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10 February 2009

The Directors
Real Gold Mining Limited
Citigroup Global Markets Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Real Gold Mining Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2007 and the ten months ended 31 October 2008 (the "Relevant Periods") for inclusion in the prospectus of the Company dated 10 February 2009 (the "Prospectus").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 13 March 2008. Through a series of group reorganization procedures as more fully explained in the paragraph headed "Corporate reorganization" in Appendix VII to the Prospectus (the "Reorganization"), the Company became the holding company of the Group on 11 April 2008.

Tercel Holdings Limited and Lead Honest Management Limited ("Lead Honest"), which were incorporated in Bahamas and the British Virgin Islands respectively, became the ultimate holding company and the immediate holding company of the Company on 26 June 2008 and 19 May 2008, respectively.

As at the date of this report, the Company has the following companies comprising the Group:

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
			At 31 December			At 31 October	
			2005	2006	2007	2008	
Directly held:							
Lita Investment Limited ("Lita")	British Virgin Islands 16 February 2004	US$55,942,117	100%	100%	100%	100%	Investment holding
Indirectly held:							
Rich Vision Holdings Limited ("Rich Vision")	Hong Kong 9 April 2008	HK$1	—	—	—	100%	Inactive
富邦工業(惠州)有限公司 ("富邦") Fubon Industrial (Huizhou) Co., Ltd. ("Fubon Industrial") (formerly known as 惠州安臣塑膠模具科技有限公司)* *(Note 1)* . . .	The People's Republic of China ("PRC") 23 June 2006	HK$437,000,000	—	—	95%	97.14%	Investment holding

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
			At 31 December			At 31 October	
			2005	2006	2007	2008	
赤峰富僑礦業有限公司 ("富僑") Chifeng Fuqiao Mining Co., Ltd. ("Chifeng Fuqiao")* *(Note 2)*. . . .	PRC 21 August 2007	RMB5,000,000	—	—	95%	97.14%	Investment holding
赤峰石人溝金礦有限責任公司 ("石人溝") Chifeng Shirengou Mining Co., Ltd. ("Shirengou Mining")* *(Note 2)*	PRC 10 November 2004	RMB600,000	—	—	95%	97.14%	Exploration, mining and processing of gold ore and sale of concentrates in the PRC
赤峰南台子金礦有限公司 ("南台子") Chifeng Nantaizi Mining Co., Ltd. ("Nantaizi Mining")* *(Note 2)*. . . .	PRC 11 July 2007	RMB1,000,000	—	—	95%	97.14%	Exploration, mining and processing of gold ore and sale of concentrates in the PRC
巴林左旗國濤礦產品貿易有限責任公司 ("國濤") Balinzuo Banner Guotao Materials Products Trading Co., Ltd. ("Luotuochang Mining")* *(Note 2)*. . . .	PRC 1 July 2005	RMB1,000,000	—	100%	95%	97.14%	Exploration, mining and processing of gold ore and sale of concentrates in the PRC

Notes:

1. A Sino-foreign equity joint venture.
2. A limited liability company.

* English translated name is for identification only.

No audited financial statements have been prepared for the Company and Lita since their dates of incorporation as there is no such statutory requirement. No audited financial statements have been prepared for Rich Vision as its first statutory financial statements which cover the period from date of incorporation to 31 December 2008 is not due to be issued. We have, however, reviewed all relevant transactions of the Company, Lita and Rich Vision since their dates of incorporation or for the Relevant Periods, where this is a shorter period.

The statutory financial statements of Fubon Industrial (富邦) for the period from 23 June 2006 (date of registration) to 31 December 2006 and for the year ended 31 December 2007 are audited by 廣州華天會計師事務所有限公司 (Huatian Certified Public Accountants), registered in the PRC. The statutory financial statements of Chifeng Fuqiao (富僑) for the period from 21 August 2007 (date of registration) to 31 December 2007, the statutory financial statements of Shirengou Mining (石人溝) for the three years ended 31 December 2007, the statutory financial statements of Nantaizi Mining (南台子) for the period from 11 July 2007 (date of registration) to 31 December 2007, and the statutory financial statements of Luotuochang Mining (國濤) for the period from 1 July 2005 (date of registration) to 31 December 2005 and the two years ended 31 December 2007 were audited by 內蒙古宏達益同會計師事

務所 (Inner Mongolia Hong Da Yi Tong Certified Public Accountants), registered in the PRC. These statutory financial statements were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC. No statutory financial statements for the period from 1 January 2008 to 31 October 2008 were prepared for these companies.

For the purposes of this report, the directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The financial information of the Group for the Relevant Periods (the "Financial Information") set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 of section A below. No adjustments are considered necessary to adjust the Underlying Financial Statements for the Relevant Periods for the preparation of the Financial Information.

The directors of the Company are responsible for preparing the Underlying Financial Statements and the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2005, 2006, 2007 and 31 October 2008 and of the Company as at 31 October 2008 and of the consolidated results and cash flows of the Group for the Relevant Periods.

The comparative consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the ten months ended 31 October 2007 together with the notes thereon have been extracted from the Group's consolidated financial information for the same period (the "31 October 2007 Financial Information") which was prepared by the directors of Lita solely for the purpose of this report. We have reviewed the 31 October 2007 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 31 October 2007 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 31 October 2007 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 31 October 2007 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

A. FINANCIAL INFORMATION

Consolidated Income Statements

		Year ended 31 December			Ten months ended 31 October	
		2005	2006	2007	2007	2008
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	7	—	—	8,007	—	173,586
Cost of sales		—	—	(4,068)	—	(33,327)
Gross profit		—	—	3,939	—	140,259
Other income	8	—	4	953	10	9,267
Administrative expenses		(15)	(122)	(5,953)	(3,492)	(40,624)
Other expenses		—	—	(638)	(350)	—
(Loss) profit before taxation	10	(15)	(118)	(1,699)	(3,832)	108,902
Taxation	11	—	—	(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	12	—	—	—	—	—
(Loss) earnings per share	13	(15)	(118)	(2,245)	(3,668)	0

