 December 2008, which has not been included in the above net tangible assets attributable to the equity holders of our Company. The revaluation of our Group's property interests will not be incorporated in our financial statements.

PROPERTY VALUATION

For the purpose of listing our Offer Shares on the Stock Exchange, the properties' value attributable to our Group was valued at RMB111,341,868 as at 31 December 2008 by Savills. Details of valuation of our property interest as at 31 December 2008 are set out in Appendix IV to this prospectus.

A reconciliation of the property interests of our Group and the valuation of such property interests as required under Rule 5.07 of the Listing Rules is set out below:

	RMB'000
Net book value of the property interests as at 31 October 2008	103,920
Movement for the period from 31 October 2008 to 31 December 2008	
— Additions	7,526
— Depreciation	(578)
Net book value as at 31 December 2008 (unaudited)	110,868
Net book value attributable to our Group as at 31 December 2008 (unaudited)	107,697
Value attributable to our Group as at 31 December 2008	111,342
Net valuation surplus	3,645

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 October 2008, the date of our latest audited financial statements set out in the Accountants' Report attached as Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, we are not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.