Annual Report 2009

瑞金礦業
Real Gold Mining Limited

Real Gold Mining Limited
瑞金礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 246

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Corporate Information

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

SECRETARY TO THE BOARD

Ms. Yu Lulu

NOMINATION AND REMUNERATION COMMITTEE

Mr. Xiao Zuhe *(Chairman)*
Mr. Zhao Enguang
Mr. Yang Yicheng

AUDIT AND RISK MANAGEMENT COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms. Yu Lulu
Mr. Leung Wai Chiu, Albert

AUTHORIZED REPRESENTATIVES

Mr. Xiao Zuhe
Mr. Leung Wai Chiu, Albert

INVESTOR RELATIONS CONTACT

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12/F., Java Commercial Centre
128 Java Road
North Point
Hong Kong
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AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor
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Hong Kong

LEGAL ADVISOR

Hogan & Hartson
21st Floor
Two Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISOR

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

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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128 Java Road
North Point
Hong Kong

HEADQUARTERS OF OUR COMPANY

3rd Floor, Block B
Caifu Building
Daming Street
Xincheng District
Chifeng City
Inner Mongolia
The People's Republic of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower Branch
Bank of Communications
Central Branch
BNP Paribas
Hong Kong Branch
China Merchants Bank
Hohhot Branch
The Hongkong and Shanghai Banking Corporation Limited
Sheung Wan Branch
Agricultural Bank of China
Chifeng Songshan District Branch
Balinzuo Banner Branch
Guangdong Development Bank
Huizhou Maidi Road South Branch
Huizhou Branch
Industrial and Commercial Bank of China Limited
Chifeng Songshan District Branch
Chifeng Zhaowuda Branch
Xiamen International Bank
Xiamen Siming Sub-branch

STOCK NAME

Real Gold Mining Limited
(RealGold Mining)

STOCK CODE

246

WEBSITE OF THE COMPANY

www.realgoldmining.com

Chairman's Statement

Dear shareholders,

I am pleased to announce the annual results of Real Gold Mining Limited ("Real Gold" or the "Company") for the year ended 31 December 2009 to all shareholders.

Looking back to 2009, gold was treated as an important tool for avoiding risks and keeping value. The central banks of various countries increased their holdings of gold to cope with the continuous movements in the global market, in order to facilitate the persistent increase in gold demand and establish a positive support to gold price, which in turn created a favorable development environment for gold producers.

2009 has been a year of continual recovery of the global economy, when Real Gold achieved fruitful results. The Company's successful listing on the main board of The Stock Exchange of Hong Kong Limited in February 2009 represented a new cornerstone for its initiatives to access to the international financing platform. On the new start-line, we leverage on our flexible operation mechanism as a private enterprise and the unity and co-operation of our management team of extensive experience in gold mining business to greatly expand our production capacity and raise the level of gold resources reserve by steadily implementing the scheduled development plan of the Company and capitalizing on the enormous business opportunities of gold mining. Meanwhile, on the back of the competitive edges of high-grade poly-metallic mineral reserves and low operation costs, we continued to maintain a profit margin ahead of industry peers and achieved outstanding results.

During the year, the Company's revenue amounted to approximately RMB1.01 billion, representing an increase of approximately 224% from the previous year. Our gross profit increased by approximately 223% to approximately RMB749 million, and our gross profit margin was approximately 74.0%. The net profit attributable to the equity holders of the Company increased substantially by approximately 407% to approximately RMB527 million. The basic earnings and diluted earnings per share were approximately RMB78.59 cents and approximately RMB78.48 cents respectively.

The production capacity expansion of the Company completed in phases as scheduled while high efficiency of production capacity utilization was maintained. As the third-phase ore-processing facilities in both Nantaizi Gold Mine and Luotuochang Gold Mine in Inner Mongolia commenced production in the fourth quarter of 2009, the ore-processing capacity of these two ore-processing facilities increased to an aggregate of 2,580 tonnes per day, achieving an average utilization rate of production capacity of approximately 99.8% and 100.2% respectively for the year as well as a high recovery rate of processing.

The Company actively integrates its gold mine resources and capitalises on its exploring team of extensive experience to keep on indentifying high quality gold mines and closely watch for new acquisition opportunities so as to ensure sustainable and healthy business development. Currently, the Company has extended its self-owned gold mine presence from Inner Mongolia to Yunnan and Jiangxi Province, where the amount of mineral resources are rich. After completing the acquisition of Yunnan Gudao Mining Limited ("Yunnan Gudao") in December 2009, we announced the acquisition of Shangrao City Jinshi Mining Technology Development Limited ("Jinshi Mining") in Jiangxi Province in the People's Republic of China (the "PRC") in February this year. The Fuyuan gold mine owned by Yunnan Gudao has 5 mineralized veins, with a gold reserve of approximately 4,112 kilograms, an average gold grade of approximately 2.90 grams per tonne, and an estimated total gold resources of over 14 tonnes. The scheduled production capacity is 0.5 million tonnes per year and the scheduled annual production volume is 1,100 kilograms. Jinshi Mining has identified 2 mineralized veins via preliminary partial exploration, with estimated gold reserves of approximately 1,689 kilograms, average gold grade of approximately 4.70 grams per tonne and an estimated total gold resources of over 10,000 kilograms. These two acquisitions will further strengthen our gold resources reserve.

Looking forward, the continuous boom of gold demand and price will create a favorable business environment for the Company. The Company will continue to put its own competitive edges in full play, and with its base in Inner Mongolia, move forward nationwide and worldwide and actively facilitate the Company's development via acquisitions. As a low cost, high profit margin gold mining and processing company, Real Gold will also continue to research and develop mining and processing technologies. We strive to maximize the gold recovery rate of every tonne of our gold mines through applying more highly efficient and advanced mining technologies to maintain our high profit level.

Lastly, I would like to take this opportunity to express my heartfelt gratitude to the Board of Directors, management and all staff for their efforts in endorsing the development of the Company, and to shareholders and other parties. I can assure you that all of our staff and I will work with perseverance and diligence in the future to make Real Gold the leading gold producer in the PRC, with a view to creating ideal return for shareholders and realizing the maximization of the shareholders' interests.

Lu Tianjun
Chairman and Executive Director

5 March 2010

Management Discussion and Analysis

BUSINESS REVIEW

We own a 97.14% shareholding in three operating gold mines in the Chifeng Municipality, Inner Mongolia, namely the Shirengou Gold Mine, the Nantaizi Gold Mine and the Luotuochang Gold Mine (collectively the "Gold Mines"). The Nantaizi Gold Mine and the Shirengou Gold Mine are adjacent to each other, and the ore processing facility located at the Nantaizi Gold Mine ("Nantaizi Processing Plant") processes ore from both the Nantaizi Gold Mine and the Shirengou Gold Mine. Chifeng Municipality is an area rich in mineral resources with a long history of production of precious and nonferrous metals.

We specialize in the mining of gold and the processing of ore into concentrates containing gold and other minerals for subsequent sale. Gold is our core commodity because the value of gold contained in the concentrates we produce and sell exceeds the combined value of all the other metals contained in our concentrates, and contributed approximately 71.0% and 66.1% of our total revenue for the year ended 31 December 2008 and 2009, respectively.

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

After geological exploration conducted by the Company, a mineralized vein with a strike to north-east 30° and dipping to north-west at angles from 65° to 68°, has been identified 280 meters south-west to the Shirengou Gold Mine Vein No. 1, with an average gold grade of 6.10 grams per tonne and estimated gold resources (Chinese resource category 333+334) of approximately 198.0 kilograms.

The third-phase ore-processing capacity expansion of the Nantaizi Processing Plant completed on 19 November 2009, with the total production capacity reaching 1,480 tonnes per day since then. The third-phase ore-processing capacity expansion of the Luotuochang processing plant completed on 29 September 2009, with the total production capacity reaching 1,100 tonnes per day since then. The total production capacity of the Company's gold mines processing plants has now reached 2,580 tonnes per day.

On 25 December 2009, the Company, through its 97.14% owned subsidiary, Chifeng Fuqiao Mining Co. Limited ("Chifeng Fuqiao"), completed the acquisition of 95% of the equity interest in Yunnan Gudao Mining Limited ("Yunnan Gudao") which owns the Fuyuan gold mine, for a consideration of approximately Renminbi ("RMB") 90.2 million. The average gold grade in the Fuyuan gold mine is 2.90 grams per tonne, with the estimated amount of gold reserves (333+334 under the People's Republic of China ("PRC") standard) of approximately 4,112 kilograms.

On 9 February 2010, Chifeng Fuqiao entered into a share transfer agreement to acquire 100% of the equity interest in Shangrao City Jinshi Mining Technology Development Limited ("Jinshi Mining"), for a consideration of RMB60.0 million. The average gold grade in Daping gold mine, owned by Jinshi Mining, is 4.70 grams per tonne, with the estimated amount of gold reserves (332+333 under PRC standard) of approximately 1,689 kilograms.

Year 2010 will be an important and challenging year for the Company and its subsidiaries (the "Group") to seize every opportunity to develop our business proactively. The Company considers identification and acquisition of gold mines to be its core competency and growth by acquisition of gold mines to be its key corporate strategy. We will therefore keep looking for potential merger and acquisition opportunities in order to increase our gold reserves. We believe that, by leveraging on our unique high-grade poly-metallic mineral reserves, production efficiency, organic growth potential, stable and effective management structure, we will be able to strengthen the competitiveness of the Group and maximize the interests of both the Company and its shareholders.

OPERATION REVIEW

	1Q09	2Q09	3Q09	Oct-09	Nov-09	Dec-09	4Q09	2009
Nantaizi Processing Plant								
Average Daily Capacity (t/day)	990.0	990.0	990.0	990.0	1,186.0*	1,480.0*	1,219.0*	1,047.7*
Utilization Rate (%)	102.2	102.4	100.4	101.0	79.0	102.2	94.7	99.8
Production Days (Days)	62.2	91.0	92.0	30.0	30.0	31.0	91.0	336.2
Ore Processed (kt)	62.9	92.2	91.4	30.0	28.1	46.9	105.0	351.5
Average Gold Grade (g/t)	9.6	9.7	9.5	9.2	9.1	9.0	9.1	9.4
Average Recovery Rate (%)	86.5	85.7	85.2	85.1	84.9	84.6	84.9	85.9
Payable Gold (koz)	16.9	24.7	23.7	7.5	6.9	11.5	25.9	91.2
Equivalent Gold (koz)	20.9	31.7	31.4	9.9	9.0	15.2	34.1	118.1
Luotuochang Processing Plant								
Average Daily Capacity (t/day)	800.0	800.0	800.0	1,100.0	1,100.0	1,100.0	1,100.0	875.6*
Utilization Rate (%)	96.8	99.8	98.2	101.2	101.8	104.4	102.6	100.2
Production Days (Days)	59.8	91.0	92.0	27.0	28.0	31.0	86.0	328.8
Ore Processed (kt)	46.3	72.7	72.3	30.1	31.4	35.6	97.1	288.4
Average Gold Grade (g/t)	3.2	3.3	3.2	3.0	3.0	3.0	3.0	3.2
Average Recovery Rate (%)	86.5	87.5	87.5	87.0	86.1	86.1	86.4	86.3
Payable Gold (koz)	4.2	6.8	6.5	2.5	2.6	3.0	8.1	25.6
Equivalent Gold (koz)	7.7	15.4	15.7	6.4	6.3	7.6	20.3	59.1
Total Payable Gold (koz)	**21.0**	**31.5**	**30.2**	**10.0**	**9.5**	**14.5**	**34.0**	**116.8**
Total Produced Equivalent Gold (koz)	**28.7**	**47.1**	**47.1**	**16.3**	**15.3**	**22.8**	**54.4**	**177.2**
Total Sold Equivalent Gold (koz)	**29.2**	**44.5**	**48.7**	**17.1**	**15.0**	**21.9**	**53.9**	**176.3**
Realized Gold Price (US$/oz)	**798.3**	**805.3**	**842.4**	**832.3**	**989.6**	**855.5**	**886.4**	**839.6**
Total Revenue (RMB'000)**	**159,610**	**244,575**	**280,398**	**97,223**	**101,384**	**127,964**	**326,571**	**1,011,154**

* Average daily capacity is weighted average by calendar days.

** 2009 revenue is audited and others are unaudited figures.

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

From January to October 2009, the ore processing facility located at Nantaizi Gold Mine maintained a daily ore processing capacity of approximately 990 tonnes and starting from November 2009, the daily ore processing capacity has been increased to approximately 1,480 tonnes. The total amount of ore processed for the year ended 31 December 2009 reached approximately 351,500 tonnes.

For the year ended 31 December 2009, the average gold grade and recovery rate associated with the ore processing facility located at the Nantaizi Gold Mine were consistent with the estimation set out in the Independent Technical Expert's Report as disclosed in the Prospectus. The average gold grade was approximately 9.4 grams per tonne, and the average recovery rate was around 85.9%.

The total production of payable gold at the ore processing facility located at the Nantaizi Gold Mine for the year ended 31 December 2009 was approximately 91,200 ounces, while the total equivalent gold production during the same period was approximately 118,100 ounces.

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

From January to September 2009, the ore processing facility located at Luotuochang Gold Mine maintained a daily ore processing capacity of approximately 800 tonnes and starting from October 2009, the daily ore processing capacity has been increased to approximately 1,100 tonnes. The total amount of ore processed for the year ended 31 December 2009 reached approximately 288,400 tonnes.