A. FINANCIAL INFORMATION — continued

Consolidated Balance Sheets

		THE GROUP				THE COMPANY
		At 31 December			At 31 October	At 31 October
		2005	2006	2007	2008	2008
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS						
Property, plant and equipment	14	—	1,667	21,963	267,095	—
Mining rights	15	—	44,500	195,343	192,644	—
Investment in subsidiary	16	—	—	—	—	387,521
Prepaid lease payments	17	—	—	147	6,104	—
		—	46,167	217,453	465,843	387,521
CURRENT ASSETS						
Prepaid lease payments	17	—	—	3	125	—
Inventories	18	—	—	—	6,313	—
Trade and other receivables	19	—	—	21,664	14,547	21
Amounts due from related parties	20	—	—	9,479	—	—
Bank balances and cash		20	15	760	67,908	1
		20	15	31,906	88,893	22
CURRENT LIABILITIES						
Trade and other payables	21	—	30	2,406	64,299	—
Amounts due to related parties	22	35	46,285	247,712	—	—
Amount due to a subsidiary	23	—	—	—	—	602
Amount due to immediate holding company	23	—	—	—	7,798	207
Financial guarantee liability	24	—	—	—	3,077	3,077
Tax payable		—	—	754	8,266	—
		35	46,315	250,872	83,440	3,886
NET CURRENT (LIABILITIES) ASSETS		(15)	(46,300)	(218,966)	5,453	(3,864)
		(15)	(133)	(1,513)	471,296	383,657
CAPITAL AND RESERVES						
Share capital	25	—	—	—	387,522	387,522
Reserves	26	(15)	(133)	(2,378)	59,954	(3,865)
Equity attributable to equity holders of the Company		(15)	(133)	(2,378)	447,476	383,657
Minority interests		—	—	190	13,683	—
		(15)	(133)	(2,188)	461,159	383,657
NON-CURRENT LIABILITIES						
Provision for restoration cost	27	—	—	675	675	—
Deferred tax liabilities	28	—	—	—	9,462	—
		—	—	675	10,137	—
		(15)	(133)	(1,513)	471,296	383,657

A. FINANCIAL INFORMATION — continued

Consolidated Statement of Changes in Equity

	Attributable to the equity holders of the Company					
	Share capital	Statutory reserve	(Accumulated losses) retained profits	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005	—	—	—	—	—	—
Loss for the year	—	—	(15)	(15)	—	(15)
At 31 December 2005	—	—	(15)	(15)	—	(15)
Loss for the year	—	—	(118)	(118)	—	(118)
At 31 December 2006	—	—	(133)	(133)	—	(133)
Acquisition of subsidiaries *(note 29)*	—	—	—	—	7,760	7,760
Acquisition of additional interest in subsidiaries *(notes 1(a) and 1(c))*	—	—	—	—	(7,510)	(7,510)
Loss for the year	—	—	(2,245)	(2,245)	(60)	(2,305)
Appropriation to reserve	—	203	(203)	—	—	—
At 31 December 2007	—	203	(2,581)	(2,378)	190	(2,188)
Issue of new shares *(note 25)*	387,522	—	—	387,522	—	387,522
Capital contribution by minority shareholders *(note 1(a))*	—	—	—	—	10,737	10,737
Acquisition of additional interest in subsidiaries *(note 1(a))*	—	—	—	—	(1,049)	(1,049)
Profit for the period	—	—	62,332	62,332	3,805	66,137
At 31 October 2008	387,522	203	59,751	447,476	13,683	461,159
(Unaudited)						
At 1 January 2007	—	—	(133)	(133)	—	(133)
Acquisition of subsidiaries *(note 29)*	—	—	—	—	7,760	7,760
Acquisition of additional interest in subsidiaries *(notes 1(a) and 1(c))*	—	—	—	—	(7,510)	(7,510)
Loss for the period	—	—	(3,668)	(3,668)	(164)	(3,832)
At 31 October 2007	—	—	(3,801)	(3,801)	86	(3,715)

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

A. FINANCIAL INFORMATION — continued

Consolidated Cash Flow Statements

	Note	Year ended 31 December			Ten months ended 31 October	
		2005	2006	2007	2007	2008
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
OPERATING ACTIVITIES						
(Loss) profit before taxation		(15)	(118)	(1,699)	(3,832)	108,902
Adjustments for:						
Interest income		—	(4)	(17)	(10)	(25)
Allowance for other receivables		—	—	114	—	—
Amortization of mining rights		—	—	157	1	2,699
Amortization of prepaid lease payments		—	—	—	—	28
Depreciation of property, plant and equipment		—	7	339	177	2,343
Discount on acquisition of additional interest in subsidiaries		—	—	—	—	(1,049)
Loss on disposal/write-off of property, plant and equipment		—	—	12	—	994
Financial guarantee expense		—	—	—	—	4,103
Amortization of financial guarantee contract		—	—	—	—	(1,026)
Operating cash flows before movements in working capital		(15)	(115)	(1,094)	(3,664)	116,969
(Increase) decrease in trade and other receivables		—	—	(15,662)	3,712	7,117
Decrease in consumables and spare parts		—	354	696	696	—
Decrease (increase) in inventories		—	—	9,400	(10,929)	(6,313)
Increase (decrease) in trade and other payables		—	30	2,376	(1,707)	25,899
Cash (used in) generated from operations		(15)	269	(4,284)	(11,892)	143,672
Interest received		—	4	17	10	25
Income tax paid		—	—	—	—	(25,791)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(15)	273	(4,267)	(11,882)	117,906
INVESTING ACTIVITIES						
Acquisition of subsidiaries	29	—	—	229	229	—
Purchase of property, plant and equipment		—	(528)	(14,881)	(7,987)	(212,475)
Advance to related parties		—	—	(9,479)	(7,680)	—
Addition of prepaid lease payments		—	—	(150)	—	(6,107)
NET CASH USED IN INVESTING ACTIVITIES		—	(528)	(24,281)	(15,438)	(218,582)
FINANCING ACTIVITIES						
Advance from (repayment to) related parties		35	250	29,293	29,521	(238,233)
Advance from immediate holding company		—	—	—	—	7,798
Proceeds from issue of shares		—	—	—	—	387,522
Contribution from minority shareholders		—	—	—	—	10,737
NET CASH FROM FINANCING ACTIVITIES		35	250	29,293	29,521	167,824
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		20	(5)	745	2,201	67,148
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		—	20	15	15	760
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/ PERIOD, represented by bank balances and cash		20	15	760	2,216	67,908

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION

1. Basis of Presentation of Financial Information

As part of the Reorganization, the Company became the holding company of the companies now comprising the Group since 11 April 2008. During the Relevant Periods, Mr. Wu Ruilin (a former director of the Company) is regarded as the controlling shareholder of the subsidiaries comprising the Group. The equity interest held by him in each of the following companies are set out below:

Name of subsidiary	Date of which Mr. Wu Ruilin became controlling shareholder	Notes
Lita	28 October 2005	
Rich Vision	10 April 2008	
Fubon Industrial (富邦)	23 April 2007	(a)
Chifeng Fuqiao (富僑)	21 August 2007 (date of registration)	(b)
Shirengou Mining (石人溝)	25 May 2007	(c)
Nantaizi Mining (南台子)	11 July 2007 (date of registration)	(d)
Luotuochang Mining (國濤)	30 October 2006	(e)

Notes:

(a) Fubon Industrial (富邦) was established and was owned as to 10% and 90% by 惠州利音電子有限公司 and Ankson Limited, respectively. 惠州利音電子有限公司 is a company controlled by an independent third party. Mr. Wu Ruilin acquired the entire interest in Ankson Limited on 23 April 2007 and consequently became the controlling shareholder of Fubon Industrial (富邦). On 2 August 2007 and as part of the Reorganization, Ankson Limited transferred its entire 90% equity interest in Fubon Industrial (富邦) to Lita at a consideration of RMB4,500,000. On 27 August 2007, Lita acquired from 惠州利音電子有限公司 an additional 5% equity interest in Fubon Industrial (富邦) at a consideration of RMB250,000 and Fubon Industrial (富邦) then became a 95% directly owned subsidiary of Lita.

On 1 August 2008, Lita and 惠州利音電子有限公司 injected amounts of approximately RMB204,005,000 and RMB10,737,000, respectively, in proportion to their shareholdings in Fubon Industrial (富邦) as capital contribution.

On 21 August 2008, Lita further injected a sum of approximately RMB164,063,000 as capital contribution to Fubon Industrial (富邦) and, accordingly, its equity interest in Fubon Industrial (富邦) was increased from 95% to 97.14%, resulting in a discount on acquisition of approximately RMB1,049,000.

(b) On 21 October 2007 and as part of the Reorganization, Fubon Industrial (富邦) acquired from 惠州安臣通迅科技有限公司 (a company controlled by Mr. Wu Ruilin) the entire equity interest in Chifeng Fuqiao (富僑) at a consideration of RMB5,000,000. Chifeng Fuqiao (富僑) then became a wholly-owned subsidiary of Fubon Industrial (富邦).

(c) On 25 May 2007, Chifeng Fubon Copper Company Limited ("Chifeng Fubon Copper")* 赤峰富邦銅業有限責任公司 ("富邦銅業"), a company controlled by Mr. Wu Ruilin, acquired from independent third parties an aggregate of 90% equity interest in Shirengou Mining (石人溝) at a consideration of RMB65,340,000. On 9 July 2007, Chifeng Fubon Copper (富邦銅業) further acquired the remaining 10% equity interest in Shirengou Mining (石人溝) at a consideration of RMB7,260,000. On 23 August 2007 and as part of the Reorganization, Chifeng Fuqiao (富僑) acquired the entire equity interest in Shirengou Mining (石人溝) from Chifeng Fubon Copper (富邦銅業) at a consideration of RMB72,600,000 of which RMB72,000,000 was satisfied by the assumption of the same amounts due to certain related parties in which Mr. Wu Ruilin has beneficial interest. Shirengou Mining (石人溝) then became a wholly-owned subsidiary of Chifeng Fuqiao (富僑).

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

1. Basis of Presentation of Financial Information — continued

Notes: — continued

(d) Nantaizi Mining (南台子) was established by Chifeng Fubon Copper (富邦銅業). On 23 August 2007 and as part of the Reorganization, Chifeng Fubon Copper (富邦銅業) transferred its entire equity interest in Nantaizi Mining (南台子) to Chifeng Fuqiao (富僑) at a consideration of RMB1,000,000. Nantaizi Mining (南台子) then became a wholly-owned subsidiary of Chifeng Fuqiao (富僑).

(e) On 30 October 2006, Balinzuo Banner Wanhua Mining Company Limited ("Wanhua")* 巴林左旗萬華礦業有限公司 ("萬華"), a company controlled by Mr. Wu Ruilin, acquired from independent third parties the entire equity interest in Luotuochang Mining (國濤) at a consideration of RMB46,000,000. As part of the Reorganization, Wanhua (萬華) transferred its entire equity interest in Luotuochang Mining (國濤) to Chifeng Fubon Copper (富邦銅業) on 13 July 2007 and subsequently from Chifeng Fubon Copper (富邦銅業) to Chifeng Fuqiao (富僑) on 23 August 2007 at a consideration of RMB46,000,000 of which RMB45,000,000 was satisfied by the assumption of the same amounts due to certain related parties in which Mr. Wu Ruilin has beneficial interest. Luotuochang Mining (國濤) then became a wholly-owned subsidiary of Chifeng Fuqiao (富僑).

* *English translated name is for identification only.*

The consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements for the Relevant Periods include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods and from the date of which they were effectively controlled by Mr. Wu Ruilin and taking into account the effective controlling interest in these companies held by Mr. Wu Ruilin prior to the Reorganization.

The consolidated balance sheets of the Group as at 31 December 2005, 2006, 2007 and 31 October 2008 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence, and taking into account the effective controlling interest held in these companies by Mr. Wu Ruilin as at those dates.

The Financial Information has been presented in Renminbi ("RMB"), which is also the functional currency of the Company and its principal subsidiaries.

2. Application of New and Revised International Financial Reporting Standards

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

At the date of this report, the IASB has issued the following new or revised standards, amendments and interpretations which are not yet effective for the Relevant Periods.

IFRSs (Amendments)	Improvements to IFRSs[1]
IAS 1 (Revised)	Presentation of Financial Statements[2]
IAS 23 (Revised)	Borrowing Costs[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
IAS 32 & 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
IAS 39 (Amendment)	Eligible Hedged Items[3]
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combinations[3]
IFRS 8	Operating Segments[2]

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

2. Application of New and Revised International Financial Reporting Standards — continued

IFRIC 13	Customer Loyalty Programmes[4]
IFRIC 15	Agreements for the Construction of Real Estate[2]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[5]
IFRIC 17	Distributions of Non-cash Assets to Owners[3]
IFRIC 18	Transfers of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009

3 Effective for annual periods beginning on or after 1 July 2009

4 Effective for annual periods beginning on or after 1 July 2008

5 Effective for annual periods beginning on or after 1 October 2008

6 Effective for transfers received on or after 1 July 2009

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

3. Significant Accounting Policies

The Financial Information has been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, and in accordance with the accounting policies which conform with IFRSs. The principal accounting policies adopted are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the entities now comprising the Group.

