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## FUTURE PLANS AND USE OF PROCEEDS

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### 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*

We plan to expand the existing ore processing facility located at the Nantaizi Gold Mine by constructing phase III. Phase III will increase the daily production capacity by approximately 490 tonnes and is expected to be completed in September 2009. Upon completion of phase III, the ore processing facility located at the Nantaizi Gold Mine will have a daily production capacity of approximately 1,480 tonnes.

#### *Expansion of the ore processing facility located at the Luotuochang Gold Mine*

We plan to expand the existing ore processing facility located at the Luotuochang Gold Mine by constructing phase III. Phase III will increase the daily production capacity by approximately 300 tonnes and is expected to be completed in August 2009. Upon completion of phase III, the ore processing facility located at the Luotuochang Gold Mine will have a daily production capacity of approximately 1,100 tonnes.

#### *Expansion of mining and exploration activities in Inner Mongolia*

We believe that opportunities exist to grow our current mining activities in Inner Mongolia through selectively acquiring existing gold mines with measured resources and proven reserves, as there are many small-scale mines in this region which are not efficiently managed at present.

In addition, we believe that opportunities exist to acquire additional exploration rights with significant developmental potential in Inner Mongolia.

#### *Expansion of mining and exploration activities in Xinjiang and other regions*

We have entered into option agreements to acquire the mining rights and assets of two mines in Xinjiang. We have not determined whether to acquire either of these mines. Please see the section headed "Business — Business Developments — Option agreements in respect of two gold mines in Xinjiang" in this prospectus. We believe that other significant opportunities exist to grow our business in Xinjiang and other regions through selectively acquiring existing gold mines with measured resources and proven reserves and acquiring additional exploration rights with significant developmental potential.

#### *Development of gold smelting and refining operations*

After completion of the planned phase III expansion of our ore processing facility located at the Nantaizi Gold Mine and phase III expansion of our ore processing facility located at the Luotuochang Gold Mine, we intend to invest in gold smelting and refining technology so that we can become a fully

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vertically integrated gold producer. If we have raised sufficient funds from the Global Offering or generated enough cash from operations, we intend to fund the construction of a gold smelting and refining facility at the Nantaizi Gold Mine.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$469.2 million, after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$5.30 per Share, being the midpoint of the Offer Price range stated in this prospectus. We intend to use these net proceeds for the following purposes:

- 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. Our growth model includes expansion through the acquisition of high-quality gold mines. We have a specialized team of technical experts to identify high-quality mineral resources for potential acquisitions in Inner Mongolia, Xinjiang and other regions. We plan to allocate approximately RMB18.4 million (equivalent to approximately HK\$20.9 million) 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) for future acquisitions of gold mines located in Xinjiang and other regions. We have obtained options from certain gold mine owners, which allow us, at our discretion, to purchase the mining rights and related assets of two gold mines in Xinjiang within ten years from the date of the option agreements. We have not determined whether to purchase either of the mines referred to in the option agreements. Please refer to the section headed “Business — Business Developments — Option agreements in respect of two gold mines in Xinjiang” in this prospectus. Consistent with our strategy to grow our business through acquisitions, we have been identifying and reviewing, and will continue to identify and review potential acquisition targets as they become available to us or we become aware of them in the course of our business. The options from the mine owners in Xinjiang are a result of such efforts;
- 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. While progressively ramping up our mining and production operations, we will expand 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. We have commenced commercial production at our phases I and II ore processing facilities located at the Nantaizi Gold Mine and the Luotuochang Gold Mine. We expect to grow significantly the operations at our Gold Mines by progressively ramping up our mining and production operations while maintaining their low cost; and
- the remainder (approximately HK\$11.3 million) and interest accrued thereon will be used for general corporate purposes.

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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 are committed to gold as our core commodity with a focus on gold exploration, mining and processing as well as gold smelting and refining in the future. Expanding our operations into gold smelting and refining will make us capable of producing standard gold (Au9999 and Au9995) — the key end-product in the gold industry. We believe that becoming a vertically integrated gold producer will also increase our standing and credibility in the PRC gold mining industry and, accordingly, will assist our horizontal expansion strategy of acquiring additional high-quality gold mines.

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