For the year ended 31 December 2009, the average gold grade and recovery rate associated with the ore processing facility located at the Luotuochang Gold Mine were consistent with the estimation set out in the Independent Technical Expert's Report as disclosed in the Prospectus. The average gold grade was approximately 3.2 grams per tonne, and the average recovery rate was around 86.3%.

The total production of payable gold at the ore processing facility located at the Luotuochang Gold Mine for the year ended 31 December 2009 was approximately 25,600 ounces, while the equivalent gold production during the same period was approximately 59,100 ounces.

Overall, the Company produced approximately 116,800 ounces of payable gold and approximately 177,200 ounces of equivalent gold for the year ended 31 December 2009. The average realized gold price was approximately USD839.6 per ounce, and the revenue was approximately RMB1,011.2 million for the year ended 31 December 2009.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased from approximately RMB312.3 million for the year ended 31 December 2008 to approximately RMB1,011.2 million for the year ended 31 December 2009. The increase in revenue was primarily due to the commencement of commercial production at phase I, phase II and phase III of our ore processing facilities at the Nantaizi Gold Mine in July 2008, October 2008 and November 2009 respectively, and at phase I, phase II and phase III of our ore processing facilities at the Luotuochang Gold Mine in September 2008, December 2008 and October 2009 respectively. The increase in the price of gold was also a favorable factor contributing to the growth in revenue.

Cost of sales

Cost of sales was approximately RMB262.5 million for the year ended 31 December 2009 and primarily included cost of raw materials consumed, subcontracting fees, auxiliary material costs, electricity costs, depreciation and amortization, environmental protection fees and production safety fees. For the year ended 31 December 2009, our cost of sales accounted for approximately 26.0% of our total revenue.

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

Gross profit and gross margin

As a result of the foregoing, gross profit was approximately RMB748.6 million and gross margin was approximately 74.0% for the year ended 31 December 2009. For the year ended 31 December 2008, gross profit was approximately RMB231.7 million and gross margin was approximately 74.2%. The very slight drop in gross margin was the net result of mainly the following two factors, namely the favorable factor being the increase in gold price compared with the same period last year and the adverse factor being the increase in the proportion of production value of Luotuochang Gold Mine (with lower gold grade) in the total production value of all the mines compared with last year.

Administrative expenses

Administrative expenses decreased from approximately RMB63.5 million for the year ended 31 December 2008 to approximately RMB48.3 million for the year ended 31 December 2009.

The administrative expenses for the year ended 31 December 2009 primarily represented equity-settled share-based payments expenses of approximately RMB16.8 million, professional fees allocated to the listing of the Company's existing shares of approximately RMB9.1 million charged to the profit and loss account, professional fees other than those related to the initial public offering of the Company ("IPO") of approximately RMB7.8 million, salaries paid and payable to, and benefits for, our administrative and management staff, and other administrative expenses such as travel and entertainment expenses.

The administrative expenses for the year ended 31 December 2008 primarily represented professional fees allocated to the listing of the Company's existing shares of approximately RMB40.7 million charged to the profit and loss account, financial guarantee expenses related to our provision of the guarantee issued by us in connection with the pre-IPO investment of approximately RMB4.1 million, salaries paid and payable to, and benefits for, our administrative and management staff, and other administrative expenses such as travel and entertainment expenses.

Equity-settled share-based payments expenses increased because share options were granted to certain directors (the "Directors") and employees of the Company on 12 March 2009. Professional fees associated with IPO of the Company's shares decreased since with the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 February 2009, no further IPO expenses were incurred. Professional fees unrelated to the IPO increased as a result of professional fees incurred in association with the Company becoming a listed company on 23 February 2009. Financial guarantee expenses decreased because no guarantee was granted by us in the year ended 31 December 2009.

Other income

Other income increased from approximately RMB16.3 million for the year ended 31 December 2008 to approximately RMB35.9 million for the year ended 31 December 2009.

The primary source of other income for the year ended 31 December 2009 was government subsidies in the form of a benefit from tax concession granted to us by the PRC government of approximately RMB31.3 million to encourage the development of the gold industry. We also had a release of financial guarantee liability of approximately RMB2.4 million related to the guarantee issued by us in connection with the secured exchangeable bonds issued by Lead Honest Management Limited ("Lead Honest"), the Company's controlling shareholder, to certain investors at a consideration of US$50,000,000. The guarantee was released upon the listing of the shares of the Company on the Stock Exchange on 23 February 2009. The amount released in the income statement in the year ended 31 December 2009 was the amount of the financial guarantee liability outstanding as at 31 December 2008 of RMB2.4 million.

The primary source of other income for the year ended 31 December 2008 was government subsidies in the form of a benefit from tax concession granted to us by the PRC government of approximately RMB13.3 million to encourage the development of the gold industry. We also had an amortisation of financial guarantee liability of approximately RMB1.7 million. The financial guarantee liability is amortised to the income statement on a straight-line basis over the expected life of the financial guarantee. Also included in the other income for the year ended 31 December 2008 was a discount on the acquisition of additional interest in subsidiaries of approximately RMB1.0 million due to the difference between the consideration paid for the additional cash injection by Lita Investment Limited, a wholly owned subsidiary of the Company, and the carrying amount of the net assets attributable to the additional interest acquired. As the carrying amount of the net assets exceeded the consideration paid, the excess was recognized as other income.

The increase in government subsidies was in keeping with the increase in sales. There was an increase in the release of financial guarantee liability. The amount of the financial guarantee at its inception on 25 July 2008 was approximately RMB4.1 million. The amount released to the income statement in the period from 25 July 2008 to 31 December 2008 was approximately RMB1.7 million. The amount outstanding as at 31 December 2008 was approximately RMB2.4 million. The amount released in the period from 1 January 2009 to 23 February 2009 (the date of the listing of the shares of the Company on the Stock Exchange) to the income statement was approximately RMB2.4 million. Discount on the acquisition of additional interest in subsidiaries decreased as no such discount was recognized in the year ended 31 December 2009.

Tax expenses

Tax expenses were approximately RMB193.0 million and RMB74.7 million for the years ended 31 December 2009 and 2008 respectively, representing income tax on the profit generated from the Gold Mines, less any tax losses brought forward from prior years, the net amount being taxed at the PRC's Enterprise Income Tax rate of 25%.

The increase in tax expense was primarily due to the increase in taxable profits in the operating subsidiaries.

Profit and total comprehensive income for the year attributable to owners

Profit and total comprehensive income attributable to owners of the Company for the year ended 31 December 2009 was approximately RMB526.7 million compared to approximately RMB103.9 million for the year ended 31 December 2008, which was the result of the sales of concentrates primarily from the operation at our Gold Mines.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2009. No dividend was declared for the year ended 31 December 2008.

Cash flows

For the years ended 31 December 2009 and 2008, we principally engaged in the exploration, mining and processing of gold ore and sale of concentrates in the PRC.

Our liquidity requirements relate to funding working capital, capital expenditures, acquisition of mining rights and maintaining cash reserves. Our capital requirements include construction of mine shafts and the expansion of the ore processing facilities. We plan to fund the capital expenditures and working capital with cash from operating activities, existing bank and cash balances and net proceeds from the IPO of the Company's shares in the way as set out in the Prospectus, proceeds from the exercise of share options by Directors and employees and proceeds from the issue of new shares. We may also finance our working capital, if needed, using a combination of short-term and long-term bank borrowings.

The following tables set out certain information regarding our consolidated cash flow statement for the years ended 31 December 2009 and 2008:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Net cash from operating activities	**650,014**	176,606
Net cash used in investing activities	**(605,468)**	(293,223)
Net cash from financing activities	**1,870,771**	158,350
Increase in cash and cash equivalents	**1,915,317**	41,733
Cash and cash equivalents at beginning of the year	**42,493**	760
Cash and cash equivalents at end of the year	**1,957,810**	42,493

Cash and cash equivalents increased in the amount of approximately RMB1,915.3 million from approximately RMB42.5 million as at 31 December 2008 to approximately RMB1,957.8 million as at 31 December 2009. Of the RMB1,957.8 million, the equivalent of RMB836.0 million was held in Hong Kong Dollars ("HKD" or "HK$"), the equivalent of RMB136.7 million was held in United States Dollars ("USD" or "US$") and the rest was held in RMB.

We generated approximately RMB650.0 million in operating activities for the year ended 31 December 2009. The increase in trade and other receivables and in trade and other payables under operating activities was in keeping with the increase in the scale of the operations.

Net cash used in investing activities amounted to approximately RMB605.5 million for the year ended 31 December 2009, of which approximately RMB88.5 million related to the purchase of property, plant and equipment for mining and construction of infrastructure at our Gold Mines, approximately RMB427.0 million related to the increase in an advance to independent third parties under investing activities, and approximately RMB90.0 million related to the acquisition of a subsidiary. The increase in an advance to independent third parties under investing activities of approximately RMB427.0 million (the equivalent of the sum of approximately HKD415.2 million and approximately USD9.0 million) related to the first leg of a parallel loan arrangement in which the Company effectively converted HKD and USD to RMB and provided the RMB funds to a PRC subsidiary of the Company. The arrangement consisted in the first place of the Company transferring HKD and USD funds to independent third parties. Upon receipt of the funds by the independent third parties, PRC affiliates of the independent third parties transferred forthwith funds of an equivalent amount in RMB to a PRC subsidiary of the Company. The aforesaid parallel loans receivable and payable were fully settled in February 2010.

Net cash provided by financing activities was approximately RMB1,870.8 million for the year ended 31 December 2009, of which approximately RMB549.8 million related to the proceeds from the issue of new shares in the IPO of approximately RMB574.0 million, offset by the expenses allocated to the issue of new shares in the IPO of approximately RMB24.2 million, approximately RMB20.0 million related to the proceeds from the exercise of share options by Directors and employees, approximately RMB873.6 million related to the proceeds from the issue of shares, and approximately RMB427.4 million related to an advance from independent third parties under financing activities. The advance from independent third parties under financing activities related to the second leg of the parallel loan arrangement in which the Company effectively converted HKD and USD to RMB and provided the RMB funds to a PRC subsidiary of the Company. The said arrangement consisted in the first place of the Company transferring HKD and USD funds to independent third parties. Upon receipt of the funds by the independent third parties, PRC affiliates of the independent third parties transferred forthwith funds of an equivalent amount in RMB to a PRC subsidiary of the Company. The aforesaid parallel loans receivable and payable were fully settled in February 2010.

Borrowings

As at 31 December 2009 and 31 December 2008, the Group did not have any short-term or long-term bank loans. Gearing, being total interest-bearing debt divided by total assets, was nil. As at 31 December 2009, we had bank facilities in the total amount of RMB200 million, of which none were utilized.

Pledge of assets

As at 31 December 2008, the Company charged over its assets together with assets of two of its subsidiaries, Lita Investment Limited and Rich Vision Holdings Limited, in connection with the pre-IPO investment. The said pledge was released on 23 February 2009, the date on which shares of the Company were listed on the main board of the Stock Exchange. There were no charges on the assets of the Group as at 31 December 2009.

Use of net proceeds from the Company's IPO

The Company was listed on the main board of the Stock Exchange on 23 February 2009. The net proceeds from the Company's issue of new shares (after deducting expenses relating specifically to the issue of new shares in the IPO and expenses relating generally to the listing of all the shares of the Company, whether existing or new) amounted to approximately HK$569.3 million (equivalent to approximately RMB501.7 million), which is slightly more than the estimate of HK$565.2 million as announced in the announcement of the IPO Allotment Results dated 20 February 2009. From the listing date to 31 December 2009, approximately HK$12.1 million (equivalent to approximately RMB10.7 million) was used for general corporate purposes.

Capital expenditure

During the year ended 31 December 2009, the Group invested approximately RMB88.5 million (2008: approximately RMB302.7 million) in the addition to property, plant and equipment for mining and the construction of infrastructure of the new ore processing facilities located at the Nantaizi Gold Mine and the Luotuochang Gold Mine.

Contingent liabilities

As at 31 December 2008, we had a contingent liability relating to a guarantee given by certain members of our Group during 2008 to secure the US$50 million exchangeable bonds issued by Lead Honest. The guarantee was released on 23 February 2009, the date at which shares of the Company were listed on the main board of the Stock Exchange. The Group did not have any significant contingent liabilities as at 31 December 2009.

Operating lease commitments

As at 31 December 2009, we had contracted obligations consisting of operating leases which totaled approximately RMB468,000 with approximately RMB296,000 due within one year and approximately RMB172,000 due between two to five years. Lease terms are ranged from 1 to 3 years with fixed rentals.

Capital Commitment

As at 31 December 2009, we had capital commitment of capital expenditure contracted for an amount of approximately RMB9,493,000 in respect of an exploration project.

In addition, the Group has entered into a conditional agreement with a third party to acquire certain exploration and evaluation assets at a cash consideration to be determined by reference to the gold reserve of the relevant ore mines.

Financial instruments

The Company did not have any hedging contracts or financial derivatives outstanding for the year ended 31 December 2009 and 2008.

Segment analysis

Segment information is disclosed in note 7 to the consolidated financial statements.

Employees and Emoluments Policy

As at 31 December 2009, the number of employees of the Group was 372 (31 December 2008: 248). During the year ended 31 December 2009, excluding sub-contracting labour cost of approximately RMB32.3 million, the staff cost (including Directors' remuneration in the form of salaries, share-based payments and other allowances) was approximately RMB29.8 million (2008: approximately RMB5.5 million).