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

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

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

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

3. Significant Accounting Policies — continued

Acquisition of additional interest in a subsidiary

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

Revenue recognition

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

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

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

Leasing

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

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

Foreign currencies

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

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

Government grants

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

Retirement benefits costs

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

Taxation

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

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

3. Significant Accounting Policies — continued

Taxation — continued

The income tax expense currently payable is based on taxable profit for the year/period. 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/periods and it further excludes items that are never taxable nor deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally 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 difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset 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.

Property, plant and equipment

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

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

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

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

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

3. Significant Accounting Policies — continued

Property, plant and equipment — continued

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 on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the period in which the item is derecognized.

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 proved and probable reserves of the ore mines.

Prepaid lease payments

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

Impairment of tangible and intangible assets

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

Inventories

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

Provision for restoration cost

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

Restoration cost is provided in the period in which the obligation is identified and is capitalized to the costs of mining structures. This 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 estimated total proved and probable reserves of the ore mines.

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

3. Significant Accounting Policies — continued

Financial instruments

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

Financial assets

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

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

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

Effective interest method

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

Interest income is recognized on an effective interest basis.

Financial liabilities and equity

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

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

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

3. Significant Accounting Policies — continued

Financial liabilities and equity — continued

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

Effective interest method

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

Interest expense is recognized on an effective interest basis.

Financial guarantee contracts

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

Derecognition

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

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

4. Key Sources of Estimation Uncertainty

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

Provision for restoration cost

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

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

4. Key Sources of Estimation Uncertainty — continued

Estimated allowance for receivables

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

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

Mining rights and mining structures

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

5. Capital Risk Management

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

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

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

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

6. Financial Instruments

Categories of financial instruments

	THE GROUP				THE COMPANY
	At 31 December			At 31 October	At 31 October
	2005	2006	2007	2008	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Loans and receivables (including cash and cash equivalents) . .	20	15	30,865	78,707	1
Financial liabilities					
Amortized cost	35	46,285	249,202	55,282	809
Financial guarantee liability . . .	—	—	—	3,077	3,077

Financial risk management objectives and policies

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

(a) *Credit Risk*

The Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantee provided by the Group is arising from:

- the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 24.

The Group is exposed to concentration of credit risk as a substantial portion of its revenue is generated from a limited number of customers. At 31 October 2008, the Group's trade receivables of RMB5,305,000 were owed by 4 customers.

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

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

(b) *Liquidity risk*

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

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

6. Financial Instruments — continued

Financial risk management objectives and policies — continued

(b) *Liquidity risk — continued*

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

At 31 October 2008, it was not probable that the counterparties to the financial guarantee will claim under the contract. Consequently, the financial guarantee contract is accounted for in accordance with IAS 18. In accordance with the relevant contract, the financial guarantee will be released upon the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or within twelve months after the date of inception.

Fair value

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

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

7. Revenue and Segment Information

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

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

The Group also operates within one geographical segment because its revenue is generated in the PRC and all of its assets are located in the PRC. Accordingly, no geographical segment information is presented.

8. Other Income

	Year ended 31 December			Ten months ended 31 October	
	2005	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Government subsidies	—	—	936	—	7,167
Amortization of financial guarantee contract	—	—	—	—	1,026
Discount on acquisition of additional interest in subsidiaries	—	—	—	—	1,049
Bank interest income	—	4	17	10	25
	—	4	953	10	9,267

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

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

9. Directors' Remuneration and the Five Highest Paid Employees

(a) *Directors' remuneration*

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

	Mr. Lu Tian Jun	Mr. Wang Zhen Tian	Mr. Cao Jing Xuan	Mr. Ma Wen Xue	Mr. Cui Jie	Mr. Wu Ruilin	Mr. Mak Kin Kwong	Mr. Xiao Zuhe	Mr. Zhang Yihong	Mr. Zhao Enguang	Total
	RMB'000	RMB'000	RMB'000 (note i)	RMB'000	RMB'000	RMB'000 (note ii)	RMB'000	RMB'000	RMB'000 (note iii)	RMB'000	RMB'000
For the year ended 31 December 2005											
Fees	—	—	—	—	—	—	—	—	—	—	—
Other emoluments											
— salaries and other benefits	—	—	—	—	—	—	—	—	—	—	—
— retirement benefit scheme contributions	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—
For the year ended 31 December 2006											
Fees	—	—	—	—	—	—	—	—	—	—	—
Other emoluments											
— salaries and other benefits	—	4	4	—	—	—	—	—	—	—	8
— retirement benefit scheme contributions	—	1	1	—	—	—	—	—	—	—	2
	—	5	5	—	—	—	—	—	—	—	10
For the year ended 31 December 2007											
Fees	—	—	—	—	—	—	—	—	—	—	—
Other emoluments											
— salaries and other benefits	16	24	25	12	13	—	—	—	—	—	90
— retirement benefit scheme contributions	3	5	4	2	2	—	—	—	—	—	16
	19	29	29	14	15	—	—	—	—	—	106
For the ten months ended 31 October 2007 (unaudited)											
Fees	—	—	—	—	—	—	—	—	—	—	—
Other emoluments											
— salaries and other benefits	10	20	20	10	10	—	—	—	—	—	70
— retirement benefit scheme contributions	2	4	4	2	2	—	—	—	—	—	14
	12	24	24	12	12	—	—	—	—	—	84

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

9. Directors' Remuneration and the Five Highest Paid Employees — continued

(a) ***Directors' remuneration — continued***

	Mr. Lu Tian Jun	Mr. Wang Zhen Tian	Mr. Cao Jing Xuan	Mr. Ma Wen Xue	Mr. Cui Jie	Mr. Wu Ruilin	Mr. Mak Kin Kwong	Mr. Xiao Zuhe	Mr. Zhang Yihong	Mr. Zhao Enguang	Total
	RMB'000	RMB'000	RMB'000 (note i)	RMB'000	RMB'000	RMB'000 (note ii)	RMB'000	RMB'000	RMB'000 (note iii)	RMB'000	RMB'000
For the ten months ended 31 October 2008											
Fees	—	—	—	—	—	—	—	—	—	—	—
Other emoluments											
— salaries and other benefits	41	41	41	41	41	—	—	—	—	—	205
— retirement benefit scheme contributions	7	7	7	7	7	—	—	—	—	—	35
	48	48	48	48	48	—	—	—	—	—	240

Notes:

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

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

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

(b) ***Five highest paid employees' emoluments***

There were no staff costs nor directors' remuneration incurred for the year ended 31 December 2005. The five highest paid individuals included two, three and three directors, respectively, for the years ended 31 December 2006 and 2007 and the ten months ended 31 October 2008 (ten months ended 31 October 2007: three directors), whose remuneration are included above. The emoluments of the remaining individuals are as follows:

	Year ended 31 December			Ten months ended 31 October	
	2005	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries and other benefits	—	9	66	55	488
Retirement benefit scheme contributions	—	2	9	7	7
	—	11	75	62	495

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

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

10. (Loss) Profit Before Taxation

	Year ended 31 December			Ten months ended 31 October	
	2005	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(Loss) profit before taxation has been arrived at after charging:					
Directors' remuneration *(note 9)*	—	10	106	84	240
Other staff costs	—	43	2,464	1,287	2,821
Retirement benefit scheme contributions	—	—	427	72	538
Total staff costs	—	53	2,997	1,443	3,599
Less: Amount capitalized in construction in progress	—	(53)	(1,138)	(984)	(599)
	—	—	1,859	459	3,000
Depreciation of property, plant and equipment	—	7	339	177	2,343
Amortization of mining rights	—	—	157	1	2,699
Amortization of prepaid lease payments	—	—	—	—	28
Allowance for other receivables	—	—	114	—	—
Auditor's remuneration	—	—	47	151	—
Financial guarantee expense	—	—	—	—	4,103
Loss on disposal/write-off of property, plant and equipment	—	—	12	—	994
Cost of inventories consumed	—	—	4,068	—	33,327
Operating lease payments for rented premises	—	—	217	142	340

11. Taxation

	Year ended 31 December			Ten months ended 31 October	
	2005	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
PRC Enterprise Income Tax	—	—	606	—	33,303
Deferred tax *(note 28)*	—	—	—	—	9,462
	—	—	606	—	42,765

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

For the years ended 31 December 2005, 2006, 2007 and the ten months ended 31 October 2007, the Company's subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax at 33% of taxable income.

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

11. Taxation — continued

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

The New Law imposes withholding tax upon the distribution of the profits earned by the Company's PRC subsidiaries on or after 1 January 2008 to their shareholders.

No provision for taxation has been made for the years ended 31 December 2005 and 2006 and the ten months ended 31 October 2007, as the Group has no taxable income.

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

	Year ended 31 December			Ten months ended 31 October	
	2005	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(Loss) profit before taxation	(15)	(118)	(1,699)	(3,832)	108,902
Applicable PRC Enterprise Income Tax rate	33%	33%	33%	33%	25%
Tax at applicable PRC Enterprise Income Tax rate	(5)	(39)	(561)	(1,265)	27,226
Tax effect of expenses not deductible for tax purpose*	5	17	198	52	6,239
Tax effect of tax losses not recognized	—	22	1,231	1,213	282
Utilization of tax losses previously not recognized	—	—	(262)	—	(444)
Deferred taxation arising from withholding tax on undistributed profit of PRC subsidiaries	—	—	—	—	9,462
Taxation charge for the year/period	—	—	606	—	42,765

* The amount for the ten months ended 31 October 2008 mainly consists of legal and professional fees which are not deductible for tax purpose under the relevant tax jurisdiction.

12. Dividends

No dividend has been paid or proposed by the Company since its date of incorporation.

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

13. (Loss) Earnings Per Share

The calculation of the basic (loss) earnings per share for the Relevant Periods is based on the following data:

	Year ended 31 December			Ten months ended 31 October	
	2005	2006	2007	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Loss) profit for the year/period attributable to equity holders of the Company for the purposes of basic earnings per share	(15)	(118)	(2,245)	(3,668)	62,332
Number of shares for the purpose of basic (loss) earnings per share	1	1	1	1	152,909,336

The calculation of the basic loss per share for the year ended 31 December 2005, 2006 and 2007 and for the period ended 31 October 2007 is based on the loss for the year/period attributable to the equity holders of the Company for the year ended 31 December 2005, 2006 and 2007 and for the period ended 31 October 2007 and on the basis of shares in issue.

The calculation of the basic earnings per share for the period ended 31 October 2008 is based on the profit for the period attributable to the equity holders of the Company for the period ended 31 October 2008 and on the basis of 441,943,715 shares in issue as at the date of the Prospectus and 113,856,285 shares assumed to be issued upon the capitalization issue as described in Appendix VII to the prospectus.

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

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

14. Property, Plant and Equipment

	Buildings	Mining structures	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
THE GROUP							
COST							
At 1 January 2005 and 31 December 2005	—	—	—	—	—	—	—
Acquisition of a subsidiary *(note 29)*	165	—	370	—	22	589	1,146
Additions	—	—	309	—	—	219	528
At 31 December 2006	165	—	679	—	22	808	1,674
Acquisition of subsidiaries *(note 29)*	436	67	2,280	87	—	491	3,361
Acquisition of mining assets *(note 30)*	127	153	1,446	4	—	—	1,730
Additions	—	675	1,263	49	423	13,146	15,556
Transfer	19	5	412	—	—	(436)	—
Disposals	—	—	(13)	—	—	—	(13)
At 31 December 2007	747	900	6,067	140	445	14,009	22,308
Additions	7,493	50,121	27,018	35	15	163,787	248,469
Transfer	90,697	45,639	32,513	—	—	(168,849)	—
Write-off	(905)	(67)	—	—	—	(74)	(1,046)
At 31 October 2008	98,032	96,593	65,598	175	460	8,873	269,731
DEPRECIATION							
At 1 January 2005 and 31 December 2005	—	—	—	—	—	—	—
Provided for the year	1	—	5	—	1	—	7
At 31 December 2006	1	—	5	—	1	—	7
Provided for the year	30	4	256	15	34	—	339
Eliminated on disposals	—	—	(1)	—	—	—	(1)
At 31 December 2007	31	4	260	15	35	—	345
Provided for the period	358	1,101	788	26	70	—	2,343
Eliminated on write-off	(48)	(4)	—	—	—	—	(52)
At 31 October 2008	341	1,101	1,048	41	105	—	2,636
CARRYING VALUES							
At 31 December 2005	—	—	—	—	—	—	—
At 31 December 2006	164	—	674	—	21	808	1,667
At 31 December 2007	716	896	5,807	125	410	14,009	21,963
At 31 October 2008	97,691	95,492	64,550	134	355	8,873	267,095

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

14. Property, Plant and Equipment — continued

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

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

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

15. Mining Rights

	THE GROUP
	RMB'000
COST	
At 1 January 2005 and 31 December 2005	—
Acquisition of a subsidiary *(note 29)*	44,500
At 31 December 2006	44,500
Acquisition of subsidiaries *(note 29)*	68,000
Acquisition of mining assets *(note 30)*	83,000
At 31 December 2007 and 31 October 2008	195,500
AMORTIZATION	
At 1 January 2005, 31 December 2005 and 31 December 2006	—
Charged for the year	157
At 31 December 2007	157
Charged for the period	2,699
At 31 October 2008	2,856
CARRYING VALUES	
At 31 December 2005	—
At 31 December 2006	44,500
At 31 December 2007	195,343
At 31 October 2008	192,644