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

FUTURE PLANS

Our goal is to be the leading integrated gold producer in the PRC via continuous expansion of our gold reserve, increase in gold production volume and enhancement in economic efficiency. We expand our gold reserve through exploration of our existing gold mines to strive for a gradual growth of the production capability and revenue of the existing mines on a stable basis, while we launch extensive information search nationwide to acquire and integrate high quality gold mines. Meanwhile, we also pay close attention to gold mine resources information outside the PRC with the aim to expand our presence overseas.

Future material investment and capital expenditures

Our planned future capital expenditures mainly comprise the capital requirements for the mining operations at the Shirengou-Nantaizi Mining Complex and the Luotuochang Gold Mine as well as the establishment of production facilities at the Fuyuan gold mine of Yunnan Gudao and Daping gold mine of Jinshi Mining. Our planned capital expenditures for the year ending 31 December 2010, which are expected to be funded by the net proceeds from the Company's IPO, net proceeds from the subscription of shares through placing on 7 October 2009 and internal resources of the Group, are as follows:

Name of the Mines	**Expected Capital Expenditures 2010** (RMB in million)
Shirengou-Nantaizi Mining Complex	63.7
Luotuochang Gold Mine	25.0
Fuyuan gold mine of Yunnan Gudao	200.0
Daping gold mine of Jinshi Mining	120.0
Total	408.7

MARKET RISKS

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

Commodity price risk

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

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

Foreign exchange risk

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

The Group has bank balances that are denominated in foreign currencies. The Group has also entered into certain loan arrangements which expose the Group to foreign currency exposure on HK$ and US$. The Group is mainly exposed to the fluctuation of HK$ and US$. The Group manages and monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. No foreign currency hedge is currently undertaken by the Group. However, management will consider hedging significant foreign currency risk exposure should the need arise.

Interest rate risk

Our income and operating cash flows are not substantially affected by changes in market interest rates. We have no significant interest-bearing assets, except for cash and cash equivalents, nor any interest-bearing liabilities. We have not used any interest rate swaps to hedge against interest rate risk. The Group is exposed to cash flow interest rate risk in relation to bank balances due to fluctuations of the prevailing market interest rate. Management will continuously monitor interest rate fluctuations and will consider hedging significant interest rate risk should the need arise.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

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

Mr. Lu, aged 45, joined us in August 2007. He graduated from Shenyang Gold Professional School (瀋陽黃金專科學校) in geology and mineral exploration. Pursuant to the certificate issued by the Leading Group for Professional Title Reform of the Inner Mongolia Autonomous Region (內蒙古自治區職稱改革領導小組) in June 1994, Mr. Lu is qualified as a project engineer (工程工程師). Between July 1986 and May 2001, he held various positions at the Chifeng Honghuagou mines (赤峰紅花溝金礦), one of the largest state-owned gold mines in the PRC including as leader of technical team, deputy field director (礦區副主任) and field director (礦區主任). In 1991, Mr. Lu published an article entitled Discovery of Mineralization Pattern of No.81 Vein of the Chifeng Honghuagou Mines and its Effects on Exploration (紅花溝金礦81號脈左型 — 側伏規律的發現及其找礦效果) in a national periodical, and the article was subsequently awarded the Second Award for Outstanding Article in respect of Natural Science in the Chifeng Municipality (赤峰市自然科學優秀論文二等獎). Mr. Lu also held various positions at Chifeng Shirengou Gold Mines Co., Ltd. (赤峰石人溝金礦有限責任公司) ("Shirengou Mining") and its predecessors between May 2001 and August 2007, including as technical consultant and engineer. Since September 2007, Mr. Lu has been a vice president of Chifeng Fuqiao Mining Co., Ltd. (赤峰富僑礦業有限公司) ("Chifeng Fuqiao"), responsible for production.

Mr. Lu is also a director of Chifeng Fuqiao.

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

Mr. Qiu, aged 40, joined us in August 2007. He graduated from Baotou Institute of Steel (包頭鋼鐵學院) in 2000, majoring in mine engineering. Pursuant to the certificate issued by the Chifeng Jianan Professional Technology Training Centre (赤峰建安職業技術培訓中心) on 12 September 2007, Mr. Qiu Haicheng is qualified as an engineer (工程師). Between September 1993 and November 2004, Mr. Qiu held various positions at the Chifeng Honghuagou mines (赤峰紅花溝金礦), one of the largest state-owned gold mines in the PRC, including as mining technician, assistant mine engineer, mine engineer, senior mine engineer and mine production and safety manager. Between November 2004 and August 2007, Mr. Qiu was employed by Balinzuo Banner Materials Products Trading Co., Ltd. (巴林左旗國濤礦產品貿易有限公司) (including its predecessors) as its deputy manager. Mr. Qiu was the special assistant to the chief executive officer of Chifeng Fuqiao from August 2007 to January 2009 and had successfully established a mining safety and environmental protection system for each of our three Gold Mines owned by the Company. He has approximately 17 years of experience in exploration, mining, production, production safety and mining management. In view of Mr. Qiu's extensive experience, he was appointed the Chief Executive Officer of our Company in February 2009.

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

Mr. Ma, aged 42, joined us in August 2007. He graduated from Shenyang Institute of Gold (瀋陽黃金學院) in July 1988, majoring in ore processing engineering and the University of Liaoning (遼寧大學) with a Bachelor's degree in Economics Law in June 1999 and is qualified as a mine engineer at the intermediate level. Between July 1988 and October 2004, Mr. Ma held various positions at the Chifeng Honghuagou mines (赤峰紅花溝金礦), one of the largest state-owned gold mines in the PRC, including ore processing technician and production scheduling safety officer between July 1988 and July 1990, mainly responsible for ore processing and production. Between July 1990 and August 1993, Mr. Ma was employed as a deputy production manager of Chifeng Honghuagou mines (赤峰紅花溝金礦), mainly responsible for production technology and safety, and management of equipment. He was employed as the processing manager of Chifeng Honghuagou mines (赤峰紅花溝金礦) between August 1993 and October 2004, mainly responsible for overseeing all aspects of the operation of the ore processing facility. Between November 2004 and July 2007, Mr. Ma worked at Kalaqinqi Nantaizixiang Gold Mine (喀喇沁旗南台子鄉金礦) as its chief engineer, mainly responsible for ore processing and management of equipment, scientific planning for the Nantaizi Gold Mine. He was appointed a vice president of Chifeng Fuqiao in August 2007 where he is mainly responsible for ore processing, electrical and mechanical engineering, and quality control.

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

Mr. Ma is also a director of Chifeng Fuqiao.

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

Mr. Cui, aged 38, joined us in August 2007. He graduated from Inner Mongolia Finance College (內蒙古財經學院) with a Bachelor's degree in industrial accounting. Between July 1992 and September 1997, he held various financial management positions at Inner Mongolia Linxi Beer Factory (內蒙古林西啤酒廠), mainly responsible for auditing. Between September 1997 and October 2004, Mr. Cui held various financial management positions in Finance Bureau of Linxi County (林西縣財務局) and certain financial consultancy companies, mainly responsible for auditing, tax planning, corporate management and providing training to more than a hundred of trainees who graduated from accounting and financial institutions. Between October 2004 and July 2005, Mr. Cui worked as the chief financial officer of Beijing LongTech Huanyu Technology Co., Ltd (北京龍騰環宇科技發展有限公司). He also worked as the general manager of the Beijing branch of Beijing Shuang Bai Financial Accounting Society (雙百(北京)財務軟件開發有限公司) from July 2005 to October 2006, mainly responsible for auditing, tax planning and trademark registration.

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

Mr. Cui is also a director of Chifeng Fuqiao.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Mak, aged 48, joined us as a Director in September 2008 and was designated as an independent non-executive Director in January 2009. He graduated from the Department of Accountancy of the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in 1985 and is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants in England and Wales. Mr. Mak is the founder and managing director of Venfund Investment Management Ltd. in Shenzhen. Prior to that, Mr. Mak was the managing partner of Arthur Andersen Southern China. He serves as an independent director and audit committee chairman of Dragon Pharmaceutical Inc. (凱龍藥業股份有限公司), Network CN Inc. (安博(美國)有限公司), Trina Solar Limited (天合光能有限公司), China GreenTech Corp. Ltd. (國人通信股份有限公司) and China Security & Surveillance Technology, Inc. (中國安防技術有限公司), all listed in the United States; and as an independent director of Gemdale Industries Inc. (金地集團股份有限公司), which is listed in the PRC. Mr. Mak also serves as an independent non- executive director and audit committee chairman of Huabao International Holdings Ltd. (華寶國際控股有限公司), China Dongxiang (Group) Co., Ltd. (中國動向(集團)有限公司) and Pou Sheng International (Holdings) Limited (寶勝國際(控股)有限公司), all listed in Hong Kong. In addition, Mr. Mak is a non-executive director and audit committee member of Bright World Precision Machinery Ltd. (沃得精機股份有限公司), a company listed in Singapore and Vinda International Holdings Ltd. (維達國際控股有限公司), a company listed on the main board of the Stock Exchange.

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

Mr. Zhao, aged 66, joined us as a Director in April 2008 and was designated as an independent non-executive Director in January 2009. He graduated from Lanzhou University (蘭州大學) with a Bachelor's degree in Operational Research (數力系運籌專業) in 1966. Pursuant to a letter issued by the Leading Group for Professional Title Reform of the Ministry of Metallurgy of the PRC (中華人民共和國冶金工業部職稱改革工作領導小組) on 31 August 1994, Mr. Zhao Enguang is a professor grade engineer.

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

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

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

Mr. Xiao, aged 43, joined us as a Director in April 2008 and was designated as an independent non-executive Director in January 2009. He graduated from the Jiang Xi University of Finance and Economics (江西財經大學) (formerly known as 江西財經學院) with a Bachelor's degree in Economics in 1988 and is qualified as an accountant in the PRC and in Hong Kong. From 1989 to 2001, Mr. Xiao has also undertaken the following postgraduate courses: International Financial Management and Accounting with the Ministry of Finance of PRC (中華人民共和國財政部) in 1989; Training Scheme of Accountants of PRC with the Hong Kong Society of Accountants (香港會計師公會) in 1991; and the Postgraduate Certificate in Professional Accounting with City University of Hong Kong (香港城市大學) in 2001. Mr. Xiao is a member of Hong Kong Institute of Certified Public Accountants. He is also a member of the Institute of Chartered Accountants, in England and Wales and a member of the Chinese Institute of Certified Public Accountants.

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

Mr. Yang Yicheng (楊以誠), *Independent non-executive Director*

Mr. Yang Yicheng, aged 69, joined us as an independent non-executive Director on 25 June 2009. He obtained a diploma from the Mining Department in Central South Institute of Mining and Smelting (中南礦冶學院採礦系) in China in 1965 and a diploma from the Department of Management in Jilin University (吉林大學管理系) in China in 1987.

Mr. Yang's career in the mining business spans over a period of approximately 50 years and he has experience in the exploration, mining and smelting of gold. From 1969 to 1992, he worked in various positions including those of Deputy Chief and Chief of Mine in Guangxi Longshui Gold Mine (廣西龍水金礦), the largest state-owned gold mine in Guangxi Zhuang Autonomous Region in China at the time, which was highly rated for its technology and its efficiency.

From 1992 to 2000, he was the Deputy Bureau Chief at Guangxi Gold Management Bureau (廣西黃金管理局) in China and held various positions (including the post of Manager) at China Gold Guangxi Company (中國黃金廣西公司) in China.

After his retirement from a government office, from 2000 to 2009 before his appointment by the Company, he worked as a senior consultant and senior engineer at Blackwatch Resources China Limited (廣西金沃礦業勘探開發有限公司), a sino-foreign joint venture in China.

OTHER SENIOR MANAGEMENT

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

Mr. Li, aged 40, joined us in August 2007. He graduated from Shenyang Institute of Gold (瀋陽黃金學院) in July 1991 majoring in geological surveying, and graduated from Changchun University of Technology (長春工業大學) in September 2007 majoring in mining engineering. Pursuant to the certificate issued by the Inner Mongolia Department of Personnel (內蒙古自治區人事廳) in August 1999, Mr. Li Qing is qualified as a geodetic engineer (測繪工程工程師).

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

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

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

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

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

Mr. Zhao, aged 44, joined us in August 2007. Mr. Zhao graduated from Shanxi Mining Institute (山西礦業學院) in July 1988 with a major in mining mechanical engineering. Pursuant to the certificate issued by the Leading Group for Professional Title Reform of the Inner Mongolia Autonomous Region (內蒙古自治區職稱改革領導小組) in November 1995, Mr. Zhao Guoming is qualified as a project engineer (工程工程師). Pursuant to the certificate issued by Inner Mongolia Department of Personnel (內蒙古自治區人事廳) in July 2005, Mr. Zhao Guoming is qualified as a mechanical engineer (機械工程師).

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

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

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

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

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

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

Mr. Ma, aged 68, joined our Group in August 2007. Mr. Ma graduated from the China University of Geosciences (中國地質大學) (formerly known as Beijing Geological Institute (北京地質學院)) in July 1968 as a geological engineer with a major in mineral resources and geology. Pursuant to the certificate issued by the Ministry of Geology and Mineral Resources of the PRC (中華人民共和國地質礦產部) in May 1991, Mr. Ma Xiwen is qualified as a senior geological engineer (礦產地質高級工程師). Mr. Ma has been engaged in geological field work for more than 30 years and is very experienced in geological survey and mining exploration.

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

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

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

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

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

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

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

Ms. Yu Lulu (于璐璐)

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

Ms. Yu, aged 31, joined us in October 2005. She assisted Mr. Wu in founding and establishing Chifeng Fuqiao. Ms. Yu received a Master of Science degree in Investment Analysis from the University of Stirling, Scotland on 27 January 2006. She also graduated from the Qing Dao University in the PRC and the University of Massey, New Zealand with a Bachelor of Arts and a Graduate Diploma in July 2001 and November 2003, respectively.

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

Mr. Leung Wai Chiu, Albert (梁偉昭)

Mr. Leung Wai Chiu, Albert (梁偉昭) is our joint company secretary. He has been working for our Company on a full-time basis since he joined us in April 2009.

Mr. Leung graduated from Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) with a Higher Diploma in Accountancy, and from l'Ecole des Hautes Etudes Commerciales France with a Diplome des Hautes Etudes Commerciales (Master of Science in Management).

Mr. Leung, aged 52, is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has over 20 years of experience in accounting and finance. Prior to joining the Company, he was the chief financial officer of a PRC business quoted on the Over-The-Counter Bulletin Board in the United States and he had also been the chief financial officer of a NASDAQ-listed PRC manufacturer and distributor of fixed and mobile telephone sets for more than 4 years.

Directors' Report

The Board hereby presents its report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009.

CORPORATE REORGANIZATION

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

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

The Company's shares were listed on the main board of the Stock Exchange on 23 February 2009 (the "Listing Date").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Particulars of the principal activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 42 of this annual report.

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the Group's property, plant and equipment are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2009, the Company's reserves available for distribution to shareholders were as follows:

	2009 HK$'000	2008 HK$'000
Share premium	**1,317,829**	–
Accumulated profits (losses)	**(59,074)**	(23,613)
	1,258,755	(23,613)

Under the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years are set out on page 80 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the years ended 31 December 2009 and 2008, sales to the Group's five largest customers, in aggregate represented 100% and 95.9% of the Group's total sales, respectively. For the years ended 31 December 2009 and 2008, sales to the single largest customer amounted to approximately 37.4% and 37.7% of our total sales, respectively.

For the years ended 31 December 2009 and 2008, our purchases of raw materials and auxiliary materials from our five largest suppliers accounted for approximately 72.4% and 76.5%, respectively, of the Group's total purchases. For the years ended 31 December 2009 and 2008, purchases from the single largest supplier amounted to approximately 25% and 27.0% of our total purchases, respectively.

For the year ended 31 December 2009, none of the Directors or any of their associates or any shareholders who, to the knowledge of our Directors, owns more than 5% of the Company's issued share capital, had any interest in our five largest suppliers or customers.

DIRECTORS

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

Executive Directors

Mr. Lu Tianjun	(appointed on 25 August 2008 and designated as an executive Director on 30 January 2009)
Mr. Qiu Haicheng	(appointed and designated as an executive Director on 2 February 2009)
Mr. Ma Wenxue	(appointed on 13 March 2008 and designated as an executive Director on 30 January 2009)
Mr. Cui Jie	(appointed on 13 March 2008 and designated as an executive Director on 30 January 2009)
Mr. Wang Zhentian	(appointed on 13 March 2008 and ceased to be an executive Director on 30 April 2009)

Independent non-executive Directors

Mr. Mak Kin Kwong	(appointed on 19 September 2008 and designated as an independent non-executive Director on 30 January 2009)
Mr. Zhao Enguang	(appointed on 30 April 2008 and designated as an independent non-executive Director on 30 January 2009)
Mr. Xiao Zuhe	(appointed on 30 April 2008 and designated as an independent non-executive Director on 30 January 2009)
Mr. Yang Yicheng	(appointed and designated as an independent non-executive Director on 25 June 2009)

Pursuant to Article 84 of the Company's articles of association, Mr. Qiu Haicheng , Mr. Ma Wenxue and Mr. Cui Jie will retire by rotation from his office at the forthcoming annual general meeting and, being eligible, shall offer themselves for re-election. In accordance with Article 83(3) of the Company's articles of association, Mr. Yang Yicheng, appointed by the Board during the year, will retire from his office at the forthcoming annual general meeting and, being eligible, shall offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

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

Each of our independent non-executive Directors (other than Mr. Yang Yicheng) has been appointed by the Company for an initial fixed term of two years commencing on 30 January 2009. Mr. Yang Yicheng has been appointed by the Company for an initial fixed term of two years commencing on 25 June 2009.

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

REMUNERATION OF THE DIRECTORS

The remuneration of each Director is determined by the members of the nomination and remuneration committee with reference to the duties, responsibilities, performance of the Directors and the results of the Group.

Details of the remuneration of the Directors are set out in note 9 to the consolidated financial statements of this annual report.

EMOLUMENTS POLICY

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

RETIREMENT BENEFIT SCHEMES

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

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at 31 December 2009, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

Interests in shares and underlying shares of the Company (all in long positions)

(a) Ordinary shares of HK$1 each of the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lu Tianjun *(Director)*	Beneficial owner	330,000	0.04%
Ma Wenxue *(Director)*	Beneficial owner	330,000	0.04%
Qiu Haicheng *(Director and Chief Executive Officer)*	Beneficial owner	330,000	0.04%
Cui Jie *(Director)*	Beneficial owner	330,000	0.04%

(b) Share options

Name	Capacity	Number of options held	Number of underlying shares	Percentage of the issued share capital of the Company
Lu Tianjun *(Director)*	Beneficial owner	1,320,000	1,320,000	0.17%
Ma Wenxue *(Director)*	Beneficial owner	1,320,000	1,320,000	0.17%
Qiu Haicheng *(Director and Chief Executive Officer)*	Beneficial owner	1,320,000	1,320,000	0.17%
Cui Jie *(Director)*	Beneficial owner	1,320,000	1,320,000	0.17%

Other than as disclosed above, as at 31 December 2009, so far as known to any Directors or chief executive of the Company, neither the Directors nor the chief executive, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into in the register that was required to be kept under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company has adopted a share option scheme on 30 January 2009 (the "Share Option Scheme"). The following is a summary of the principal terms of the Share Option Scheme:

(a) Purpose

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

(b) Who may join

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

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

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

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

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

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

(vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity,

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

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

(c) Maximum number of shares

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

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

(d) Maximum entitlement of each participant and connected persons

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

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

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

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

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

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

such further grant of options must be approved by our shareholders in general meetings in which all connected persons (as defined in the Listing Rules) of the Company must obtain from voting in favour at such general meeting.

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

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

(f) Subscription price for Shares

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

(g) Rights are personal to grantee

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

(h) Time of exercise of option

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

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

(i) Ranking of Shares

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

(j) Period of the Share Option Scheme

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

(k) Present status of the Share Option Scheme

The following table discloses details of movements of the Company's share options held by our Directors and our chief executive officer and our employees, and the value of the share options granted to these persons during the year ended 31 December 2009:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share	Number of share options: Outstanding at 1.1.2009	Granted during the year	Cancelled during the year	Lapsed during the year	Exercised during the year	Outstanding at 31.12.2009	Value of share options granted
				HK$							HK$
Wang Zhentian	12.3.2009	Immediate	12.3.2009–11.3.2014	6.25	–	330,000	–	(330,000)	–	–	590,700
(Former Director)		12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	–	330,000	–	(330,000)	–	–	660,000
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	–	330,000	–	(330,000)	–	–	742,500
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	–	330,000	–	(330,000)	–	–	811,800
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	–	330,000	–	(330,000)	–	–	858,000
Lu Tianjun *(Director)*	12.3.2009	Immediate	12.3.2009–11.3.2014	6.25	–	330,000	–	–	(330,000)	–	590,700
		12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	–	330,000	–	–	–	330,000	660,000
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	–	330,000	–	–	–	330,000	742,500
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	–	330,000	–	–	–	330,000	811,800
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	–	330,000	–	–	–	330,000	858,000
Ma Wenxue *(Director)*	12.3.2009	Immediate	12.3.2009–11.3.2014	6.25	–	330,000	–	–	(330,000)	–	590,700
		12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	–	330,000	–	–	–	330,000	660,000
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	–	330,000	–	–	–	330,000	742,500
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	–	330,000	–	–	–	330,000	811,800
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	–	330,000	–	–	–	330,000	858,000
Qiu Haicheng *(Director and Chief Executive Officer)*	12.3.2009	Immediate	12.3.2009–11.3.2014	6.25	–	330,000	–	–	(330,000)	–	590,700
		12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	–	330,000	–	–	–	330,000	660,000
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	–	330,000	–	–	–	330,000	742,500
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	–	330,000	–	–	–	330,000	811,800
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	–	330,000	–	–	–	330,000	858,000
Cui Jie *(Director)*	12.3.2009	Immediate	12.3.2009–11.3.2014	6.25	–	330,000	–	–	(330,000)	–	590,700
		12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	–	330,000	–	–	–	330,000	660,000
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	–	330,000	–	–	–	330,000	742,500
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	–	330,000	–	–	–	330,000	811,800
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	–	330,000	–	–	–	330,000	858,000
Employees (in aggregate)	12.3.2009	Immediate	12.3.2009–11.3.2014	6.25	–	2,310,000	–	–	(2,310,000)	–	4,134,900
		12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	–	2,310,000	–	–	–	2,310,000	4,620,000
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	–	2,310,000	–	–	–	2,310,000	5,197,500
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	–	2,310,000	–	–	–	2,310,000	5,682,600
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	–	2,310,000	–	–	–	2,310,000	6,006,000
Total					–	19,800,000	–	(1,650,000)	(3,630,000)	14,520,000	43,956,000

The share options were granted on 12 March 2009, which is also the measurement date of the share options. The closing price of the Company's shares immediately before the date of grant of the options was HK$4.86 and the estimated fair values of the options at the date of grant ranged from HK$1.79 to HK$2.60 per option. These fair values were calculated using the Binomial Option Pricing model after taking into account the different vesting periods. The assumptions used for the calculation are as follows:

Closing share price at date of grant	HK$4.90
Exercise price	HK$6.25
Suboptimal exercise factor	2
Expected volatility	71.7%
Expected dividend yield	–
Risk free rate	1.6%

The closing price of the Company's shares immediately before 9 September 2009, the date on which the share options were exercised was HK$8.86.

The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of the share options varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair values of the share options.

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVES

Other than the option holdings disclosed above, at no time during the year had the Company or any of its subsidiaries, holding companies or any fellow subsidiaries entered into any arrangement which enables the existing Directors or chief executive to have the right to acquire benefits by means of acquisition of shares or debentures in the Company or any other legal entities.

SUBSTANTIAL SHAREHOLDERS, AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2009, so far as known to any Director or chief executive of the Company, shareholders (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Long and short positions in ordinary shares of HK$1 each of the Company
(including equity derivative interests)

Name of shareholder	Capacity	Long position number of ordinary shares	Long position percentage of the issued share capital of the Company	Short position number of ordinary shares	Short position percentage of the issued share capital of the Company
Lead Honest Management Limited (Note i)	Beneficial owner	479,376,000	62.37%	234,376,000	30.49%
Tercel Holdings Limited (Note i)	Interest of controlled corporation	479,376,000	62.37%	234,376,000	30.49%
Credit Suisse Trust Limited (Note i)	Trustee	479,376,000	62.37%	234,376,000	30.49%
Wu Ruilin (Note i)	Founder of a discretionary trust	479,376,000	62.37%	234,376,000	30.49%
Citigroup Inc. (Note ii and iii)	Interest of controlled corporation	105,052,842	13.67%	105,000,000	13.66%
	Custodian corporation/ approved lending agent	234,955,000	30.57%	N/A	N/A
	Person having a security interest in shares	1,000,000	0.13%	N/A	N/A

Equity derivative interests in ordinary shares of HK$1 each of the Company
(included in long and short positions)

Name of shareholder	Long position number of ordinary shares	Long position percentage of the issued share capital of the Company	Short position number of ordinary shares	Short position percentage of the issued share capital of the Company
Lead Honest Management Limited (Note i)	105,000,000	13.66%	32,280,071	4.20%
Tercel Holdings Limited (Note i)	105,000,000	13.66%	32,280,071	4.20%
Credit Suisse Trust Limited (Note i)	105,000,000	13.66%	32,280,071	4.20%
Wu Ruilin (Note i)	105,000,000	13.66%	32,280,071	4.20%
Citigroup Inc. (Note ii and iii)	32,280,071	4.20%	105,000,000	13.66%

Notes:

(i) As at 31 December 2009, Lead Honest Management Limited was 100% controlled by Tercel Holdings Limited, which in turn was ultimately controlled by Credit Suisse Trust Limited. Credit Suisse Trust Limited was a trustee of Tercel Trust, of which Mr. Wu Ruilin was the founder.

(ii) There was also a lending pool of 579,000 shares, representing 0.08% of the issued share capital of the Company.

(iii) Citigroup Inc.'s interests were held via the following companies controlled by Citigroup Inc.:

Citigroup Global Markets Financial Products LLC was interested in a long position of 50,031,571 shares of the Company. Citigroup Global Markets Financial Products LLC was controlled by Citigroup Global Markets Holdings GmbH which was in turn controlled by Citigroup Global Markets (International) Finance AG and Salomon Brothers Pacific Holding Company Inc.; both Citigroup Global Markets (International) Finance AG and Salomon Brothers Pacific Holding Company Inc. were controlled by Citigroup Financial Products Inc.; Citigroup Financial Products Inc. was controlled by Citigroup Global Markets Holdings Inc. which was in turn controlled by Citigroup Inc.