16. Investment in Subsidiary

	At 31 October 2008
	RMB'000
The Company	
Unlisted shares, at cost	387,521

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

17. Prepaid Lease Payments

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

	THE GROUP			
	At 31 December			At 31 October
	2005	2006	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current	—	—	147	6,104
Current	—	—	3	125
	—	—	150	6,229

18. Inventories

	THE GROUP			
	At 31 December			At 31 October
	2005	2006	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Mineral ores	—	—	—	2,642
Concentrates	—	—	—	3,671
	—	—	—	6,313

19. Trade and Other Receivables

	THE GROUP				THE COMPANY
	At 31 December			At 31 October	At 31 October
	2005	2006	2007	2008	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	—	—	—	5,305	—
Deposits	—	—	388	409	21
Prepayments	—	—	650	3,339	—
Other receivables	—	—	20,626	5,494	—
	—	—	21,664	14,547	21

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

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

20. Amounts Due from Related Parties

	THE GROUP							
					Maximum outstanding balance			
Name of related parties	At 31 December			At 31 October	Year ended 31 December			Ten months ended 31 October
	2005	2006	2007	2008	2005	2006	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
赤峰富邦銅業有限責任公司 *(note i)*	—	—	127	—	—	—	127	127
赤峰博川礦業有限公司 *(note i)*	—	—	880	—	—	—	880	880
赤峰富博礦業有限公司 *(note i)*	—	—	5,000	—	—	—	5,000	5,000
內蒙古僑興礦冶投資管理有限公司 *(notes i and ii)*	—	—	635	—	—	—	635	635
巴林左旗鑫源礦業有限公司 *(note i)*	—	—	2,837	—	—	—	2,837	2,837
	—	—	9,479	—				

Notes:

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

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

The amounts were of non-trade nature, unsecured, non-interest bearing and fully settled during the ten months ended 31 October 2008.

21. Trade and Other Payables

	THE GROUP				THE COMPANY
	At 31 December			At 31 October	At 31 October
	2005	2006	2007	2008	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	—	—	41	—	—
Other payables	—	30	2,365	64,299	—
	—	30	2,406	64,299	—

The average credit period granted by the Group's suppliers is 30 to 60 days. The trade payables as at 31 December 2007 were wholly due within 30 days.

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

22. Amounts Due to Related Parties

	THE GROUP			
	At 31 December			At 31 October
Name of related parties	2005	2006	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000
巴林左旗萬華礦業有限公司 *(note i)*	—	46,256	833	—
巴林左旗鑫源礦業有限公司 *(note i)*	—	—	1,000	—
赤峰中泰礦業有限責任公司 ("中泰礦業") *(note i)*	—	—	1,119	—
赤峰富邦銅業有限責任公司 *(note i)*	—	—	439	—
赤峰浩洲礦業有限責任公司 *(note i)*	—	—	34,567	—
赤峰博川礦業有限公司 *(note i)*	—	—	3,620	—
赤峰三川礦業有限公司 *(note i)*	—	—	3,150	—
內蒙古僑興礦冶投資管理有限公司 *(notes i and ii)*	—	—	22,926	—
僑興集團有限公司 *(note i)*	—	—	174,439	—
深圳達瑞進出口貿易有限公司 *(note i)*	—	—	87	—
Ankson Limited *(note i)*	—	—	4,500	—
Mr. Wu Ruilin	35	29	1,032	—
	35	46,285	247,712	—

Notes:

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

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

The amounts were of non-trade nature, unsecured, non-interest bearing and fully settled during the ten months ended 31 October 2008.

23. Amount Due to a Subsidiary/Immediate Holding Company

The amounts are unsecured, non-interest bearing and repayable on demand.

The amount due to immediate holding company was waived subsequent to 31 October 2008.

24. Financial Guarantee Liability

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

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

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

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

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

24. Financial guarantee Liability — continued

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

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

The guarantee and pledge of assets and shares given by the Company, Lita, Rich Vision and Fubon Industrial (富邦) will be released upon the listing of the shares of the Company on the Stock Exchange. The financial guarantee provided by the Group has been charged to the consolidated income statement as provision for financial guarantee contract on the date of inception at approximately RMB4,103,000. The financial guarantee liability is released to the consolidated income statement during the ten months ended 31 October 2008 on a straight-line basis over the contracted period of the financial guarantee.

25. Share Capital

For the purpose of this report, the share capital of the Group as at 31 December 2005, 2006 and 2007 represents the issued and fully paid share capital of Lita, the then holding company of the Group.

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

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

	Notes	Authorized HK$	Issued and fully paid HK$
Ordinary shares of HK$1 each:			
At 13 March 2008 (date of incorporation)	(i)	380,000	1
Increase in authorized share capital on 18 July 2008	(ii)	999,620,000	—
Issue of new shares			
— on 21 May 2008	(iii)	—	999
— on 30 July 2008	(iv)	—	253,815,919
— on 21 August 2008	(v)	—	188,126,796
At 31 October 2008		1,000,000,000	441,943,715
			RMB'000
Shown in the Financial Information as			387,522

Notes:

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

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

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

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

25. Share Capital — continued

Notes: — continued

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

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

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

26. Reserve

	Accumulated losses
	RMB'000
THE COMPANY	
At 13 March 2008 (date of incorporation)	—
Loss for the period	(3,865)
At 31 October 2008	(3,865)

27. Provision for Restoration Cost

	At 31 December			At 31 October
	2005	2006	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/period	—	—	—	675
Capitalized in property, plant and equipment	—	—	675	—
At end of the year/period	—	—	675	675

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

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

28. Deferred Taxation

The followings are the deferred tax liability mainly arising from withholding tax applied on the profit of the PRC subsidiaries for the period from 1 January 2008 to 31 October 2008 and movement thereon during the Relevant Periods:

	RMB'000
At 1 January 2005, 31 December 2005, 31 December 2006 and 31 December 2007	—
Charged to consolidated income statement	9,462
At 31 October 2008	9,462

At 31 December 2005, the Group has no unused tax losses. At 31 December 2006, 2007 and 31 October 2008, the Group has unused tax losses of approximately RMB66,000, RMB3,003,000 and RMB2,352,000, respectively, available for offset against future profits. No deferred tax asset has been recognized in respect of such losses due to unpredictability of future profit streams. The tax losses can be carried forward for 5 years from the year they arise.