Citigroup Global Markets Ltd was interested in a long position of 56,021,271 shares of the Company and a short position of 105,000,000 shares of the Company. Citigroup Global Markets Ltd was controlled by Citigroup Global Markets Europe Ltd which was controlled by Citigroup Global Markets LLC and Citigroup Global Markets (International) Finance AG; both Citigroup Global Markets LLC and Citigroup Global Markets (International) Finance AG were in turn controlled by Citigroup Financial Products Inc.; Citigroup Financial Products Inc. was controlled by Citigroup Global Markets Holdings Inc. which was in turn controlled by Citigroup Inc.

Citigroup Global Markets Holdings GmbH, which was controlled by Citigroup Global Markets (International) Finance AG and Salomon Brothers Pacific Holding Company Inc., was deemed to be interested in a long position of 50,031,571 shares of the Company.

Citigroup Global Markets Europe Ltd. was deemed to be interested in a long position of 56,021,271 shares of the Company and a short position of 105,000,000 shares of the Company.

Salomon Brothers Pacific Holding Company Inc. was deemed to be interest in a long position of 50,031,571 shares of the Company.

Citigroup Global Markets (International) Finance AG was deemed to be interested in a long position of 106,052,842 shares of the Company and a short position of 105,000,000 shares of the Company.

Citigroup Global Markets LLC was deemed to be interested in a long position of 56,021,271 shares of the Company and a short position of105,000,000 shares of the Company.

Citigroup Financial Products Inc. was deemed to be interested in a long position of 106,052,842 shares of the Company and a short position of105,000,000 shares of the Company.

Citigroup Global Markets Holdings Inc. was deemed to be interested in a long position of 106,052,842 shares of the Company and a short position of105,000,000 shares of the Company.

Citibank N.A. was interested in a long position of 234,955,000 shares of the Company. Citibank N.A. was controlled by Citicorp Holdings Inc. which was in turn controlled by Citigroup Inc.

Citicorp Holdings Inc. was deemed to be interested in a long position of 234,955,000 shares of the Company.

Other than as disclosed above, as at 31 December 2009, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

MANAGEMENT CONTRACTS

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

CONTRACTS OF SIGNIFICANCE

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

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

AUDIT AND RISK MANAGEMENT COMMITTEE

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

The audit and risk management committee has adopted written terms of references which is in compliance with the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules. The audit and risk management committee is primarily responsible for the review and supervision of the financial reporting process and internal control process. It has reviewed the accounting principles, accounting standards and methods adopted by the Company together with the management, discussed the matters concerning the internal controls, as well as reviewed the Group's audited annual results for the year ended 31 December 2009.

PRE-EMPTIVE RIGHTS

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the period from the Listing Date up to the date of this annual report.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. With the exception set out below, the Company has complied with all the applicable code provisions as set out in the Code throughout the period from the Listing Date up to the date of this annual report.

Code provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Wang Zhentian, the then Chairman of the Board, being out of town, did not attend the annual general meeting of the Company held on 30 April 2009. Mr. Qiu Haicheng, being an executive Director of the Company, attended the annual general meeting of the Company held on 30 April 2009 and was delegated to make himself available to answer questions if raised in the meeting.

For details of the Corporate Governance Report, please refer to pages 35 to 40 of this annual report.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

As at 31 December 2009, 140,000,000 shares of the Company (representing approximately 18.21% of the issued share capital of the Company) held by Lead Honest Management Limited ("Lead Honest"), a controlling shareholder of the Company, were pledged as security for the payment obligations and performance of the obligations under exchangeable bonds of an aggregate principal amount of HK$1,164,000,000 issued by Lead Honest.

ISSUE OF EQUITY SECURITIES

On 23 February 2009, the Company issued 104,200,000 ordinary shares of HK$1 each for cash at a price of HK$6.25 per share, totaling HK$651,250,000 (equivalent to approximately RMB573,958,000), pursuant to the Company's initial public offering for listing of those shares on the Stock Exchange.

On 9 September 2009, the Company issued 3,630,000 ordinary shares of HK$1 each for cash at a price of HK$6.25 per share, totalling HK$22,687,500 (equivalent to approximately RMB19,996,000), pursuant to the exercise of the Company's share options. The closing market price per share on 8 September 2009, the immediately preceding business day, was HK$8.86.

On 7 October 2009, the Company issued 105,000,000 ordinary shares of HK$1 each for cash at a price of HK$9.60 per share, totalling HK$1,008,000,000 (equivalent to approximately RMB888,417,000) raising a net proceeds of approximately HK$991,200,000 (equivalent to approximately RMB873,611,000) after deducting fees, commissions and other expenses, pursuant to the placing and subscription agreement dated 24 September 2009 entered into between the Company, Lead Honest, Mr. Wu Rulin and placing agents. The closing market price per share on 6 October 2009, the immediately preceding business day, was HK$10.08. The proceeds were used for the acquisition of 95% equity interest in Yunnan Gudao Mining Limited, and will be used for other potential future acquisitions and development of gold-related mining and exploration projects.

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

The listing of the Company's shares commenced on 23 February 2009. Since the Listing Date and up to 31 December 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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

The Company was listed on the main board of the Stock Exchange on 23 February 2009. The net proceeds from the Company's issue of new shares (after deducting expenses relating specifically to the issue of new shares in the IPO and expenses relating generally to the listing of all the shares of the Company, whether existing or new) amounted to approximately HK$569.3 million (equivalent to approximately RMB501.7 million), which is slightly more than the estimate of HK$565.2 million as announced in the announcement of the IPO Allotment Results dated 20 February 2009.

As at 31 December 2009, the net proceeds of IPO had been utilized in the following manner:

	Planned amount per Prospectus HK$' million	Planned amount for actual net IPO proceeds 2009 HK$' million	Amount utilized up to 31 December 2009 HK$' million	Balance as at 31 December 2009 HK$' million
Future acquisitions of gold resources in				
– Inner Mongolia	20.9	25.4	–	25.4
– Other regions	158.8	192.7	–	192.7
Expanding exploration activities				
– Exploration activities	72.3	87.7	–	87.7
– Facilitating actual production	35.6	43.2	–	43.2
Capital expenditures at existing Gold Mines	170.3	206.6	–	206.6
General corporate purposes	11.3	13.7	(12.1)	1.6
	469.2	569.3	(12.1)	557.2

The unutilised balance was placed in short-term bank deposits in accounts at commercial banks in the PRC and in Hong Kong. The Group intends to utilise the net proceeds balance in the same manner and proportion as set out in the Prospectus.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

The details of events after the reporting period are set out in note 35 to the consolidated financial statements.

AUDITORS

The Company has appointed Messrs. Deloitte Touche Tohmatsu as auditors of the Company for the year ended 31 December 2009. Messrs. Deloitte Touche Tohmatsu retired and, being eligible, offer themselves for re-appointment. A resolution will be proposed for approval by shareholders at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed by the Company from Monday, 19 April 2010 to Thursday, 22 April 2010, both days inclusive. During such period, no transfer of shares of the Company will be registered. In order to qualify for entitlement to attend the forthcoming annual general meeting of the Company, all completed transfer forms accomplished by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 16 April 2010.

On behalf of the Board
Lu Tianjun
Chairman

5 March 2010

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code of corporate governance. The Company has complied with the code provisions under the CG Code from the Listing Date to 5 March 2010, the date of this annual report (the "Review Period").

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

Set out below is detailed discussion of the corporate governance practices adopted and observed by the Company throughout the Review Period.

A. DIRECTORS' SECURITIES TRANSACTIONS

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

B. BOARD OF DIRECTORS

(i) Board Composition

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

Executive Directors

Mr. LU Tianjun *(Chairman)*
Mr. QIU Haicheng *(Chief executive officer)*
Mr. MA Wenxue *(Vice Chairman)*
Mr. CUI Jie

Independent Non-executive Directors

Mr. MAK Kin Kwong
Mr. ZHAO Enguang
Mr. XIAO Zuhe
Mr. YANG Yicheng

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

(ii) Board Functions and Duties

The principal functions and duties conferred on our Board include:

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

(iii) Board Meetings

During the Review Period, there were eleven board meetings held.

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

At the meetings on 11 March 2009 and 5 March 2010, the Directors approved, among other things, the annual financial results of the Group for the year ended 31 December 2008 and for the year ended 31 December 2009 respectively; at the meeting on 7 September 2009, the Directors approved, among other things, the interim financial results of the Group for the six months ended 30 June 2009; at the meetings on 8 June 2009 and 9 November 2009, the Directors approved, among other things, the financial results of the Group for the three months ended 31 March 2009 and for the nine months ended 30 September 2009 respectively.

(iv) Attendance Record

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

	Attendance at meetings
Executive Directors	
Mr. WANG Zhentian *(Former Chairman)* (ceased to act from 30 April 2009)	2/2
Mr. LU Tianjun *(Chairman)*	10/11
Mr. QIU Haicheng *(Chief executive officer)*	11/11
Mr. MA Wenxue *(Vice Chairman)*	11/11
Mr. CUI Jie	11/11
Independent Non-executive Directors	
Mr. MAK Kin Kwong	11/11
Mr. ZHAO Enguang	11/11
Mr. XIAO Zuhe	9/11
Mr. YANG Yicheng (appointed on 25 June 2009)	5/6

(v) Independent Non-Executive Directors

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

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

C. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

D. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. MAK Kin Kwong, Mr. ZHAO Enguang and Mr. XIAO Zuhe have been appointed for a fixed term of two years commencing from 30 January 2009, while Mr. YANG Yicheng has been appointed for a fixed term of two years commencing from 25 June 2009.

The independent non-executive Directors have attended the Board meetings held during the year ended 31 December 2009 and provided independent judgment on the issues discussed.

E. NOMINATION AND REMUNERATION OF DIRECTORS

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

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

It is the Company's policy that the remuneration package of each Director and senior management shall be determined by reference to, inter alia, their duties, responsibilities, experience and qualifications.

A new independent non-executive director, Mr. YANG Yicheng, was appointed on 25 June 2009, upon recommendation by the nomination and remuneration committee. The committee also recommended the amount of remuneration to be paid.

The nomination and remuneration committee has held one meeting during the Review Period and all the members attended the meeting. In this meeting, the nomination and remuneration committee reviewed the principles of the remuneration structure, the policy and the levels of remuneration paid to the Company's executive Directors and senior management, with reference to market remuneration levels of comparable listed companies.

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

F. AUDIT AND RISK MANAGEMENT COMMITTEE

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

During the Review Period, the audit and risk management committee has held five meetings. At the meetings on 11 March 2009 and 5 March 2010, the members of audit and risk management committee have reviewed and discussed with the external auditors of the Company the Group's consolidated financial statements for the years ended 31 December 2008 and 31 December 2009 respectively, who is of the opinion that such statements have complied with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance; at the meeting on 7 September 2009, the members of audit and risk management committee have reviewed and discussed with the external auditors of the Company the Group's condensed consolidated financial statements for the six months ended 30 June 2009, who is of the opinion that nothing has come to their attention that causes them to believe that such statements is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting"; at the meetings on 8 June 2009 and 9 November 2009, the members of audit and risk management committee have reviewed the Group's financial results for the three months ended 31 March 2009 and for the nine months ended 30 September 2009 respectively.

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

	Attendance at meetings
Mr. MAK Kin Kwong *(Chairman)*	5/5
Mr. ZHAO Enguang	5/5
Mr. XIAO Zuhe	5/5

G. AUDITORS' REMUNERATION

Deloitte Touche Tohmatsu, the Group's external auditor who was also the reporting accountants of the Company in relation to the listing of the Company's shares on the main board of the Stock Exchange, provided annual services for the years ended 31 December 2008 and 2009.

For the year ended 31 December 2009, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

	For the year ended 31 December 2009 HK$'000
Audit services	
Annual audit services	1,600
Interim review services	300
Non-audit services	
Tax advisory services	8

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

H. DIRECTOR'S RESPONSIBILITY ON THE FINANCIAL STATEMENTS

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

I. INTERNAL CONTROL

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

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

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

J. GOING CONCERN

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

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Real Gold Mining Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 79, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

5 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	NOTES	**2009 RMB'000**	2008 RMB'000
Revenue	7	**1,011,154**	312,262
Cost of sales		**(262,511)**	(80,529)
Gross profit		**748,643**	231,733
Other income	8	**35,918**	16,260
Administrative expenses		**(48,260)**	(63,521)
Profit before taxation	10	**736,301**	184,472
Taxation	11	**(193,043)**	(74,717)
Profit and total comprehensive income for the year		**543,258**	109,755
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**526,676**	103,905
Minority interests		**16,582**	5,850
		543,258	109,755
Earnings per share:			
Basic	12	**RMB78.59 cents**	RMB47.31 cents
Diluted		**RMB78.48 cents**	RMB47.31 cents

Consolidated Statement of Financial Position

At 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**378,497**	316,160
Mining rights	15	**180,414**	190,719
Exploration and evaluation assets	16	**89,123**	–
Prepaid lease payments	17	**5,959**	6,084
		653,993	512,963
CURRENT ASSETS			
Prepaid lease payments	17	**125**	125
Inventories	18	**6,164**	5,234
Trade and other receivables	19	**32,788**	21,244
Loans receivable	20	**426,997**	–
Bank balances and cash	21	**1,957,810**	42,493
		2,423,884	69,096
CURRENT LIABILITIES			
Trade and other payables	22	**46,075**	40,227
Loans payable	20	**427,398**	–
Financial guarantee liability	23	**–**	2,393
Tax payable		**66,191**	9,460
		539,664	52,080
NET CURRENT ASSETS		**1,884,220**	17,016
		2,538,213	529,979
CAPITAL AND RESERVES			
Share capital	24	**675,383**	387,522
Reserves		**1,808,309**	109,330
Equity attributable to owners of the Company		**2,483,692**	496,852
Minority interests		**37,122**	15,728
		2,520,814	512,580

	NOTES	**2009 RMB'000**	2008 RMB'000
NON-CURRENT LIABILITIES			
Provision for restoration cost	25	**675**	675
Deferred tax liability	26	**16,724**	16,724
		17,399	17,399
		2,538,213	529,979

The consolidated financial statements on pages 42 to 79 were approved and authorised for issue by the Board of Directors on 5 March 2010 and are signed on its behalf by:

Lu Tianjun
DIRECTOR

Cui Jie
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Share options reserve RMB'000	(Accumulated losses) retained profits RMB'000	Sub-total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2008	–	–	203	–	–	(2,581)	(2,378)	190	(2,188)
Profit and total comprehensive income for the year	–	–	–	–	–	103,905	103,905	5,850	109,755
Appropriation to reserve	–	–	16,711	–	–	(16,711)	–	–	–
Issue of shares	387,522	–	–	–	–	–	387,522	–	387,522
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	(1,049)	(1,049)
Capital contribution by minority shareholders	–	–	–	–	–	–	–	10,737	10,737
Deemed contribution from immediate holding company arising from waiver of advance	–	–	–	7,803	–	–	7,803	–	7,803
At 31 December 2008	387,522	–	16,914	7,803	–	84,613	496,852	15,728	512,580
Profit and total comprehensive income for the year	–	–	–	–	–	526,676	526,676	16,582	543,258
Appropriation to reserve	–	–	56,251	–	–	(56,251)	–	–	–
Issue of shares by capitalisation of share premium account	100,310	(100,310)	–	–	–	–	–	–	–
Issue of shares at premium through initial public offering	91,832	482,126	–	–	–	–	573,958	–	573,958
Transaction costs attributable to issue of shares	–	(24,192)	–	–	–	–	(24,192)	–	(24,192)
Issue of shares at a premium	92,520	781,091	–	–	–	–	873,611	–	873,611
Recognition of equity-settled share-based payment expense	–	–	–	–	16,791	–	16,791	–	16,791
Lapse of share options	–	–	–	–	(900)	900	–	–	–
Exercise of share options	3,199	22,524	–	–	(5,727)	–	19,996	–	19,996
Addition arising on acquisition of a subsidiary (note 28)	–	–	–	–	–	–	–	4,812	4,812
At 31 December 2009	675,383	1,161,239	73,165	7,803	10,164	555,938	2,483,692	37,122	2,520,814

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

Other reserve comprises amount advanced and waived by Lead Honest Management Limited, the Company's immediate holding company, during the year ended 31 December 2008.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
OPERATING ACTIVITIES			
Profit before taxation		**736,301**	184,472
Adjustments for:			
Interest income		**(2,264)**	(155)
Amortisation of mining rights		**10,305**	4,624
Amortisation of prepaid lease payments		**125**	48
Depreciation of property, plant and equipment		**22,635**	4,872
Discount on acquisition of additional interest in subsidiaries		**–**	(1,049)
Loss on write-off of property, plant and equipment		**–**	994
Financial guarantee expense		**–**	4,103
Amortisation of financial guarantee contract		**–**	(1,710)
Release of financial guarantee liability		**(2,393)**	–
Share-based payment expense		**16,791**	–
Operating cash flows before movements in working capital		**781,500**	196,199
(Increase)/decrease in trade and other receivables		**(5,844)**	420
Increase in inventories		**(930)**	(5,234)
Increase in trade and other payables		**9,336**	34,353
Cash generated from operations		**784,062**	225,738
Interest received		**2,264**	155
Income tax paid		**(136,312)**	(49,287)
NET CASH FROM OPERATING ACTIVITIES		**650,014**	176,606
INVESTING ACTIVITIES			
Advance to independent third parties		**(426,997)**	–
Acquisition of a subsidiary	28	**(90,009)**	–
Purchase of property, plant and equipment		**(88,462)**	(296,595)
Addition of prepaid lease payments		**–**	(6,107)
Repayment from related parties		**–**	9,479
NET CASH USED IN INVESTING ACTIVITIES		**(605,468)**	(293,223)
FINANCING ACTIVITIES			
Proceeds from issue of shares		**1,467,565**	387,522
Advance from independent third parties		**427,398**	–
Contribution from minority shareholders		**–**	10,737
Advance from immediate holding company		**–**	7,803
Expenses on issue of shares		**(24,192)**	–
Repayment to related parties		**–**	(247,712)
NET CASH FROM FINANCING ACTIVITIES		**1,870,771**	158,350
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,915,317**	41,733
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**42,493**	760
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**1,957,810**	42,493

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 13 March 2008 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 23 February 2009. Its immediate holding company is Lead Honest Management Limited ("Lead Honest"), incorporated in the British Virgin Islands, and its ultimate holding company is Tercel Holdings Limited, incorporated in Bahamas. The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. Its subsidiaries are principally engaged in exploration, mining and processing of gold ore and sale of concentrates in the People's Republic of China (the "PRC").

The consolidated financial statements have 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 ("IFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board.

IAS 1 (Revised 2007)	Presentation of Financial Statements
IAS 23 (Revised 2007)	Borrowing Costs
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRIC – Int 9 & IAS 39 (Amendments)	Embedded Derivatives
IFRIC – Int 13	Customer Loyalty Programmes
IFRIC – Int 15	Agreements for the Construction of Real Estate
IFRIC – Int 16	Hedges of a Net Investment in a Foreign Operation
IFRIC – Int 18	Transfer of Assets from Customers
IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendment to IFRS 5 that is effective for annual periods beginning on or after 1 July 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to the amendment to paragraph 80 of IAS 39

Except as described below, the adoption of the new and revised IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

IAS 1 (Revised 2007) Presentation of Financial Statements

IAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

IFRS 8 Operating Segments

IFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)

The amendments to IFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs issued in 2008[1]
IFRSs (Amendments)	Improvements to IFRSs issued in 2009[2]
IAS 24 (Revised)	Related Party Disclosures[6]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Rights Issues[4]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[3]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 9	Financial Instruments[7]
IFRIC – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
IFRIC – Int 17	Distribution of Non-cash Assets to Owners[1]
IFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the accounting treatment for changes in parent ownership interest in a subsidiary.

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

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

Acquisition of additional interest in a subsidiary

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

Revenue recognition

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

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

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

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.

Operating leases payments are recognised as an expense on a straight-line basis over the relevant lease terms.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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

Taxation

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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.

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

Mining rights

Mining rights acquired separately are initially measured at cost. Mining rights are reclassified from exploration and evaluation assets at the carrying amount when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Mining rights with finite useful lives are carried at costs less accumulated amortisation and any identified impairment loss. Amortisation for mining rights with finite useful lives is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ores mines.

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any identified impairment loss.

Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. An impairment loss is recognised in profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation assets (Continued)

When the technical feasibility and commercial viability of extracting a mineral resource become demonstrable and the mining rights is obtained, any previously recognised exploration and evaluation assets are reclassified as mining rights. Exploration and evaluation assets are assessed for impairment and any impairment loss recognised, before reclassification.

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 the end of the reporting period, 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 any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Inventories

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

Provision for restoration cost

The Group is required to make payments for restoration 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 end of the reporting period, and is discounted to their present value where the effect is material.

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets (including trade and other receivables, loans receivable and bank balances) are classified as loan and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period 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 affected.

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 re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

The accounting policy of the Group's financial liabilities (including trade and other payables and loans payable) are set out below.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

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

Derecognition

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

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

Equity-settled share-based payment transactions

For share options granted to employees, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty at the end of the reporting period 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:

(a) Provision for restoration cost

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

(b) Estimated allowance for receivables

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

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

(c) Mining rights, mining structures and exploration and evaluation assets

Mining rights and mining structures are amortised or depreciated using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ore mines.

Exploration and evaluation asset are assessed for impairment when facts and circumstances suggest the carrying amount may exceed its recoverable amount. The recoverable amount calculation requires the Group to estimate 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. If the quantities of reserves are different from current estimates, it will result in significant changes to amortisation and depreciation expenses of mining rights and mining structures and affect the recoverable amount of exploration and evaluation assets, which a material impairment loss may arise.

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 maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners 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.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009 RMB'000	2008 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,410,811**	62,483
Financial liabilities		
Amortised cost	**436,206**	12,499
Financial guarantee liability	**–**	2,393

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loans receivable, bank balances, trade and other payables, and loans payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below:

Market risk

(i) Currency risk

The Group has foreign currency transactions which expose the Group to market risk arising from changes in foreign exchange rates. The Group has bank balances that are denominated in foreign currencies. The Group has also entered into certain loan arrangements (note 20) which expose the Group to foreign currency exposure on Hong Kong dollars ("HK$") and United States dollars ("US$"). The Group manages and monitors foreign exchange exposure to ensure appropriate measures are implemented on a timely and effective manner. No foreign currency hedge is currently undertaken by the Group. However, management will consider hedging significant foreign currency risk exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2009 RMB'000	2008 RMB$'000	2009 RMB'000	2008 RMB'000
HK$	**1,201,515**	2,219	**–**	–
US$	**198,117**	1,775	**–**	6,064

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuation of HK$ and US$.

The following table details the Group's sensitivity to a 5% (2008: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2008: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the reporting period and adjusted for a 5% (2008: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB weakens 5% (2008: 5%) against the relevant currency. For a 5% (2008: 5%) strengthening of RMB against the relevant currency, there would be an equal and opposite impact on profit.

	HK$ Impact		US$ Impact	
	2009	2008	**2009**	2008
	RMB'000	RMB$'000	**RMB'000**	RMB'000
Increase (decrease) in profit for the year	**60,076**	111	**9,906**	(214)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances due to fluctuation of the prevailing market interest rate. Management will continuously monitor interest rate fluctuation and will consider hedging significant interest rate risk should the need arise.

No sensitivity analysis is presented because the risk is considered insignificant.

Credit risk

As at 31 December 2009, the Group's maximum exposure to credit risk which causes a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

As at 31 December 2008, the Group's maximum credit exposure to credit risk also included the financial guarantee provided by the Group as disclosed in note 23.

The Group has concentration of credit risk as a substantial portion of its revenue was generated from a limited number of customers and the Group's bank balances were deposited with a few banks. At 31 December 2009, the Group's trade receivables of RMB25,938,000 (2008: RMB19,833,000) were owed by 4 (2008: 4) customers. In addition, the Group's loans receivable were due from 2 (2008: Nil) parties that were related to each other.

In order to minimise the credit risk of trade receivables, the Group reviews the recoverable amount of each trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The loans receivable and the loans payable are arranged on a back-to-back basis. Pursuant to the loan agreements, the Group is not required to repay the loans payable if the loans receivable are not settled. Hence, the Group considers the credit risk is not significant. The credit risk on liquid funds is limited because the counterparties are banks with good reputation. The financial guarantee liability issued in connection with the secured exchangeable bonds had been released during the current year. Hence, the effect of credit risk is considered not significant.

6. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

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

The contractual maturity for the Group's financial liabilities based on the earliest day on which the Group can be required to pay is set out below.

Liquidity tables

	On demand and less than 3 months RMB'000	**3 months to 1 year RMB'000**	**Total undiscounted cash flows RMB'000**	**Carrying amount RMB'000**
2009				
Non-derivative financial liabilities				
Trade and other payables	**8,808**	**–**	**8,808**	**8,808**
Loans payable	**427,398**	**–**	**427,398**	**427,398**
	436,206	**–**	**436,206**	**436,206**

	On demand and less than 3 months RMB'000	3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2008				
Non-derivative financial liabilities				
Trade and other payables	12,499	–	12,499	12,499
Financial guarantee	341,874	–	341,874	2,393
	354,373	–	354,373	14,892

The total undiscounted cash flows of financial guarantee at 31 December 2008 disclosed above was the maximum amount the Group could be required to settle under the arrangement for the full guaranteed amount if that amount was claimed by the counterparties to the guarantee. Based on expectation as at 31 December 2008, the Group considered that it was not probable that the counterparties to the financial guarantee would claim under the contract. The financial guarantee was released upon the listing of the shares of the Company in February 2009 (see note 23).

6. FINANCIAL INSTRUMENTS (continued)

(c) Fair value

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

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

7. SEGMENT INFORMATION

The Group has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (IAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. The application of IFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14.

In prior year, no business and geographical segment information is presented because the Group is engaged in one business segment which is the production and sale of precious metals concentrates and the Group's revenue is generated in the PRC and all of its assets are located in the PRC. However, information reported to the Group's executive directors (being the chief operating decision maker of the Group) for the purposes of resource allocation and assessment of performance focuses more specifically on individual ore processing plant or mine. The principal ore processing plants are located at Nantaizi and Luotuochang in Inner Mongolia, the PRC. In the current year, the Group acquired a subsidiary with exploration activity in Yunnan, the PRC which constitutes an additional operating segment of the Group. The Group's operating segments under IFRS 8 are therefore as follows:

– Ore processing plant in Nantaizi

– Ore processing plant in Luotuochang

– Mine in Yunnan

The amounts reported for the prior year have been restated in conformity with the current year's presentation.