29. Acquisition of Subsidiaries

During the Relevant Periods, the Group acquired the following mining assets from independent third parties at considerations of RMB46,000,000 and RMB65,340,000 by way of acquisition of 100% and 90% equity interests in Luotuochang Mining (國濤) and Shirengou Mining (石人溝) on 30 October 2006 and 25 May 2007 respectively.

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

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

29. Acquisition of Subsidiaries — continued

The net assets acquired in these transactions are as follows:

	Year ended 31 December			
	2006	2007		
	Luotuochang Mining (國濤)	Shirengou Mining (石人溝)	Fubon Industrial (富邦)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Net assets acquired:				
Property, plant and equipment	1,146	3,274	87	3,361
Mining rights	44,500	68,000	—	68,000
Inventories	—	630	—	630
Consumables and spare parts	354	696	—	696
Other receivables	—	257	6,116	6,373
Amount due from a director	500	—	—	—
Bank balances and cash	—	148	81	229
Trade and other payables	—	(6,712)	—	(6,712)
Amounts due to related parties	—	—	(1,284)	(1,284)
Tax payable	—	(148)	—	(148)
	46,500	66,145	5,000	71,145
Net assets and liabilities assumed by/ assigned to the ex-shareholders *(note i)*	(500)	6,455	—	6,455
	46,000	72,600	5,000	77,600
Minority interests	—	(7,260)	(500)	(7,760)
	46,000	65,340	4,500	69,840
Satisfied by:				
Cash consideration settled by related parties *(note ii)*	46,000	65,340	4,500	69,840
Cash inflow arising on acquisition:				
Bank balances and cash acquired	—	148	81	229

Notes:

(i) Under the acquisition agreements of Luotuochang Mining (國濤) and Shirengou Mining (石人溝), the ex-shareholders agreed to assume certain assets and liabilities of Luotuochang Mining (國濤) and Shirengou Mining (石人溝) with the net carrying amounts of RMB500,000 and RMB6,455,000, respectively.

(ii) The purchase considerations in connection with the acquisition of equity interest in Luotuochang Mining (國濤), Shirengou Mining (石人溝) and Fubon Industrial (富邦) amounting to RMB46,000,000, RMB65,340,000 and RMB4,500,000 were settled by certain related parties on behalf of the Group.

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

30. Acquisition of Mining Assets

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

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

31. Major Non-cash Transactions

Other than the non-cash transactions disclosed in notes 29(i), 29(ii) and 30, the purchase considerations in connection with the acquisition of additional 5% equity interest in Fubon Industrial (富邦) and additional 10% equity interest in Shirengou Mining (石人溝) amounting to RMB250,000 and RMB7,260,000 respectively during the year ended 31 December 2007 were settled by certain related parties on behalf of the Group.

At 31 October 2008, construction in progress of RMB35,994,000 has not yet been settled and the amounts are included in other payables.

32. Operating Lease Commitments

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

	At 31 December			At 31 October
	2005	2006	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Within one year	—	—	490	270
Between two and five years	—	—	131	16
	—	—	621	286

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

The Company did not have any significant operating lease commitments at 31 October 2008.

A. FINANCIAL INFORMATION — continued

NOTES TO THE FINANCIAL INFORMATION — continued

33. Capital Commitment

	At 31 December			At 31 October
	2005	2006	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for in the consolidated balance sheet. . .	—	—	—	1,476

The Company did not have any significant capital commitments at 31 October 2008.

34. Related Party Disclosures

Other than the transactions disclosed in notes 29, 30 and 31, the Group entered into the following transactions with related parties during the Relevant Periods:

		Year ended 31 December			Ten months ended 31 October	
Name of company	**Nature of transaction**	2005	2006	2007	2007	2008
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
中泰礦業	Acquisition of property, plant and equipment by the Group	—	—	259	—	—
富邦銅業	Sales by the Group	—	—	—	—	11,281

Mr. Wu Ruilin has beneficial interest in the above companies. The directors of the Company represent that the above transactions were conducted on normal commercial terms and will be discontinued after the listing of the shares of the Company on the Stock Exchange.

35. Retirement Benefits Scheme

The Group participates in a state-managed defined contribution retirement scheme organized by the relevant local government authority in the PRC. Certain employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at 20% of the local standard basic salaries.

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

As at 31 December 2005, 2006, 2007 and 31 October 2008, the Group did not have any significant obligation apart from the contribution as stated above.

36. Subsequent Events

On 30 January 2009, shareholders' resolutions were passed to approve the matters set out in the section headed "Written resolutions of our sole shareholder passed on 30 January 2009" in Appendix VII to the Prospectus.

B. PRE-ACQUISITION FINANCIAL INFORMATION

Shirengou Mining (石人溝) was established in the PRC on 10 November 2004 as a limited liability company. The principal activities of Shirengou Mining (石人溝) is exploration, mining and processing of gold ore and sale of concentrates in the PRC.

The pre-acquisition financial information of Shirengou Mining (石人溝) for the two years ended 31 December 2006 and for the period from 1 January 2007 to 25 May 2007 (the "Pre-acquisition Periods") has been prepared in accordance with the accounting policies set out in note 3 of section A above, which conform with IFRSs issued by the IASB, hereinafter referred to as the "Pre-acquisition Financial Information of Shirengou Mining (石人溝)". The financial information includes applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

Basis of preparation

The underlying accounts and records of Shirengou Mining (石人溝) are maintained in accordance with the relevant accounting principles and financial regulations applicable in the PRC. The statutory financial statements of Shirengou Mining (石人溝) for the two years ended 31 December 2006 were audited by 內蒙古宏達益同會計師事務所 (Inner Mongolia Hong Da Yi Tong Certified Public Accountants), registered in the PRC.