7. SEGMENT INFORMATION (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments for the current and prior years:

	2009			2008		
	Ore processing plant in Nantaizi RMB'000	Ore processing plant in Luotuochang RMB'000	Total RMB'000	Ore processing plant in Nantaizi RMB'000	Ore processing plant in Luotuochang RMB'000	Total RMB'000
Revenue	673,768	337,386	1,011,154	250,194	62,068	312,262
Segment profit	541,729	231,463	773,192	193,508	38,236	231,744
Unallocated other income			5,548			2,866
Unallocated administrative expenses			(42,439)			(50,138)
Profit before taxation			736,301			184,472
Taxation			(193,043)			(74,717)
Profit for the year			543,258			109,755

Segment profit represents the pre-tax profit earned by each segment without allocation of central administrative cost, directors' salaries, certain bank interest income and release of financial guarantee liability. This is the measure reported to the Group's executive directors for the purposes of resource allocation and performance assessment.

7. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segments for the current and prior years:

	2009				2008		
	Ore processing plant in Nantaizi RMB'000	**Ore processing plant in Luotuochang RMB'000**	**Mine in Yunnan RMB'000**	**Total RMB'000**	Ore processing plant in Nantaizi RMB'000	Ore processing plant in Luotuochang RMB'000	Total RMB'000
ASSETS							
Segment assets	**387,792**	**208,571**	**89,123**	**685,486**	350,617	189,211	539,828
Loans receivable				**426,997**			–
Unallocated bank balances and cash				**1,956,743**			41,915
Unallocated corporate assets				**8,651**			316
Consolidated total assets				**3,077,877**			582,059
LIABILITIES							
Segment liabilities	**80,749**	**45,237**	**–**	**125,986**	28,355	12,237	40,592
Loans payable				**427,398**			–
Unallocated corporate liabilities				**3,679**			28,887
Consolidated total liabilities				**557,063**			69,479

7. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

For the purposes of monitoring segment performances and allocating resources between segments, segment assets and liabilities represent assets and liabilities of the subsidiaries carrying out the respective segment activities.

Other segment information

The following is an analysis of the Group's other segment information for the current and prior years:

	2009				2008		
	Ore processing plant in Nantaizi RMB'000	**Ore processing plant in Luotuochang RMB'000**	**Mine in Yunnan RMB'000**	**Total RMB'000**	Ore processing plant in Nantaizi RMB'000	Ore processing plant in Luotuochang RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:							
Addition to non-current assets	**51,166**	**30,414**	**89,123**	**170,703**	176,345	123,715	300,060
Amortisation of prepaid lease payments	**90**	**35**	**–**	**125**	36	12	48
Amortisation of mining rights	**8,689**	**1,616**	**–**	**10,305**	4,239	385	4,624
Depreciation of property, plant and equipment	**11,860**	**10,091**	**–**	**21,951**	3,716	1,137	4,853
Amounts regularly provided to the Company's executive directors but not included in the measure of segment profit or loss:							
Interest income	**72**	**61**	**–**	**133**	45	2	47
Income tax expense	**135,399**	**57,644**	**–**	**193,043**	62,490	12,227	74,717

7. SEGMENT INFORMATION (continued)

Information about major customers

The following is an analysis of revenue from customers contributing over 10% of the total sales of the Group for the current and prior years:

	2009 RMB'000	2008 RMB'000
Customer A	**297,504**	117,870
Customer B	**378,489**	59,720
Customer C	**301,258**	57,926
Customer D	**–**	52,210

8. OTHER INCOME

	2009 RMB'000	2008 RMB'000
Government subsidies	**31,261**	13,346
Amortisation of financial guarantee contract	**–**	1,710
Release of financial guarantee liability	**2,393**	–
Discount on acquisition of additional interest in subsidiaries	**–**	1,049
Bank interest income	**2,264**	155
	35,918	16,260

Government subsidies represent the benefit from tax concession granted by the PRC government to encourage the production and sale of gold concentrates. Under the tax concession, the Group is not required to pay to the government authority value-added tax which have been charged on the sale of gold concentrates.

During the year ended 31 December 2008, Lita Investment Limited ("Lita", a wholly-owned subsidiary of the Company), injected a sum of approximately RMB164,063,000 as capital contribution to 富邦工業(惠州)有限公司 ("Fubon Industrial") and, accordingly, its equity interest in Fubon Industrial was increased from 95% to 97.14%, resulting in a discount on acquisition of approximately RMB1,049,000.

9. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

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

	Mr.Qiu Haicheng RMB'000	Mr. Lu Tian Jun RMB'000	Mr. Wang Zhen Tian RMB'000 (note iv)	Mr. Cao Jing Xuan RMB'000 (note i)	Mr. Ma Wen Xue RMB'000	Mr. Cui Jie RMB'000	Mr. Wu Ruilin RMB'000 (note ii)	Mr. Mak Kin Kwong RMB'000	Mr. Zhao Enguang RMB'000	Mr. Xiao Zuhe RMB'000	Mr. Yang Yicheng RMB'000	Mr. Zhang Yihong RMB'000 (note iii)	Total RMB'000
2009													
Fees	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**565**	**81**	**81**	**28**	**–**	**755**
Other emoluments													
– salaries and other benefits	**49**	**49**	**16**	**–**	**49**	**49**	**–**	**–**	**–**	**–**	**–**	**–**	**212**
– retirement benefit scheme contributions	**9**	**9**	**3**	**–**	**9**	**9**	**–**	**–**	**–**	**–**	**–**	**–**	**39**
– Equity-settled share-based payment expense	**1,399**	**1,399**	**1,399**	**–**	**1,399**	**1,399**	**–**	**–**	**–**	**–**	**–**	**–**	**6,995**
	1,457	**1,457**	**1,418**	**–**	**1,457**	**1,457**	**–**	**565**	**81**	**81**	**28**	**–**	**8,001**
2008													
Fees	–	–	–	–	–	–	–	–	–	–	–	–	–
Other emoluments													
– salaries and other benefits	–	49	49	49	49	49	–	–	–	–	–	–	245
– retirement benefit scheme contributions	–	9	9	9	9	9	–	–	–	–	–	–	45
	–	58	58	58	58	58	–	–	–	–	–	–	290

Notes:

(i) Mr. Cao Jing Xuan ceased to be a director on 29 December 2008.

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

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

(iv) Mr. Wang Zhentian ceased to be a Director on 30 April 2009.

9. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Five highest paid employees' emoluments

The five highest paid individuals for the year included four (2008: two) directors whose remuneration are included above. The emoluments of the remaining one (2008: three) individuals are as follows:

	2009 RMB'000	2008 RMB'000
Salaries and other benefits	529	756
Retirement benefit scheme contributions	–	13
Equity-settled share-based payment expense	1,399	–
	1,928	769

Their emoluments were within the following bands:

	2009 No. of employees	2008 No. of employees
Nil to HK$1,000,000	–	3
HK$2,000,001 to HK$2,500,000	1	–
	1	3

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

10. PROFIT BEFORE TAXATION

	2009 RMB'000	2008 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 9)	**8,001**	290
Other staff costs, including equity-settled share-based payment expense	**20,038**	4,456
Retirement benefit scheme contributions	**1,772**	790
Total staff costs	**29,811**	5,536
Less: Amount capitalised in construction in progress	**–**	(773)
	29,811	4,763
Auditor's remuneration	**1,600**	1,327
Amortisation of mining rights (included in cost of sales)	**10,305**	4,624
Amortisation of prepaid lease payments	**125**	48
Cost of inventories processed and sold	**240,689**	75,078
Depreciation of property, plant and equipment	**22,635**	4,872
Exchange losses	**4,167**	686
Financial guarantee expense	**–**	4,103
Loss on write-off of property, plant and equipment	**–**	994
Operating lease payments for rented premises	**405**	462

11. TAXATION

	2009 RMB'000	2008 RMB'000
PRC Enterprise Income Tax	**193,043**	57,993
Deferred tax (note 26)	**–**	16,724
	193,043	74,717

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

In addition, the EIT Law has imposed withholding tax upon the distribution of the profits earned by PRC subsidiaries from 1 January 2008 onwards to their non-PRC shareholders. At 31 December 2009, the Group's share of aggregate amount of temporary differences associated with retained earnings of the Company's PRC subsidiaries was approximately RMB732,107,000 (2008: RMB167,239,000). Deferred taxation has not been provided for in the consolidated financial statements in respect of the Group's share of temporary differences attributable to retained profits of the Company's PRC subsidiaries amounting to approximately RMB564,868,000 (2008: Nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

11. TAXATION (continued)

The taxation charge for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2009 RMB'000	2008 RMB'000
Profit before taxation	**736,301**	184,472
Tax at applicable PRC Enterprise Income Tax rate of 25% (2008: 25%)	**184,075**	46,118
Tax effect of expenses not deductible for tax purpose	**2,477**	11,939
Tax effect of income not taxable for tax purpose	**(2,370)**	–
Tax effect of tax losses not recognised	**8,861**	380
Utilisation of tax losses previously not recognised	**–**	(444)
Deferred taxation arising from withholding tax on undistributed profit of PRC subsidiaries	**–**	16,724
Taxation charge for the year	**193,043**	74,717

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

Earnings

	2009 RMB'000	2008 RMB'000
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**526,676**	103,905

Number of shares

	2009 '000	2008 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**670,160**	219,640
Effect of dilutive potential ordinary shares in respect of share options issued by the Company	**978**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**671,138**	219,640

The calculation of weighted average number of ordinary shares for the purposes of basic and diluted earnings per share has been adjusted for the capitalisation issue as detailed in note 24(vi).

There were no dilutive potential ordinary shares outstanding during the year ended 31 December 2008.

13. DIVIDENDS

No dividend has been paid or proposed by the Company for both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2008	747	900	6,067	140	445	14,009	22,308
Additions	7,872	54,298	28,397	37	42	209,417	300,063
Transfer	97,842	83,668	35,510	–	–	(217,020)	–
Write-off	(905)	(67)	–	–	–	(74)	(1,046)
At 31 December 2008	105,556	138,799	69,974	177	487	6,332	321,325
Additions	**–**	**15,885**	**12,608**	**1,885**	**1,520**	**53,074**	**84,972**
Transfer	**–**	**59,406**	**–**	**–**	**–**	**(59,406)**	**–**
At 31 December 2009	**105,556**	**214,090**	**82,582**	**2,062**	**2,007**	**–**	**406,297**
DEPRECIATION							
At 1 January 2008	31	4	260	15	35	–	345
Provided for the year	915	2,214	1,631	27	85	–	4,872
Eliminated on disposals	(48)	(4)	–	–	–	–	(52)
At 31 December 2008	898	2,214	1,891	42	120	–	5,165
Provided for the year	**5,481**	**11,573**	**4,798**	**697**	**86**	**–**	**22,635**
At 31 December 2009	**6,379**	**13,787**	**6,689**	**739**	**206**	**–**	**27,800**
CARRYING VALUES							
At 31 December 2009	**99,177**	**200,303**	**75,893**	**1,323**	**1,801**	**–**	**378,497**
At 31 December 2008	104,658	136,585	68,083	135	367	6,332	316,160

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

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

Depreciation on mining structures is provided to write off the cost of the mining structures using the unit of production method based on the actual production volume over the total estimated proved and probable reserves of the ore mines. Effective depreciation rates in 2009 were in the range of 3.52% to 8.18% (2008: 0.84% to 4.07%).

15. MINING RIGHTS

	RMB'000
COST	
At 1 January 2008, 31 December 2008 and 31 December 2009	195,500
AMORTISATION	
At 1 January 2008	157
Charged for the year	4,624
At 31 December 2008	4,781
Charged for the year	**10,305**
At 31 December 2009	**15,086**
CARRYING VALUES	
At 31 December 2009	**180,414**
At 31 December 2008	190,719

16. EXPLORATION AND EVALUATION ASSETS

	RMB'000
COST	
At 1 January 2008 and 31 December 2008	–
Acquisition of a subsidiary (note 28)	89,123
At 31 December 2009	**89,123**

17. PREPAID LEASE PAYMENTS

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

	2009 RMB'000	2008 RMB'000
Non-current	**5,959**	6,084
Current	**125**	125
	6,084	6,209

18. INVENTORIES

	2009 RMB'000	2008 RMB'000
Mineral ores	**2,601**	2,803
Concentrates	**3,563**	2,431
	6,164	5,234

19. TRADE AND OTHER RECEIVABLES

	2009 RMB'000	2008 RMB'000
Trade receivables	**25,938**	19,833
Deposits	**6,385**	431
Prepayments	**398**	823
Other receivables	**67**	157
	32,788	21,244

The average credit period granted to the Group's customers is 30 days (2008: 30 days). The trade receivables as at 31 December 2009 were aged within 30 days (2008: within 30 days).

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

20. LOANS RECEIVABLE AND LOANS PAYABLE

During the year, the Group entered into two sets of loan arrangements on a back-to-back basis with two separate independent third parties and their respective affiliates in the PRC (the "Parallel Loan Arrangements").

Under the Parallel Loan Arrangements, the Company first advanced HK$415,163,000 and US$9,000,000 to the respective independent third parties. Upon receipt of the funds by the independent third parties, the affiliates of the independent third parties advanced forthwith funds of an equivalent amount in RMB427,398,000 to a PRC subsidiary of the Company.

The independent third parties are required to settle the outstanding loans receivable to the Company on demand by the Company. The PRC subsidiary of the Company is required to settle the outstanding loans payable to the affiliates of independent third parties on demand by the affiliates of the independent third parties, but only after the independent third parties have settled the loans receivable to the Company.

As there is no legally enforceable right of the Group to set off the loans receivable and loans payable, the loan amounts are presented separately in the consolidated statement of financial position.

The loans receivable and loans payable are unsecured, interest-free and have been settled after the reporting period.

21. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.01% to 0.5% (2008: 0.01% to 0.72%) per annum.

22. TRADE AND OTHER PAYABLES

	2009 RMB'000	2008 RMB'000
Trade payables	**430**	16
Other payables	**45,645**	40,211
	46,075	40,227

The average credit period granted by the Group's suppliers is 30 to 60 days (2008: 30 to 60 days). The trade payables as at 31 December 2009 were aged within 60 days (2008: within 30 days) and not yet past due.

23. FINANCIAL GUARANTEE

As at 31 December 2008, the Group has provided a guarantee and pledged its assets and shares of two subsidiaries as security for liabilities of Lead Honest amounting to US$50,000,000 as at 31 December 2008.

The guarantee and pledge of assets and shares of the two subsidiaries given by the Company were released upon the listing of the shares of the Company on the Stock Exchange on 23 February 2009.

24. SHARE CAPITAL

	Notes	Number of ordinary shares	Amount HK$'000
Ordinary shares of HK$1 each:			
Authorised:			
At 13 March 2008 (date of incorporation)	(i)	380,000	380
Increase on 18 July 2008	(ii)	999,620,000	999,620
At 31 December 2008 and 31 December 2009		1,000,000,000	1,000,000
Issued and fully paid:			
At 13 March 2008 (date of incorporation)	(i)	1	1
Issue of shares			
– on 21 May 2008	(iii)	999	1
– on 30 July 2008	(iv)	253,815,919	253,816
– on 21 August 2008	(v)	188,126,796	188,126
At 31 December 2008		441,943,715	441,944
Issue of shares by capitalisation of share premium account	(vi)	113,856,285	113,856
Issue of shares at premium through initial public offering	(vii)	104,200,000	104,200
Exercise of share options	(viii)	3,630,000	3,630
Issue of shares at a premium	(ix)	105,000,000	105,000
At 31 December 2009		768,630,000	768,630

	RMB'000
Shown in the consolidated statement of financial position as:	
At 31 December 2009	675,383
At 31 December 2008	387,522

24. SHARE CAPITAL (continued)

Notes:

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

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

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

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

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

(vi) On 23 February 2009, the Company issued 113,856,285 ordinary shares of HK$1 each as fully paid to the then sole shareholder by the capitalisation of an amount of HK$113,856,285 (equivalent to approximately RMB100,310,000) in the share premium of the Company.

(vii) On 23 February 2009, the Company issued 104,200,000 ordinary shares of HK$1 each for cash at a price of HK$6.25 per share, totalling HK$651,250,000 (equivalent to approximately RMB573,958,000), pursuant to the Company's initial public offering for listing of those shares on the Stock Exchange.

(viii) On 9 September 2009, the Company issued 3,630,000 ordinary shares of HK$1 each for cash at a price of HK$6.25 per share, totalling HK$22,687,500 (equivalent to approximately RMB19,996,000), pursuant to the exercise of the Company's share options.

(ix) On 7 October 2009, the Company issued 105,000,000 ordinary shares of HK$1 each for cash at a price of HK$9.60 per share, raising a net proceeds of approximately HK$991,200,000 (equivalent to approximately RMB873,611,000) after deducting fees, commissions and other expenses, pursuant to the placing and subscription agreement dated 24 September 2009 entered into between the Company, Lead Honest, Mr. Wu Rulin and placing agents. The proceeds were used for the acquisition of 95% equity interest in 雲南古道礦業有限公司 ("Yunnan Gudao"), details of which are set out in note 28, as well as other potential future acquisitions and development of gold-related mining and exploration projects.

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

25. PROVISION FOR RESTORATION COST

	RMB'000
At 1 January 2008, 31 December 2008 and 31 December 2009	675

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

26. DEFERRED TAXATION

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

	RMB'000
At 1 January 2008	–
Charge to consolidated statement of comprehensive income	16,724
At 31 December 2008 and 31 December 2009	16,724

At the end of reporting period, the Group has unused tax losses of approximately RMB38,191,000 (2008: RMB2,747,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to unpredictability of future profit streams. The tax losses of approximately RMB1,671,000 can be carried forward for 5 years from the year they arise with the remaining tax losses carried forward indefinitely.

27. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a written resolution of the then sole shareholder passed on 30 January 2009 for the primary purpose of providing incentives to directors and eligible employees, and will remain in force for a period of ten years from the date of adoption of the Scheme.

At 31 December 2009, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 14,520,000 (2008: Nil), representing 2% (2008: Nil) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

27. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The following table discloses details of movements of the Company's share options during the year:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Number of share options Outstanding at 1.1.2009	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31.12.2009
Directors	12.3.2009	Immediate	12.3.2009 – 11.3.2014	6.25	–	1,650,000	(330,000)	(1,320,000)	**–**
		12.3.2009 – 11.3.2010	12.3.2010 – 11.3.2014	6.25	–	1,650,000	(330,000)	–	**1,320,000**
		12.3.2009 – 11.3.2011	12.3.2011 – 11.3.2014	6.25	–	1,650,000	(330,000)	–	**1,320,000**
		12.3.2009 – 11.3.2012	12.3.2012 – 11.3.2014	6.25	–	1,650,000	(330,000)	–	**1,320,000**
		12.3.2009 – 11.3.2013	12.3.2013 – 11.3.2014	6.25	–	1,650,000	(330,000)	–	**1,320,000**
Employees	12.3.2009	Immediate	12.3.2009 – 11.3.2014	6.25	–	2,310,000	–	(2,310,000)	**–**
		12.3.2009 – 11.3.2010	12.3.2010 – 11.3.2014	6.25	–	2,310,000	–	–	**2,310,000**
		12.3.2009 11.3.2011	12.3.2011 – 11.3.2014	6.25	–	2,310,000	–	–	**2,310,000**
		12.3.2009 – 11.3.2012	12.3.2012 – 11.3.2014	6.25	–	2,310,000	–	–	**2,310,000**
		12.3.2009 – 11.3.2013	12.3.2013 – 11.3.2014	6.25	–	2,310,000	–	–	**2,310,000**
					–	19,800,000	(1,650,000)	(3,630,000)	**14,520,000**
Exercisable at end of the reporting date									**–**

The share options were granted on 12 March 2009. The closing price of the Company's shares immediately before the date of grant of the options was HK$4.86 and the estimated fair values of the options at the date of grant ranged from HK$1.79 to HK$2.60 per option. These fair values were calculated using the Binomial Option Pricing model after taking into account the different vesting periods. The assumptions used for the calculation are as follows:

Closing share price at date of grant	HK$4.90
Exercise price	HK$6.25
Suboptimal exercise factor	2
Expected volatility	71.7%
Expected dividend yield	–
Risk free rate	1.6%

The variables and assumptions used above are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

In respect of the share opinions exercised during the year, the weighted average share price at the date of exercise is HK$8.52.

During the year, the Group recognised share-based payment expense of RMB16,791,000 (2008: Nil) in relation to the share options granted by the Company.

28. ACQUISITION OF A SUBSIDIARY

During the year, a 97.14% owned subsidiary of the Company acquired assets and liabilities by way of acquisition of 95% equity interest in Yunnan Gudao at a cash consideration of RMB90,250,000. Yunnan Gudao is engaged in the exploration of gold mine in Yunnan, the PRC and has not commenced any production activity.

	RMB'000
Assets and liabilities acquired:	
Exploration and evaluation assets	89,123
Deposit	5,700
Bank balances and cash	241
Other payable	(2)
	95,062
Minority interests	(4,812)
	90,250
Satisfied by:	
Cash	90,250
Net cash outflow arising on acquisition:	
Cash consideration paid	(90,250)
Bank balances and cash acquired	241
	(90,009)

29. NON-CASH TRANSACTIONS

Other than a non-cash transaction disclosed in note 24(vi) during the year, an amount of RMB7,803,000 advanced by Lead Honest was waived during the year ended 31 December 2008.

In addition, construction in progress of RMB3,490,000 was not settled and the amount was included in other payables at 31 December 2008.

30. OPERATING LEASE COMMITMENTS

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

	2009 RMB'000	2008 RMB'000
Within one year	**296**	168
Between two and five years	**172**	8
	468	176

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

31. CAPITAL COMMITMENT

	2009 RMB'000	2008 RMB'000
Capital expenditure in respect of exploration project contracted for but not provided in the consolidated financial statements	**9,493**	–

In addition, the Group has entered into a conditional agreement with a third party to acquire certain exploration and evaluation assets at a cash consideration to be determined by reference to the gold reserve of the relevant ore mines.

32. RELATED PARTY DISCLOSURES

Other than the transactions disclosed in notes 23, 24(ix) and 29, the Group entered into the following transaction with a related party during the year:

Name of company	Nature of transaction	2009 RMB'000	2008 RMB'000
赤峰富邦銅業有限責任公司	Sales by the Group	**–**	11,281

Mr. Wu Ruilin, a former director and controlling shareholder of the Company, had beneficial interest in the above company.

In addition, the remuneration of directors and other members of key management during the year is as follows:

	2009 RMB'000	2008 RMB'000
Short-term benefits	**2,454**	1,019
Other long-term benefits	**63**	65
Equity-settled share-based payment expense	**8,394**	–
	10,911	1,084

33. RETIREMENT BENEFIT SCHEME

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

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

At the end of the reporting period, the Group had no significant obligation apart from the contribution as stated above.

34. PARTICULARS OF THE COMPANY'S SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2009 and 31 December 2008 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
			2009		2008		
			Directly	Indirectly	Directly	Indirectly	
Lita Investment Limited	British Virgin Islands	US$55,942,117	**100%**	**–**	100%	–	Investment holding
Rich Vision Holdings Limited	Hong Kong	HK$1	**–**	**100%**	–	100%	Inactive
富邦工業(惠州)有限公司 Fubon Industrial (Huizhou) Co., Ltd.* (note i)	PRC	HK$437,000,000	**–**	**97.14%**	–	97.14%	Investment holding
赤峰富僑礦業有限公司 Chifeng Fuqiao Mining Co., Ltd.* (note ii)	PRC	RMB5,000,000	**–**	**97.14%**	–	97.14%	Investment holding
赤峰石人溝金礦有限責任公司 Chifeng Shirengou Mining Co., Ltd.* (note ii)	PRC	RMB600,000	**–**	**97.14%**	–	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 Chifeng Nantaizi Mining Co., Ltd.* (note ii)	PRC	RMB1,000,000	**–**	**97.14%**	–	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 Balinzuo Banner Guotao Materials Products Trading Co., Ltd.* (note ii)	PRC	RMB1,000,000	**–**	**97.14%**	–	97.14%	Exploration, mining and processing of gold ore and sale of concentrates in the PRC
雲南古道礦業有限公司 Yunnan Gudao Mining Limited* (note ii)	PRC	RMB6,000,000	**–**	**92.28%**	–	–	Exploration of gold mine in the PRC

Notes:

i. A Sino-foreign equity joint venture.

ii. A limited liability company.

* English translated name is for identification only.

35. EVENT AFTER THE REPORTING PERIOD

On 9 February 2010, a 97.14% owned subsidiary of the Company entered into an agreement with 赤峰鑫拓礦業投資有限公司 to acquire 100% equity interest in 上饒市金石礦業科技開發有限公司 ("Jinshi Mining") for a cash consideration of RMB60,000,000. Jinshi Mining is engaged in the exploration of gold mine in the Jiangxi Province, the PRC. Upon completion, Jinshi Mining will become a 97.14% indirectly owned subsidiary of the Company.

Financial Summary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000
Revenues	**1,011,154**	312,262	8,007	–	–
Profit (loss) before taxation	**736,301**	184,472	(1,699)	(118)	(15)
Taxation	**(193,043)**	(74,717)	(606)	–	–
Profit (loss) after taxation	**543,258**	109,755	(2,305)	(118)	(15)
Minority interests	**(16,582)**	(5,850)	(60)	–	–
Profit (loss) attributable to shareholders	**526,676**	103,905	(2,245)	(118)	(15)
Earnings (loss) per share					
Basic	**RMB78.59 cents**	RMB47.31 cents	(2,245)	(118)	(15)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000
Assets					
Property, plant and equipment	**378,497**	316,160	21,963	1,667	–
Mining rights	**180,414**	190,719	195,343	44,500	–
Exploration and evaluation assets	**89,123**	–	–	–	–
Prepaid lease payment	**5,959**	6,084	147	–	–
Current assets	**2,423,884**	69,096	31,906	15	20
Total assets	**3,077,877**	582,059	249,359	46,182	20
Equity and liabilities					
Share capital	**675,383**	387,522	–	–	–
Reserves	**1,808,309**	109,330	(2,378)	(133)	(15)
Shareholders' funds	**2,483,692**	496,852	(2,378)	(133)	(15)
Minority interests	**37,122**	15,728	190	–	–
Total equity	**2,520,814**	512,580	(2,188)	(133)	(15)
Current liabilities	**539,664**	52,080	250,872	46,315	35
Non-current liabilities	**17,399**	17,399	675	–	–
Total equity and liabilities	**3,077,877**	582,059	249,359	46,182	20