For the purposes of this report, the directors of Lita have prepared the financial statements of Shirengou Mining (石人溝) for the Pre-acquisition Periods in accordance with IFRSs issued by the IASB ("Underlying Pre-acquisition Financial Statements"). We have audited the Underlying Pre-acquisition Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. For the purposes of this report, we have examined the Underlying Pre-acquisition Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

Income Statements

		Year ended 31 December		From 1 January 2007 to 25 May 2007
		2005	2006	
	Notes	RMB'000	RMB'000	RMB'000
Revenue	(i)	8,000	11,066	1,239
Cost of sales		(6,099)	(9,367)	(650)
Gross profit		1,901	1,699	589
Other income		484	876	—
Administrative expenses		(2,160)	(2,720)	(1,504)
Profit (loss) before taxation	(ii)	225	(145)	(915)
Taxation	(iii)	—	(148)	—
Profit (loss) for the year/period		225	(293)	(915)

B. PRE-ACQUISITION FINANCIAL INFORMATION — continued

Balance Sheets

	Notes	At 31 December 2005	At 31 December 2006	At 25 May 2007
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	(iv)	2,676	2,531	2,380
Mining rights	(v)	—	—	—
		2,676	2,531	2,380
CURRENT ASSETS				
Inventories	(vi)	500	630	630
Other receivables		71	188	243
Bank balances and cash		391	2,261	162
		962	3,079	1,035
CURRENT LIABILITIES				
Trade and other payables	(vii)	5,875	7,992	6,712
Tax payable		—	148	148
		5,875	8,140	6,860
NET CURRENT LIABILITIES		(4,913)	(5,061)	(5,825)
		(2,237)	(2,530)	(3,445)
CAPITAL AND RESERVE				
Paid-up capital		600	600	600
Accumulated losses		(2,837)	(3,130)	(4,045)
		(2,237)	(2,530)	(3,445)

Statement of Changes in Equity

	Paid-up capital	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2005	600	(3,062)	(2,462)
Profit for the year	—	225	225
At 31 December 2005	600	(2,837)	(2,237)
Loss for the year	—	(293)	(293)
At 31 December 2006	600	(3,130)	(2,530)
Loss for the period	—	(915)	(915)
At 25 May 2007	600	(4,045)	(3,445)

B. PRE-ACQUISITION FINANCIAL INFORMATION — continued

Cash Flow Statements

	Year ended 31 December 2005	Year ended 31 December 2006	From 1 January 2007 to 25 May 2007
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit (loss) before taxation	225	(145)	(915)
Adjustments for:			
Interest income	(2)	(3)	—
Allowance for other receivables	211	43	672
Allowance for inventories	—	1,200	—
Depreciation of property, plant and equipment	228	356	151
Operating cash flows before movements in working capital	662	1,451	(92)
Increase in inventories	(500)	(1,330)	—
Increase in other receivables	(121)	(160)	(727)
Increase (decrease) in trade and other payables	329	2,117	(1,280)
Cash generated from (used in) operations	370	2,078	(2,099)
Interest received	2	3	—
NET CASH FROM (USED IN) OPERATING ACTIVITIES	372	2,081	(2,099)
INVESTING ACTIVITY			
Acquisition of property, plant and equipment	(629)	(211)	—
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(257)	1,870	(2,099)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	648	391	2,261
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	391	2,261	162

Notes:

(i) Revenue

Revenue represents the net amount received and receivable for concentrates sold by Shirengou Mining (石人溝), less sales related tax.

B. PRE-ACQUISITION FINANCIAL INFORMATION — continued

(ii) Profit (loss) before taxation

	Year ended 31 December		From 1 January 2007 to 25 May
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Profit (loss) before taxation has been arrived at after charging:			
Staff costs, including directors' emoluments			
Salaries and other benefit costs	405	363	34
Retirement benefit scheme contributions	—	—	—
Depreciation of property, plant and equipment	228	356	151
Allowance for other receivables	211	43	672
Allowance for inventories	—	1,200	—
Cost of inventories consumed	6,099	9,367	650
and crediting:			
Bank interest income	2	3	—
Government subsidies	482	574	—

Government subsidies represents the tax benefit granted by the PRC government to encourage Shirengou Mining (石人溝)'s production and sale of gold concentrates.

(iii) Taxation

Shirengou Mining (石人溝) was subject to PRC Enterprise Income Tax calculated at 33% of taxable income determined in accordance with the relevant laws and regulations in the PRC. No provision for taxation has been made for the year ended 31 December 2005 as Shirengou Mining (石人溝) is entitled to tax exemption during that year.

The charge for the year/period, which represents PRC Enterprise Income Tax, can be reconciled to the profit (loss) before taxation per the income statement as follows:

	Year ended 31 December		From 1 January 2007 to 25 May
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Profit (loss) before taxation	225	(145)	(915)
Tax at PRC Enterprise Income Tax rate of 33%	74	(48)	(302)
Tax effect of tax exemption granted	(214)	—	—
Tax effect of expenses not deductible for tax purposes	140	196	40
Tax effect of tax loss not recognized	—	—	262
Taxation charge for the year/period	—	148	—

There was no significant unprovided deferred taxation during the year/period or at the respective balance sheet dates.

B. PRE-ACQUISITION FINANCIAL INFORMATION — continued

(iv) Property, plant and equipment

	Buildings	Mining structures	Plant and machinery	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At 1 January 2005	322	668	1,285	—	2,275
Additions	216	14	354	45	629
At 31 December 2005	538	682	1,639	45	2,904
Additions	—	—	211	—	211
At 31 December 2006 and 25 May 2007	538	682	1,850	45	3,115
DEPRECIATION					
At 1 January 2005	—	—	—	—	—
Provided for the year	29	68	128	3	228
At 31 December 2005	29	68	128	3	228
Provided for the year	64	81	206	5	356
At 31 December 2006	93	149	334	8	584
Provided for the period	27	33	89	2	151
At 25 May 2007	120	182	423	10	735
CARRYING VALUES					
At 31 December 2005	509	614	1,511	42	2,676
At 31 December 2006	445	533	1,516	37	2,531
At 25 May 2007	418	500	1,427	35	2,380

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

Buildings	8–20 years
Plant and machinery	10 years
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 for which the structure was designed and over the estimated total proved and probable reserves of the ore mines.

At the balance sheet dates, Shirengou Mining (石人溝) had not obtained the legal titles of all of the buildings from the relevant PRC government authority.

(v) Mining rights

Shirengou Mining (石人溝) obtained mining rights from the PRC government at nil consideration.

B. PRE-ACQUISITION FINANCIAL INFORMATION — continued

(vi) Inventories

	At 31 December		At 25 May
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Mineral ores	500	630	630

(vii) Trade and other payables

	At 31 December		At 25 May
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
Trade payables	226	129	130
Other payables	5,649	7,863	6,582
	5,875	7,992	6,712

The aged analysis of the trade payables is as follows:

	At 31 December		At 25 May
	2005	2006	2007
	RMB'000	RMB'000	RMB'000
0 – 90 days	53	—	—
Over 365 days	173	129	130
	226	129	130

C. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable by the Company to the Company's directors in respect of the Relevant Periods.

Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 December 2008 is estimated to be approximately RMB0.3 million (excluding any management bonus which may be paid).

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 October 2008.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong