



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

2011
INTERIM REPORT

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CORPORATE INFORMATION

Directors

Executive Directors

Mr. Lu Tianjun (*Chairman*)
Mr. Ma Wenxue (*Chief Executive Officer*)
Mr. Cui Jie (*Chief Financial Officer*)
Mr. Li Qing

Independent Non-executive Directors

Mr. Zhao Enguang
Mr. Yang Yicheng

Secretary to the Board

Ms. Yu Lulu

Nomination and Remuneration Committee

Mr. Zhao Enguang
Mr. Yang Yicheng

Audit and Risk Management Committee

Mr. Zhao Enguang
Mr. Yang Yicheng

Joint Company Secretaries

Ms. Yu Lulu
Mr. Leung Wai Chiu, Albert

Authorized Representative

Mr. Leung Wai Chiu, Albert

Investor Relations Contact

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Auditors

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Certified Public Accountants
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Legal Advisor

O'Melveny & Myers in association with Gordon Ng & Co.
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Hong Kong

Registered Office

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Cayman Islands

Principal Place of Business in Hong Kong

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North Point, Hong Kong

Headquarters of Our Company

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Inner Mongolia,
The People's Republic of China

Principal Share Registrar and Transfer Office

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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
Beijing Branch
BNP Paribas
Hong Kong Branch
China Merchants Bank
Shenzhen Branch
Agricultural Bank of China
Chifeng Songshan District Branch
Balinzuo Banner Branch
Guangdong Development Bank
Huizhou Branch
Industrial and Commercial Bank of China Limited
Chifeng Songshan District Branch
Chifeng Zhaowuda Branch
Xiamen International Bank
Xiamen Siming Sub-branch
Hang Seng Bank
Beijing Branch
Shenzhen Development Bank
Offshore Business Department

Stock Name

Real Gold Mining Limited
(RealGold Mining)

Stock Code

246

Website of the Company

www.realgoldmining.com

FINANCIAL HIGHLIGHTS

Results for the six months ended 30 June 2011 compared to the same period in 2010:

- 26.9% increase in revenue;
- Gross margin increased from 75.6% to 77.2%;
- 29.7% increase in government subsidy (included in other income);
- 29.4% increase in segment profit*.

The Board recommended the payment of an interim dividend of HKD0.05 per share for the six months ended 30 June 2011 (six months ended 30 June 2010: nil) out of the Company's share premium account, subject to shareholders' approval on the forthcoming extraordinary general meeting.

* *With reference to Note 3 to the financial statements*

Review

Business Review

We have three gold mines in operation 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 (“Shirengou-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. The total production capacity of the Company’s gold processing plants is currently 2,580 tonnes per day.

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 65.5% and 64.1% of our total revenue for the six months ended 30 June 2011 and 2010 respectively.

On 2 January 2011, the Company entered into the agreement with the Top Lucky Management Limited (“Top Lucky”), pursuant to which the Company has conditionally agreed to purchase certain mining and exploration rights from Top Lucky in relation to two phosphorus mines situated in Khovsgol Province, Mongolia (“the Acquisition”), for a consideration of HKD520,000,000. If the value of the Acquisition is determined to be less than HKD520,000,000, the Company has the right to terminate the Acquisition and it will be reimbursed the consideration already paid. Further details relating to the Acquisition was set out in the Company’s announcement dated 22 August 2011. As the Acquisition has not been completed up to the date of this interim report, the Company will publish an announcement containing detailed information on the Acquisition as soon as practicable to comply with the requirements under the Listing Rules.

On 20 March 2011, the Group disposed of its 100% equity interests in Shangrao City Jinshi Mining Technology Development Limited* (上饒市金石礦業科技開發有限公司) (“Jinshi Mining”) to the independent third parties at a consideration of RMB37,000,000 with the loss of disposal of subsidiary in the consolidated income statement amounting to approximately RMB69,343,000.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	1H11	1H10	YoY
Shirengou-Nantaizi Processing Plant									
Average Daily Capacity (t/day)	1,480	1,480	1,480	1,480	1,480	1,480	1,480	1,480	
Utilization Rate (%)	100.7	100.7	100.0	99.8	100.0	99.8	100.1	99.9	
Production Days (Days)	22.6	7.6	26.3	29.0	28.2	22.2	135.9	133.1	2%
Ore Processed (kt)	33.7	11.3	38.9	42.8	41.7	32.8	201.2	196.9	2%
Average Gold Grade (g/t)	9.0	8.9	9.1	9.8	9.0	9.3	9.2	9.0	3%
Average Recovery Rate (%)	84.3	83.7	83.9	84.2	84.2	84.0	84.1	84.6	-1%
Payable Gold (koz)	8.2	2.7	9.5	11.4	10.2	8.2	50.2	48.3	4%
Equivalent Gold (koz)	11.0	3.7	13.0	15.1	13.3	10.6	66.7	63.0	6%
Luotuochang Processing Plant									
Average Daily Capacity (t/day)	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	
Utilization Rate (%)	98.5	99.8	98.1	100.0	99.0	99.9	99.1	98.4	
Production Days (Days)	24.7	7.7	27.0	29.3	26.5	21.4	136.6	139.2	-2%
Ore Processed (kt)	26.7	8.4	29.1	32.2	28.9	23.5	148.8	150.7	-1%
Average Gold Grade (g/t)	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	—
Average Recovery Rate (%)	86.7	86.4	86.6	86.3	86.1	86.1	86.6	86.4	—
Payable Gold (koz)	2.3	0.7	2.4	2.7	2.4	2.0	12.5	12.8	-2%
Equivalent Gold (koz)	6.0	1.9	6.2	6.1	5.2	4.2	29.6	32.0	-8%
Total Payable Gold (koz)	10.5	3.4	11.9	14.1	12.6	10.2	62.7	61.1	3%
Total Produced Equivalent Gold (koz)	17.0	5.6	19.2	21.2	18.5	14.8	96.3	95.0	1%
Total Sold Equivalent Gold (koz)	16.8	1.1	24.9	22.3	17.8	16.2	99.1	94.7	5%
Realized Gold Price (RMB/oz)*	8,475	8,605	8,747	9,111	9,206	9,252	8,958	7,397	21%
Total Revenue (RMB'000)*	117,776	8,143	180,392	168,396	135,121	124,365	734,193	578,707	27%

* Realized Gold Price includes the Value Added Tax, while Total Revenue excludes such tax. All revenues are unaudited figures.

Operational conditions of the Shirengou-Nantaizi Processing Plant

From January to June 2011, the Shirengou-Nantaizi Processing Plant maintained a daily ore processing capacity of approximately 1,480 tonnes. The total amount of ore processed in the first half of 2011 reached approximately 201,200 tonnes.

The average gold grade of the first half of 2011 was approximately 9.2 grams per tonne and the average recovery rate was approximately 84.1%.

The total production of payable gold and equivalent gold in the first half of 2011 was approximately 50,200 ounces and 66,700 ounces respectively, representing an increase of approximately 4% and 6% respectively from the same period of 2010.

Operational conditions of the Luotuochang Processing Plant

From January to June 2011, the Luotuochang Processing Plant maintained a daily ore processing capacity of approximately 1,100 tonnes. The total amount of ore processed in the first half of 2011 reached approximately 148,800 tonnes.

The average gold grade of the first half of 2011 was approximately 3.0 grams per tonne and the average recovery rate was approximately 86.6%.

The total production of payable gold and equivalent gold in the first half of 2011 was approximately 12,500 ounces and 29,600 ounces respectively, representing a decrease of approximately 2% and 8% respectively from the same period of 2010. The total production of equivalent gold decreases as a result mainly of the decrease in production quantity of other metals.

Overall, the Company produced approximately 62,700 ounces of payable gold and approximately 96,300 ounces of equivalent gold in the first half of 2011, representing an increase of approximately 3% and 1% respectively from the same period of 2010. The average realized gold price in the first half of 2011 was approximately RMB8,958 per ounce, approximately 21% higher than that for the same period of 2010, and the unaudited total revenue increased by approximately 26.9% to approximately RMB734.2 million.

We have completed part of the exploration activities at Yangchangbian gold mine in Yunnan, including drilling and roadway construction and have completed part of the roads and construction of processing facilities. The local government has planned the use of the surrounding region of Yangchangbian gold mine in Yuannan as "4A Class National Tourist Attraction" and submitted the application to the PRC central government. As the local government will not process our application of the mining permit for Yangchangbian gold mine in Yunnan pending the final result of the "4A Class National Tourist Attraction" application, exploration and construction of processing facilities have been put on hold. The timing of the commencement of production will depend on when the processing of the application of the mining permits will be successfully completed.

For Yandan gold mine in Guangxi, detailed geological survey of certain sections was completed, and preparation of reports is under way, whereas mining permit will be applied for after submission of report. We expect to commence production at Yandan gold mine in Guangxi in the first quarter of 2012.

For the other twelve gold mines in Guangxi owned by Guangxi Jinding, general and detailed geological surveys are being conducted to identify advantageous prospecting targets, which serve as the basis for further geological exploration to be carried out. The timing of the commencement of production will depend on the results of the geological works.

For Yantang gold mine, detailed geological surveys are being carried out, including trenching, drilling and pitting of the ground surface, which are expected to be completed for submission by the third quarter of 2012. We continue to carry out exploration in order to increase reserves, improve the reserve categories so as to provide the mines with reliable reserves of the resources, and at the same time to predict and identify prospecting targets based on the formation patterns concluded through exploration in the course of production. We expect to commence production at Yantang gold mine in Guangxi in the fourth quarter of 2012.

Financial Review

Revenue

The unaudited revenue of the Group increased from approximately RMB578.7 million for the six months ended 30 June 2010 to approximately RMB734.2 million for the six months ended 30 June 2011. The increase was mainly due to the increases in the average prices of gold and other metals.

Cost of sales

Cost of sales was approximately RMB167.1 million for the six months ended 30 June 2011, increased from approximately RMB141.0 million of the same period of 2010 and primarily included cost of raw materials consumed, auxiliary material costs, labor costs, production management costs, subcontracting fees, electricity costs, depreciation and amortization, mineral resources compensation levy, environmental protection fees and production safety fees. The increase in cost of sales was due to the increase in mining labor costs, salaries of production personnel and mineral resources compensate levy (which is computed on the basis of sales revenue of mineral products). For the six months ended 30 June 2011, our cost of sales accounted for approximately 22.8% of our total revenue, decreased from approximately 24.4% of the same period of 2010.

Gross profit and gross margin

As a result of the foregoing, gross profit was approximately RMB567.1 million and gross margin was approximately 77.2% for the six months ended 30 June 2011. For the six months ended 30 June 2010, gross profit was approximately RMB437.7 million and gross margin was approximately 75.6%. The increase in gross margin was due to the higher growth rate of revenue than that of cost of sales.

Other income

Other income increased from approximately RMB66.8 million for the six months ended 30 June 2010 to approximately RMB85.9 million for the six months ended 30 June 2011.

Other income for the six months ended 30 June 2011 mainly consisted of government subsidies of approximately RMB81.7 million and interest income of approximately RMB4.2 million. The government subsidies were in the form of a benefit from tax concession granted to us by the PRC government to encourage the development of the gold industry.

The primary sources of other income for the six months ended 30 June 2010 was government subsidies of approximately RMB63.0 million and interest income of approximately RMB3.8 million.

The increase in government subsidies was primarily due to the increase in revenue for the six months ended 30 June 2011.

Administrative expenses

Administrative expenses increased from approximately RMB16.1 million for the six months ended 30 June 2010 to approximately RMB28.1 million for the six months ended 30 June 2011.

The administrative expenses for the six months ended 30 June 2011 primarily represented equity-settled share-based payments expenses of approximately RMB10.8 million, professional fees of approximately RMB4.5 million, salaries paid and payable to, and benefits for, our administrative and management staff of approximately RMB5.6 million.

The administrative expenses for the six months ended 30 June 2010 primarily represented equity-settled share-based payments expenses of approximately RMB4.8 million, professional fees of approximately RMB1.3 million, salaries paid and payable to, and benefits for, our administrative and management staff of approximately RMB3.5 million.

Equity-settled share-based payments expenses increased mainly because of the grant of 36,500,000 share options on 12 May 2011 at an exercise price of HKD10.17 under the Company's share option scheme.

Administrative staff costs increased as additional administrative staff was required after the acquisition of the new mines.

Increase in professional fees related to increase in legal fees, audit fees and consulting fees.

Loss on disposal of subsidiary

On 20 March 2011, the Group disposed of its 100% equity interests in Jinshi Mining to the independent third parties with the loss of disposal of subsidiary in the consolidated income statement amounting to approximately RMB69,343,000.

Reasons for incurring loss are as follows:

1. *With respect to the acquisition*

At the time of acquisition, it was reported that the mine contained reserves of gold metal (332+333 under PRC standard) of 1.689 tonnes, and samples collected during site inspection and data analysis indicated that there was high possibility that the mine contained abundant mineral reserves and on this basis, the acquisition was carried out. After the acquisition, the Company performed supplementary exploration, surface trenching and deep drilling at the mine. The sample of surface trenching produced result was basically the same as that of the site inspection. However, the result of deep drilling was disappointing and the amount of mineral reserve as indicated by supplementary exploration was far lower than expected.

2. *With respect to policy*

Before the acquisition, Jinshi Mining applied for the mining rights certificate. The scope of the mining rights was confirmed and works relating to processing plant, site selection and design of tailing pools and geological exploration had been completed. Nevertheless, the collapse of tailing dams of other mining companies caused the relevant PRC authorities to stipulate that the height of tailing dam shall not be higher than 1/80 of the distance with the nearest village. According to the same PRC regulation, the capacity of tailing pool is restricted to 80,000 m³, and on the basis of daily production capacity of 300 tonnes, the year of operation would be less than 1.5 years. In view of the unfavourable conditions, the Company was forced to abandon the original tailing pool and select another site. However, there is no suitable site within the radius of 50 km from the original site and the Company has no choice but to dispose of Jinshi Mining in order to avoid substantial loss in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Expenses

Other expenses were approximately RMB38.3 million for the six months ended 30 June 2011, representing exchange losses.

Other expenses were approximately RMB30.9 million for the six months ended 30 June 2010, of which approximately RMB21.7 million related primarily to fees for consultancy service provided by independent professional firms for assessing the opportunities of exploration and evaluation projects and approximately RMB9.2 million related to exchange loss.

There were no significant fees for consultancy service provided by independent professional firms for assessing the opportunities of exploration and evaluation projects for the six months ended 30 June 2011. Exchange difference arose primarily from the translation and the settlement of monetary items such as bank balances denominated in HKD and USD. Exchange losses increased significantly as both the amounts of the transactions and balances of the monetary items involved and the difference in the exchange rate in the calculation of the exchange difference were much larger for the six months ended 30 June 2011 than for the six months ended 30 June 2010.

Tax expenses

Tax expenses were approximately RMB162.3 million for the six months ended 30 June 2011 and RMB124.9 million for the six months ended 30 June 2010 respectively, representing income tax on the profit generated from the Gold Mines, less any tax losses brought forward from prior years. The net amount was 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 Group's PRC operating subsidiaries.

Profit and total comprehensive income for the period attributable to owners

Profit and total comprehensive income attributable to owners of the Company for the six months ended 30 June 2011 was approximately RMB355.2 million compared to approximately RMB322.0 million for the six months ended 30 June 2010, representing an increase of approximately 10.3% over the corresponding period in 2010.

Dividends

The Board recommended the payment of an interim dividend of HKD0.05 per share for the six months ended 30 June 2011 (six months ended 30 June 2010: nil) out of the Company's share premium account, subject to shareholders' approval on the forthcoming extraordinary general meeting.

During the six months ended 30 June 2011, dividend of totalling approximately RMB38.0 million in respect of the year ended 31 December 2010 was paid.

Cash flows

For the six months ended 30 June 2011 and 2010, we principally engaged in the exploration, mining and processing of gold ore and sale of gold concentrates in the PRC.

Our liquidity requirements relate to funding working capital, capital expenditures, acquisition of exploration and mining rights and maintaining cash reserves for future acquisitions. Our capital requirements include construction of mine shafts and the expansion of the ore processing facilities. We plan to fund acquisition of exploration and mining rights, capital expenditures and working capital with cash from operating activities, existing bank and cash balances, net proceeds from the IPO of the Company's shares in accordance with the purposes for which they are intended to be used, 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.

Cash and cash equivalents decreased in the amount of approximately RMB325.0 million from approximately RMB2,965.2 million as at 31 December 2010 to approximately RMB2,640.2 million as at 30 June 2011.

We generated approximately RMB103.6 million from operating activities for the six months ended 30 June 2011. Net cash from operating activities was the net cash flow relating to cash inflow in respect of profit before tax adjusted for items not involving movement of cash, cash outflow in respect of the increase in working capital under operating activities and cash outflow in respect of income tax paid.

Net cash used in investing activities amounted to approximately RMB397.7 million for the six months ended 30 June 2011, of which approximately RMB74.3 million related to the cash outflow in respect of the additions of property, plant and equipment, approximately RMB94.6 million related to the cash outflow in respect of the additions of exploration and evaluation assets, approximately RMB793.5 million related to cash outflow in respect of loan to shareholder, approximately RMB530.6 million related to cash inflow in respect of repayment of loan to shareholder and approximately RMB32.7 million related to the cash inflow in respect of the proceed from disposal of a subsidiary.

Net cash used in financing activities was approximately RMB31.0 million for the six months ended 30 June 2011, of which approximately RMB7.0 million related to the cash inflow in respect of the proceeds from the issue of shares upon exercise of the Company's shares options and approximately RMB38.0 million related to the cash outflow in respect of dividend paid.

Borrowings

As at 30 June 2011 and 31 December 2010, 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 both 30 June 2011 and 31 December 2010.

Pledge of assets

There were no significant charges on group assets as at 30 June 2011 and 31 December 2010.

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 HKD569.3 million (equivalent to approximately RMB501.7 million), which is slightly more than the estimate of HKD565.2 million as stated in the announcement of the IPO Allotment Results dated 20 February 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2011, the net proceeds of IPO had been utilized in the following manner:

	Future acquisition of gold resources in			Expanding exploration activities		
	Inner Mongolia	Other regions	Exploration activities	Facilitating actual production	Capital	
					at existing Gold Mines	General corporate purpose
	HKD million	HKD million	HKD million	HKD million	HKD million	HKD million
Planned amount per Prospectus	20.9	158.8	72.3	35.6	170.3	11.3
Planned amount for actual net IPO proceeds 2009	25.4	192.7	87.7	43.2	206.6	13.7
Amount utilized up to 31 December 2010	(25.4)	(192.7)	—	—	—	(13.7)
Balance as at 31 December 2010	—	—	87.7	43.2	206.6	—
Amount utilized from 1 January to 25 February 2011	—	—	—	—	—	—
Balance as at 25 February 2011	—	—	87.7	43.2	206.6	—
Change the proposed use of part of the unutilized net proceeds	—	337.5	(87.7)	(43.2)	(206.6)	—
Balance after change of proposed use	—	337.5	—	—	—	—
Amount utilized from 25 February to 30 June 2011	—	—	—	—	—	—
Balance as at 30 June 2011	—	337.5	—	—	—	—

The unutilised balance is 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 manner as set out above.

Capital expenditure

During the six months ended 30 June 2011, the Group invested approximately RMB168.9 million (six months ended 30 June 2010: approximately RMB80.9 million) primarily relating to the addition of property, plant and equipment for mining, and in the construction of mining structures located at the mines (approximately RMB74.3 million) and expenditure on exploration and evaluation assets (approximately RMB94.6 million). For the six months ended 30 June 2011, the capital expenditure (including exploration expenditure) incurred for the current three operating mines (in aggregate), Yangchangbian Mine, Daping Mine and Yantang-Yandan Mines amounted to approximately RMB21.8 million, RMB4.0 million, RMB7.4 million and RMB135.8 million respectively.

Capital commitment

As at 30 June 2011, we had capital commitment of capital expenditure contracted for but not provided in the consolidated financial statement of approximately RMB155.6 million and capital commitment of capital expenditure authorized but not contracted for an amount of approximately RMB998.9 million in respect of exploration and mining projects.

Financial instruments

The Company did not have any hedging contracts or financial derivatives outstanding for the six months ended 30 June 2011 and 30 June 2010.

Segment analysis

Segment information is disclosed in Note 3 to the condensed consolidated financial statements set out in this interim report.

Employees and emoluments policy

As at 30 June 2011, the number of employees of the Group was 527 (31 December 2010: 534). For the six months ended 30 June 2011, the staff cost (including directors' remuneration in the form of salaries, share-based payments and other allowances but excluding sub-contracting labour cost) was approximately RMB20.6 million (first half of 2010: approximately RMB14.4 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 six months ended 30 June 2011:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HKD	Number of share options					Value of share options granted during the period HKD
					Outstanding at 1.1.2011	Granted during the period	Lapsed during the period	Exercised during the period	Outstanding at 30.06.2011	
Lu Tianjun (Director)	12.3.2009	12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	330,000	—	—	(330,000)	—	N/A
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	330,000	—	—	—	330,000	N/A
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	330,000	—	—	—	330,000	N/A
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	330,000	—	—	—	330,000	N/A
	12.5.2011	12.5.2011–31.12.2013	1.1.2014–31.12.2018	10.17	—	330,000	—	—	330,000	1,603,800
		12.5.2011–31.12.2014	1.1.2015–31.12.2018	10.17	—	330,000	—	—	330,000	1,679,700
		12.5.2011–31.12.2015	1.1.2016–31.12.2018	10.17	—	330,000	—	—	330,000	1,739,100
		12.5.2011–31.12.2016	1.1.2017–31.12.2018	10.17	—	330,000	—	—	330,000	1,782,000
		12.5.2011–31.12.2017	1.1.2018–31.12.2018	10.17	—	330,000	—	—	330,000	1,805,100
	Ma Wenxue (Director and Chief Executive Officer)	12.3.2009	12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	330,000	—	—	(330,000)	—
12.3.2009–11.3.2011			12.3.2011–11.3.2014	6.25	330,000	—	—	—	330,000	N/A
12.3.2009–11.3.2012			12.3.2012–11.3.2014	6.25	330,000	—	—	—	330,000	N/A
12.3.2009–11.3.2013			12.3.2013–11.3.2014	6.25	330,000	—	—	—	330,000	N/A
12.5.2011		12.5.2011–31.12.2013	1.1.2014–31.12.2018	10.17	—	330,000	—	—	330,000	1,603,800
		12.5.2011–31.12.2014	1.1.2015–31.12.2018	10.17	—	330,000	—	—	330,000	1,679,700
		12.5.2011–31.12.2015	1.1.2016–31.12.2018	10.17	—	330,000	—	—	330,000	1,739,100
		12.5.2011–31.12.2016	1.1.2017–31.12.2018	10.17	—	330,000	—	—	330,000	1,782,000
		12.5.2011–31.12.2017	1.1.2018–31.12.2018	10.17	—	330,000	—	—	330,000	1,805,100
Qiu Haicheng (Former Director)		12.3.2009	12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	330,000	—	—	(330,000)	—
	12.3.2009–11.3.2011		12.3.2011–11.3.2014	6.25	330,000	—	(330,000)	—	—	N/A
	12.3.2009–11.3.2012		12.3.2012–11.3.2014	6.25	330,000	—	(330,000)	—	—	N/A
	12.3.2009–11.3.2013		12.3.2013–11.3.2014	6.25	330,000	—	(330,000)	—	—	N/A
Cui Jie (Director)	12.3.2009	12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	330,000	—	—	(330,000)	—	N/A
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	330,000	—	—	—	330,000	N/A
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	330,000	—	—	—	330,000	N/A
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	330,000	—	—	—	330,000	N/A
	12.5.2011	12.5.2011–31.12.2013	1.1.2014–31.12.2018	10.17	—	330,000	—	—	330,000	1,603,800
		12.5.2011–31.12.2014	1.1.2015–31.12.2018	10.17	—	330,000	—	—	330,000	1,679,700
		12.5.2011–31.12.2015	1.1.2016–31.12.2018	10.17	—	330,000	—	—	330,000	1,739,100
		12.5.2011–31.12.2016	1.1.2017–31.12.2018	10.17	—	330,000	—	—	330,000	1,782,000
		12.5.2011–31.12.2017	1.1.2018–31.12.2018	10.17	—	330,000	—	—	330,000	1,805,100

MANAGEMENT DISCUSSION AND ANALYSIS

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HKD	Number of share options					Value of share options granted during the period HKD
					Outstanding at 1.1.2011	Granted during the period	Lapsed during the period	Exercised during the period	Outstanding at 30.06.2011	
Li Qing (Director)	12.5.2011	12.5.2011–31.12.2011	1.1.2012–31.12.2016	10.17	—	330,000	—	—	330,000	1,339,800
		12.5.2011–31.12.2012	1.1.2013–31.12.2016	10.17	—	330,000	—	—	330,000	1,425,600
		12.5.2011–31.12.2013	1.1.2014–31.12.2016	10.17	—	330,000	—	—	330,000	1,498,200
		12.5.2011–31.12.2014	1.1.2015–31.12.2016	10.17	—	330,000	—	—	330,000	1,554,300
		12.5.2011–31.12.2015	1.1.2016–31.12.2016	10.17	—	330,000	—	—	330,000	1,587,300
Employees	12.3.2009	12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	2,310,000	—	—	—	2,310,000	N/A
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	2,310,000	—	—	—	2,310,000	N/A
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	2,310,000	—	—	—	2,310,000	N/A
	12.5.2011	12.5.2011–31.12.2011	1.1.2012–31.12.2016	10.17	—	5,650,000	—	—	5,650,000	22,939,000
		12.5.2011–31.12.2012	1.1.2013–31.12.2016	10.17	—	5,650,000	—	—	5,650,000	24,408,000
		12.5.2011–31.12.2013	1.1.2014–31.12.2016	10.17	—	5,650,000	—	—	5,650,000	25,651,000
		12.5.2011–31.12.2014	1.1.2015–31.12.2016	10.17	—	5,650,000	—	—	5,650,000	26,611,500
		12.5.2011–31.12.2015	1.1.2016–31.12.2016	10.17	—	5,650,000	—	—	5,650,000	27,176,500
	12.5.2011	12.5.2011–31.12.2013	1.1.2014–31.12.2018	10.17	—	330,000	—	—	330,000	1,603,800
		12.5.2011–31.12.2014	1.1.2015–31.12.2018	10.17	—	330,000	—	—	330,000	1,679,700
		12.5.2011–31.12.2015	1.1.2016–31.12.2018	10.17	—	330,000	—	—	330,000	1,739,100
		12.5.2011–31.12.2016	1.1.2017–31.12.2018	10.17	—	330,000	—	—	330,000	1,782,000
		12.5.2011–31.12.2017	1.1.2018–31.12.2018	10.17	—	330,000	—	—	330,000	1,805,100
Total					12,210,000	36,500,000	(990,000)	(1,320,000)	46,400,000	

Outlook

The Company considers identification and acquisition of mines to be its core competency and growth by acquisition of mines to be its key corporate strategy. We will therefore keep looking for potential merger and acquisition opportunities in order to increase our mineral reserves. We believe that, by leveraging on our high-grade poly-metallic mineral reserves, production efficiency, organic growth potential 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.

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, Yandan-Yantang Mining Complex of Guangxi Jinding and Yuanyi Mining and the 12 other gold mines of Guangxi Jinding. Our planned capital expenditures (including exploration expenditure) for the six months ending 31 December 2011, which are expected to be funded by internal resources of the Group, are as follows:

Name of the Mines	Expected Capital Expenditures (including exploration expenditure) For six months ending 31 December 2011
	(approximately RMB in millions)
Shirengou-Nantaizi Mining Complex	23.0
Luotuochang Gold Mine	12.0
Fuyuan Gold Mine of Yunnan Gudao	4.0
Yandan-Yantang Mining Complex of Guangxi Jinding and Yuanyi Mining and the other 12 Gold Mines of Guangxi Jinding	95.0
Total	134.0

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. RMB is our reporting currency and the functional currency of the Company and its principal subsidiaries. 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 USD), the price in RMB we can receive for our concentrates depends on the RMB: USD exchange rate. The exchange rate of the RMB against USD 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 USD.

The Group has bank balances that are denominated in foreign currencies. The Group also has loan arrangements which expose the Group to foreign currency exposure on HKD. The Group was mainly exposed to the fluctuation of HKD and USD. 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.

Closure of the Register of Members

The extraordinary general meeting of the Company is scheduled to be held on 26 October 2011. For determining the entitlement to attend and vote at the extraordinary general meeting, the register of members of the Company will be closed from 24 October 2011 to 26 October 2011, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at extraordinary general meeting, 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 21 October 2011.

The interim dividend is expected to be payable on 11 November 2011 to the shareholders whose name appear on the register of members of the Company on 3 November 2011. The record date for entitlement to the proposed interim dividend is 3 November 2011. For determining the entitlement to the proposed interim dividend, the register of members of the Company will be closed 1 November 2011 to 3 November 2011 and no transfer of shares will be effected on such date. In order to qualify for the proposed interim dividend, 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 31 October 2011.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's Listed securities during the six months ended 30 June 2011.

Directors' and Chief Executive's Interests in Shares and Share Options

At 30 June 2011, the interests of the directors and chief executive of the Company in the shares and share options of the Company, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in share options

Name	Capacity	Number of options held	Number of underlying shares
Lu Tianjun (<i>Director</i>)	Beneficial owner	2,640,000	2,640,000
Ma Wenxue (<i>Director and Chief Executive Officer</i>)	Beneficial owner	2,640,000	2,640,000
Cui Jie (<i>Director</i>)	Beneficial owner	2,640,000	2,640,000
Li Qing (<i>Director</i>)	Beneficial owner	1,650,000	1,650,000

Other than as disclosed above, neither the directors nor the chief executive, nor any of their associates, 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 the SFO) as at 30 June 2011.

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 30 June 2011, 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 HKD1 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	52.75%	234,376,000	25.79%
Tercel Holdings Limited (Note i)	Interest of controlled corporation	479,376,000	52.75%	234,376,000	25.79%
Credit Suisse Trust Limited (Note i)	Trustee	479,376,000	52.75%	234,376,000	25.79%
Wu Ruilin (Note i)	Founder of a discretionary trust	479,376,000	52.75%	234,376,000	25.79%
Citigroup Inc. (Note ii and iii)	Interest of controlled corporation	112,324,117	12.36%	109,899,129	12.09%
	Custodian corporation/ approved lending agent	244,327,633	26.89%	N/A	N/A
	Person having a security interest	254,500	0.03%	N/A	N/A
Value Partners Limited (Note iv)	Investment manager	84,246,000	9.27%	N/A	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

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
Value Partners Group Limited <i>(Note iv)</i>	Interest of controlled corporation	84,246,000	9.27%	N/A	N/A
Cheah Capital Management Limited <i>(Note iv)</i>	Interest of controlled corporation	84,246,000	9.27%	N/A	N/A
Cheah Company Limited <i>(Note iv)</i>	Interest of controlled corporation	84,246,000	9.27%	N/A	N/A
Hang Seng Bank Trustee International Limited <i>(Note iv)</i>	Trustee	84,246,000	9.27%	N/A	N/A
Cheah Cheng Hye <i>(Note iv)</i>	Founder of a discretionary trust	84,246,000	9.27%	N/A	N/A
To Hau Yin <i>(Note iv)</i>	Interest of spouse of a substantial shareholder	84,246,000	9.27%	N/A	N/A

Equity derivative interests in ordinary shares of HKD1 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 <i>(Note i)</i>	105,000,000	11.55%	107,408,809	11.82%
Tercel Holdings Limited <i>(Note i)</i>	105,000,000	11.55%	107,408,809	11.82%
Credit Suisse Trust Limited <i>(Note i)</i>	105,000,000	11.55%	107,408,809	11.82%
Wu Ruilin <i>(Note i)</i>	105,000,000	11.55%	107,408,809	11.82%
Citigroup Inc. <i>(Note ii and iii)</i>	107,792,808	11.86%	105,384,000	11.60%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (i) As at 30 June 2011, 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 9,664,598 shares, representing 1.06% 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 109,817,617 shares of the Company and a short position of 107,408,809 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 Citigroup Global Markets Pacific Holding Company Inc.; both Citigroup Global Markets (International) Finance AG and Citigroup Global Markets 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 2,206,000 shares of the Company and a short position of 1,935,320 shares of the Company. Citigroup Global Markets Ltd was controlled by Citigroup Global Markets Europe Ltd which was controlled by Citigroup Global Markets (International) Finance AG, Citigroup Financial Products Inc. and Citigroup Global Markets International LLC; both Citigroup Global Markets (International) Finance AG and Citigroup Global Markets International LLC 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 Citigroup Global Markets Pacific Holding Company Inc., was deemed to be interested in a long position of 109,817,617 shares of the Company and a short position of 107,408,809 shares of the Company.

Citigroup Global Markets Europe Ltd. was deemed to be interested in a long position of 2,206,000 shares of the Company and a short position of 1,935,320 shares of the Company.

Citigroup Global Markets Pacific Holding Company Inc. was deemed to be interested in a long position of 109,817,617 shares of the Company and a short position of 107,408,809 shares of the Company.

Citigroup Global Markets (International) Finance AG was deemed to be interested in a long position of 112,023,617 shares of the Company and a short position of 109,344,129 shares of the Company.

Citigroup Global Markets Inc. was interested in a long position of 171,000 shares of the Company and a short position of 171,000 shares of the Company. Citigroup Global Markets Inc. was 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 International LLC was deemed to be interested in a long position of 2,206,000 shares of the Company and a short position of 1,935,320 shares of the Company.

Citigroup Financial Products Inc. was deemed to be interested in a long position of 112,194,617 shares of the Company and a short position of 109,515,129 shares of the Company.

Citigroup Global Markets Holdings Inc. was deemed to be interested in a long position of 112,194,617 shares of the Company and a short position of 109,515,129 shares of the Company.

Citibank N.A. was interested in a long position of 244,711,663 shares of the Company and a short position of 384,000 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 244,711,663 shares of the Company and a short position of 384,000 shares of the Company.

(iv) As at 30 June 2011, Value Partners Limited was 100% controlled by Value Partners Group Limited, which in turn was 28.69% controlled by Cheah Capital Management Limited, which in turn was 100% controlled by Cheah Company Limited, which in turn was 100% controlled by Hang Seng Bank Trustee International Limited. Hang Seng Bank Trustee International Limited was the trustee of the C H Cheah Family Trust, of which Mr. Cheah Cheng Hye was the founder. Ms. To Hau Yin was the spouse of Mr. Cheah Cheng Hye.

Other than as disclosed above, as at 30 June 2011, 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.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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 of the Company, the Board confirmed that they have complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2011.

Code of Corporate Governance Practice

Save for the transactions disclosed under Note 10 to the financial statements titled "Loans to Shareholder" and Note 12 to the financial statements titled "Acquisition Event", the Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2011 (the "Reporting Period"). For detail of non-compliance with Code Provisions A3 "Board Composition" and C3 "Audit Committee" subsequent to the Reporting Period, please refer to paragraphs under sub-section "Non-compliance with Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules".

Non-compliance With Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules

During the Reporting Period, the Audit Committee comprised three independent non-executive directors. From 1 January 2011 to 24 June 2011, the Audit and Risk Management Committee was chaired by Mr. Mak Kin Kwong ("Mr. Mak") and the other members were Mr. Zhao Enguang and Mr. Xiao Zuhe ("Mr. Xiao"). Immediately after Mr. Mak's resignation on 24 June 2011, Mr. Yang Yicheng was appointed as a new member of the Audit Committee on the same date.

After the Reporting Period, Mr. Xiao resigned as an independent non-executive Director with effect from 13 July 2011 and ceased to be a member of the Audit Committee as a result. On 25 July 2011, Mr. Wan Kam To ("Mr. Wan") was appointed as an independent non-executive Director and the Chairman of the Audit Committee but he subsequently resigned on 19 August 2011. For further details, please refer to the announcements of the Company dated 21 August 2011 and 25 August 2011.

Immediately after Mr. Xiao's resignation and Mr. Wan's resignation (the "Relevant Periods"), the number of independent non-executive Directors falls below the minimum required under Rule 3.10(1) of the Listing Rules, and the Company fails to meet the requirement under Rule 3.10(2) that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise (the "Requisite Qualifications"). Further, during the Relevant Periods, the number of Audit Committee members falls below the minimum required under Rule 3.21 of the Listing Rules, and the Company fails to meet the requirement under Rule 3.21 that at least one of the members of the Audit Committee must possess the Requisite Qualifications.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company has been actively looking for and will do its utmost to identify a suitably qualified independent non-executive director candidate with the Requisite Qualifications to fill the vacancy and ensure full compliance with Rule 3.10(1), 3.10(2) and 3.21 of the Listing Rules as soon as practicable.

Audit and Risk Management Committee

The Company has established an Audit and Risk Management Committee (“Audit Committee”) for the principle purposes of (i) matters in connection with appointment of auditors and their terms; (ii) reviewing the integrity of Company’s financial statements and compliance with Listing Rules and other legal requirement in relation financial reporting; and (iii) providing oversight of financial and internal controls and risk management systems.

In performing their duties, the Audit Committee noted the following:

- (i) purported discrepancies of the financial information in the Company’s annual report of 2009 and the annual filings of the Company’s three principal operating subsidiaries in the PRC with the State Administration of Industry and Commerce bureau in Chifeng, Inner Mongolia, the PRC (for further details please refer to the Company’s announcements dated 30 May 2011 and 1 June 2011);
- (ii) execution of two share pledge agreements in September 2009 and October 2010 in relation to the pledging of the entire share capital of Fubon Industrial (Huizhou) Co., Limited* (富邦工業(惠州)有限公司) (“Fubon Industrial”), an indirect wholly owned subsidiary of the Company, as security for banking facilities for the benefits of certain companies in which Mr. Wu Rulin (“ Mr. Wu”), the controlling shareholder of the Company, has substantial interests (for further details please refer to the Company’s announcement dated 20 June 2011);
- (iii) Financial assistance to Mr. Wu as set out under Note 10 to the financial statements titled “Loans To Shareholder”; and
- (iv) Acquisition of mining and exploration rights from an entity believed to be wholly owned by Mr. Wu as set out under Note 12 to the financial statements titled “Acquisition Event”.

In connection to (i) and (ii), on 1 August 2011, the Board resolved to form a special investigation committee (“Special Committee”) to look into the matters. The Special Committee has, amongst other matters, recommended that an independent forensic specialist firm be engaged by the Company to investigate into the matters. The Company is current finalizing the terms of the engagement and the relevant scope of work and will make further announcement in this regard.

In connection to (iii) and (iv), the Company will publish an announcement containing detailed information of the acquisition and the financial assistance as soon as practicable to comply with the applicable requirements of the Listing Rules.

The current members of the Audit Committee, namely Mr. Zhao Enguang and Mr. Yang Yicheng have reviewed this interim report for the six months ended 30 June 2011.

* For identification purpose only.

CONDENSED CONSOLIDATED STATEMENT of COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	Six months ended	
		30.6.2011 RMB'000 (unaudited)	30.6.2010 RMB'000 (unaudited)
Revenue	3	734,193	578,707
Cost of sales		(167,125)	(141,008)
Gross profit		567,068	437,699
Other income	4	85,945	66,847
Administrative expenses		(28,075)	(16,074)
Loss on disposal of subsidiary	15	(69,343)	—
Other expenses	4	(38,251)	(30,949)
Profit before taxation	4	517,344	457,523
Taxation	5	(162,313)	(124,913)
Profit and total comprehensive income for the period		355,031	332,610
Profit and total comprehensive income for the period attributable to :			
Owners of the Company		355,232	322,021
Non-controlling interests		(201)	10,589
		355,031	332,610
Earnings per share :			
Basic	6	RMB39.09 cents	RMB41.61 cents
Diluted	6	RMB38.87 cents	RMB41.44 cents

CONDENSED CONSOLIDATED STATEMENT of FINANCIAL POSITION

At 30 June 2011

	<i>Notes</i>	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		498,466	456,570
Mining rights		162,589	168,028
Exploration and evaluation assets		1,270,072	1,261,343
Prepaid lease payments		5,771	5,834
		1,936,898	1,891,775
CURRENT ASSETS			
Prepaid lease payments		125	125
Inventories		3,228	7,676
Trade and other receivables	8	35,445	45,122
Loan to shareholder	10	262,976	—
Prepayment for projects		373,563	—
Bank balances and cash		2,640,223	2,965,187
		3,315,560	3,018,110
CURRENT LIABILITIES			
Trade and other payables	11	79,262	61,325
Tax payable		95,553	105,706
		174,815	167,031
NET CURRENT ASSETS			
		3,140,745	2,851,079
		5,077,643	4,742,854

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	<i>Notes</i>	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	13	797,619	796,494
Reserves		4,127,752	3,793,887
Equity attributable to owners of the Company		4,925,371	4,590,381
Non-controlling interests		134,873	135,074
		5,060,244	4,725,455
NON-CURRENT LIABILITIES			
Provision for restoration costs		675	675
Deferred tax liability		16,724	16,724
		17,399	17,399
		5,077,643	4,742,854

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company									
	Share capital	Share premium	Statutory reserve	Capital reserve	Other reserve	Share options reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010 (audited)	675,383	1,161,239	73,165	—	7,803	10,164	555,938	2,483,692	37,122	2,520,814
Profit and total comprehensive income for the period	—	—	—	—	—	—	322,021	322,021	10,589	332,610
Issue of shares at a premium	32,107	374,693	—	—	—	—	—	406,800	—	406,800
Recognition of equity-settled share-based payment expense (Note 14)	—	—	—	—	—	4,832	—	4,832	—	4,832
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	130,402	130,402
Acquisition of additional interest in an existing subsidiary	—	—	—	—	(151,090)	—	—	(151,090)	(42,910)	(194,000)
At 30 June 2010 (unaudited)	707,490	1,535,932	73,165	—	(143,287)	14,996	877,959	3,066,255	135,203	3,201,458
At 1 January 2011 (audited)	796,494	2,495,623	73,165	6,267	(143,287)	14,404	1,347,715	4,590,381	135,074	4,725,455
Profit and total comprehensive income for the period	—	—	—	—	—	—	355,232	355,232	(201)	355,031
Recognition of equity-settled share-based payment expense (Note 14)	—	—	—	—	—	10,791	—	10,791	—	10,791
Exercise of share options	1,125	8,155	—	—	—	(2,250)	—	7,030	—	7,030
Dividend paid (Note 7)	—	(37,981)	—	—	—	—	—	(37,981)	—	(37,981)
Exchange realignment	—	—	—	—	—	(82)	—	(82)	—	(82)
Transfer from share option reserve to retained profits account upon lapse	—	—	—	—	—	(624)	624	—	—	—
At 30 June 2011 (unaudited)	797,619	2,465,797	73,165	6,267	(143,287)	22,239	1,703,571	4,925,371	134,873	5,060,244

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 an amount of approximately RMB7,803,000 advanced and waived by Lead Honest Management Limited ("Lead Honest"), the Company's immediate holding company, during the year ended 31 December 2008 and an amount of approximately RMB151,090,000 representing the excess of the fair value of the consideration over the carrying amount of the net assets of additional interest in an existing subsidiary acquired during the six months ended 30 June 2010.

CONDENSED CONSOLIDATED STATEMENT of Cash Flows

For the six months ended 30 June 2011

	Notes	Six months ended	
		30.6.2011 RMB'000 (unaudited)	30.6.2010 RMB'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES		103,594	379,759
NET CASH USED IN INVESTING ACTIVITIES			
Acquisition of subsidiaries		—	(538,257)
Additions of property, plant and equipment	8	(74,383)	(29,785)
Decrease in amount due from Non Controlling Interest		1,600	—
Loan to a shareholder		(793,549)	—
Repayment by shareholder		530,574	—
Additions of exploration and evaluation assets		(94,641)	(51,080)
Proceed from disposal of subsidiary	15	32,729	—
Amount repaid by independent third parties		—	426,997
		(397,671)	(192,125)
NET CASH USED IN FINANCING ACTIVITIES			
Amount repaid to independent third parties		—	(427,398)
Proceeds from issue of shares		7,030	—
Dividend paid		(37,981)	—
		(30,951)	(427,398)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(325,028)	(239,764)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		2,965,187	1,957,810
Exchange relignment		64	—
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		2,640,223	1,718,046
represented by bank balances and cash			

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. Basis of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standard Board. These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2010, except as described below.

The Group has not early adopted the following new standards and interpretations that have been issued to date but are not yet effective. The Group is in the process of making an assessment of the impact of these new and revised International Financial Reporting Standards (“IFRSs”) upon initial application.

		Effective for annual reporting periods beginning on or after
IAS 1 Amendment	Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 12 Amendment	Deferred Tax: Recovery of Underlying Assets	1 January 2012
IAS 27 (2011)	Separate Financial Statements	1 January 2013
IFRS 7 Amendment	Disclosures — Transfers of Financial Assets	1 July 2011
IFRS 9	Financial Instruments	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 24 (Revised)	Related Party Disclosures	1 January 2011
IAS 32 Amendment	Classification of Rights Issues	1 February 2010
IFRS 1 Amendment	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	1 July 2010
IFRIC-Int 14 Amendment	Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Improvements to IFRSs 2010	Improvements to IFRSs issued in 2010	1 July 2010 or 1 January 2011

The adoption of these new and revised IFRS has had no material effect on the accounting policies of the Group and the methods of computation in the Group’s financial statements in the current period or prior periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

3. Segment Information

The Group has 3 operating mines in Nantaizi, Shirengou and Luotuochang in Inner Mongolia, the PRC. The Group is organised based on the locations of its ore processing plants. The ore processing plant located at Nantaizi processes ore from the mines in Nantaizi and Shirengou. The ore processing plant located at Luotuochang only processes ore from the mine in Luotuochang. For management reporting purpose, the mining and processing activities at each of the ore processing plants in Nantaizi and Luotuochang is presented as an operating segment.

The Group's segments, based on information reported to the Group's executive directors for the purpose of resource allocation and performance assessment, comprise the following:

- (i) Ore processing plant in Nantaizi — the mining and ore processing activities in respect of the mines in Nantaizi and Shirengou;
- (ii) Ore processing plant in Luotuochang — the mining and ore processing activities in respect of the mine in Luotuochang;
- (iii) Exploration of gold mines[#] — the exploration activities in various places.

[#] In December 2009, April 2010 and June 2010, the Group acquired certain subsidiaries engaged in exploration activities in Yunnan, Jiangxi and Guangxi, the PRC. These subsidiaries are aggregated as one reportable segment under the exploration of gold mines.

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

	Unaudited							
	Six months ended 30.6.2011				Six months ended 30.6.2010			
	Ore processing plant in Nantaizi	Ore processing plant in Luotuochang	Exploration of gold mines	Total	Ore processing plant in Nantaizi	Ore processing plant in Luotuochang	Exploration of gold mines	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	514,887	219,306	—	734,193	383,486	195,221	—	578,707
Segment profit	477,863	168,348	(2,043)	644,168	348,044	149,635	—	497,679
Unallocated other income				4,047				3,725
Unallocated corporate expenses				(23,277)				(12,932)
Other expenses (excluding exchange loss)				—				(21,671)
Exchange loss				624,938				466,801
Loss on disposal of subsidiary				(38,251)				(9,278)
				(69,343)				—
Profit before taxation				517,344				457,523

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

3. Segment Information (continued)

All the revenue are derived from independent third parties and no inter-segment transactions occurred for both periods.

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

The following is an analysis of the Group's assets by operating segments:

	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Ore processing plant in Nantaizi	400,644	409,995
Ore processing plant in Luotuochang	216,190	221,700
Exploration of gold mines	1,348,920	1,310,587
Total segment assets	1,965,754	1,942,282
Loans to shareholder	262,976	—
Prepayment for projects	373,563	—
Unallocated bank balances and cash	2,639,373	2,962,926
Unallocated corporate assets	10,792	4,677
Total assets	5,252,458	4,909,885

4. Profit before Taxation

	Six months ended	
	30.6.2011 RMB'000 (unaudited)	30.6.2010 RMB'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of mining rights (included in cost of sales)	5,439	5,488
Amortisation of prepaid lease payments	63	61
Depreciation of property, plant and equipment	12,646	11,973
Equity-settled share-based payments expenses (included in administrative expenses)	10,791	4,832
Exchange loss (included in other expenses)	38,251	9,278
and after crediting:		
Interest income	4,186	3,818

4. Profit before Taxation (continued)

Including in the other income is an aggregate amount of approximately RMB81,759,000 (six months ended 30.6.2010: approximately RMB63,029,000) representing tax concession granted by 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 at a rate of 17% (six months ended 30.6.2010: 17%).

Other expenses for the six months ended 30 June 2011 represent exchange loss which arose primarily from the translation and the settlement of monetary items such as bank balances denominated in HKD and USD. Other expenses for the six months ended 30 June 2010 consisted of fees for consulting service provided by independent professional firm for assessing the opportunities of exploration and evaluation projects of approximately HKD21.7 million and exchange loss of approximately HKD9.3 million.

5. Taxation

The charge represents PRC Enterprise Income Tax calculated at 25% of taxable income.

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

The Law of PRC on Enterprise Income Tax has imposed withholding tax upon the distribution of the profits earned by PRC subsidiaries from 1 January 2008 onwards to their non-PRC resident shareholders. At 30 June 2011, the aggregate amount of temporary differences associated with retained earnings from 1 January 2008 of the Company's PRC subsidiaries was approximately RMB2,131,231,000 (31.12.2010: approximately RMB1,645,254,000). Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to retained profits from 1 January 2008 of the Company's PRC subsidiaries amounting to approximately RMB1,963,992,000 (31.12.2010: approximately RMB1,478,015,000) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

6. Earnings per Share

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

	Six months ended	
	30.6.2011 RMB'000 (unaudited)	30.6.2010 RMB'000 (unaudited)
Earnings Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	355,232	322,021
Number of shares Weighted average number of ordinary shares for the purpose of basic earnings per share	908,757,042	773,876,859
Effect of dilutive potential ordinary shares in respect of share options issued by the Company	5,081,069	3,152,920
Weighted average number of ordinary shares for the purpose of diluted earning per share	913,838,111	777,029,779

7. Interim Dividend

An interim dividend in respect of the six months ended 30 June 2011 of HKD0.05 per share, totalling approximately HKD45.4 million (equivalent to approximately RMB38.6 million) (six months ended 30 June 2010: nil), will be submitted to the shareholders for approval at the extraordinary general meeting on 26 October 2011.

During the six months ended 30 June 2011, dividend totalling approximately RMB38.0 million in respect of the year ended 31 December 2010 was paid.

8. Property, Plant and Equipment

During the period, the Group spent approximately RMB74,383,000 (six months ended 30.6.2010: RMB29,785,000) on acquisition of property, plant and equipment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

9. Trade and Other Receivables

	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Trade receivables	24,698	39,964
Deposits and prepayments	4,493	3,479
Other receivables	6,254	1,679
	35,445	45,122

The average credit period granted to the Group's customers is 30 days (31.12.2010 : 30 days). The trade receivables as at 30 June 2011 and 31 December 2010 were aged within 30 days.

10. Loans to Shareholder

On 23 February 2011, the Company entered into a loan agreement with Mr. Wu Ruilin, a shareholder, for an unsecured loan to him of HKD367,000,000 (equivalent to approximately RMB309,000,000). The loan is repayable before 30 March 2012. Interest is charged at a rate based on the People's Bank of China lending rates and is payable with the repayment of the loan. A loan balance of approximately RMB262,976,000 was outstanding as at 30 June 2011.

On 6 April 2011, the Company entered into a loan agreement with Mr. Wu Ruilin, a shareholder, for an unsecured loan to him of HKD538,000,000 (equivalent to approximately RMB447,411,000). The loan was wholly repaid on 8 April 2011.

On 6 April 2011, the Company entered into a loan agreement with Mr. Wu Ruilin, a shareholder, for an unsecured loan to him of HKD50,000,000 (equivalent to approximately RMB41,581,000). The loan was wholly repaid on 29 April 2011.

Further information relating to the loan transactions above are set out in the Company's announcement dated 22 August 2011.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

11. Trade and Other Payables

	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Trade payables	—	—
Other payables	79,262	61,325
	79,262	61,325

The average credit period granted by the Group's suppliers is 30 to 60 days (31.12.2010: 30 to 60 days).

12. Acquisition Event

On 2 January 2011, the Company entered into the agreement with the Top Lucky Management Limited ("Top Lucky"), pursuant to which the Company has conditionally agreed to purchase certain mining and exploration rights from Top Lucky in relation to two phosphorus mines situated in Khovsgol Province, Mongolia ("the Acquisition"), for a consideration of HKD520,000,000. If the value of the Acquisition is determined to be less than HKD520,000,000, the Company has the right to terminate the Acquisition and it will be reimbursed the consideration already paid.

The Company had paid HKD449,200,000 to Top Lucky as at 30 June 2011. Completion of the Acquisition is expected to take place within 7 business days following the receipt by Top Lucky of the remaining consideration which is expected to be received by 31 December 2011.

Further information relating to the Acquisition was set out in the Company's announcement dated 22 August 2011. The Acquisition has not been completed up to the date of this interim report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

13. Share Capital

	<i>Notes</i>	Number of ordinary shares	Amount HKD'000
Ordinary shares of HKD1 each:			
Authorised:			
At 1 January 2010, 31 December 2010 and 30 June 2011		1,000,000,000	1,000,000
Issued and fully paid:			
At 1 January 2010		768,630,000	768,630
Issue of shares as part of consideration for the acquisition of subsidiary	(i)	36,526,213	36,526
At 30 June 2010		805,156,213	805,156
Issue of shares at a premium	(ii)	100,000,000	100,000
Exercise of share options	(iii)	2,310,000	2,310
At 31 December 2010		907,466,213	907,466
Exercise of share options	(iv)	1,320,000	1,320
At 30 June 2011		908,786,213	908,786

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

13. Share Capital (continued)

	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Shown in the consolidated statement of financial position as	797,619	796,494

Notes:

- (i) On 4 June 2010, the Company issued 36,526,213 ordinary shares of HKD1 each at a price of HKD12.67 per share, totalling HKD462,787,000 (equivalent to approximately RMB406,800,000) to independent third parties as part of the consideration for the acquisition of a subsidiary.
- (ii) On 24 June 2010, the Company entered into a placing and subscription agreement with Lead Honest, Mr. Wu Ruilin and an independent placing agent in connection with the placing of 100,000,000 existing ordinary shares of the Company of HKD1 each held by Lead Honest at a placing price of HKD12.15 per share (the "Placing") and the subscription of 100,000,000 new ordinary shares in the Company by Lead Honest, at a subscription price of HKD12.15 per share (the "Subscription"). The Placing and the Subscription were completed on 29 June 2010 and 7 July 2010, respectively, resulting in a net proceeds from the Subscription of approximately HKD1,186,369,000 (equivalent to approximately RMB1,032,225,000). Details of these transactions are set out in the Company's announcements dated 25 June 2010 and 7 July 2010.
- (iii) On 30 September 2010, the Company issued 2,310,000 ordinary shares of HKD1 each for cash at a price of HKD6.25 per share, totalling HKD14,437,500 (equivalent to approximately RMB12,477,000), pursuant to the exercise of the Company's share options.
- (iv) On 4 January 2011, the Company issued 1,320,000 ordinary shares of HKD1 each for cash at a price of HKD6.25 per share, totalling HKD8,250,000 (equivalent to approximately RMB6,860,000), pursuant to the exercise of the Company's share options.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

14. 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. The following table discloses details of movements of the Company's share options during the six months ended 30 June 2011:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HKD	Outstanding at 1.1.2011	Number of share options				Fair value (per option) of options granted during the period HKD	
						Granted during the period	Lapsed during the period	Exercised during the period	Outstanding at 30.06.2011		
Directors	12.3.2009	12.3.2009–11.3.2010	12.3.2010–11.3.2014	6.25	1,320,000	—	—	(1,320,000)	—	N/A	
		12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	1,320,000	—	(330,000)	—	990,000	N/A	
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	1,320,000	—	(330,000)	—	990,000	N/A	
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	1,320,000	—	(330,000)	—	990,000	N/A	
	12.5.2011	12.5.2011–31.12.2011	1.1.2012–31.12.2016	10.17	—	330,000	—	—	330,000	4.06	
		12.5.2011–31.12.2012	1.1.2013–31.12.2016	10.17	—	330,000	—	—	330,000	4.32	
		12.5.2011–31.12.2013	1.1.2014–31.12.2016	10.17	—	330,000	—	—	330,000	4.54	
		12.5.2011–31.12.2014	1.1.2015–31.12.2016	10.17	—	330,000	—	—	330,000	4.71	
		12.5.2011–31.12.2015	1.1.2016–31.12.2016	10.17	—	330,000	—	—	330,000	4.81	
	12.5.2011	12.5.2011–31.12.2013	1.1.2014–31.12.2018	10.17	—	990,000	—	—	990,000	4.86	
		12.5.2011–31.12.2014	1.1.2015–31.12.2018	10.17	—	990,000	—	—	990,000	5.09	
		12.5.2011–31.12.2015	1.1.2016–31.12.2018	10.17	—	990,000	—	—	990,000	5.27	
		12.5.2011–31.12.2016	1.1.2017–31.12.2018	10.17	—	990,000	—	—	990,000	5.40	
		12.5.2011–31.12.2017	1.1.2018–31.12.2018	10.17	—	990,000	—	—	990,000	5.47	
	Employees	12.3.2009	12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	2,310,000	—	—	—	2,310,000	N/A
			12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	2,310,000	—	—	—	2,310,000	N/A
12.3.2009–11.3.2013			12.3.2013–11.3.2014	6.25	2,310,000	—	—	—	2,310,000	N/A	
12.5.2011		12.5.2011–31.12.2011	1.1.2012–31.12.2016	10.17	—	5,650,000	—	—	5,650,000	4.06	
		12.5.2011–31.12.2012	1.1.2013–31.12.2016	10.17	—	5,650,000	—	—	5,650,000	4.32	
		12.5.2011–31.12.2013	1.1.2014–31.12.2016	10.17	—	5,650,000	—	—	5,650,000	4.54	
		12.5.2011–31.12.2014	1.1.2015–31.12.2016	10.17	—	5,650,000	—	—	5,650,000	4.71	
		12.5.2011–31.12.2015	1.1.2016–31.12.2016	10.17	—	5,650,000	—	—	5,650,000	4.81	
12.5.2011		12.5.2011–31.12.2013	1.1.2014–31.12.2018	10.17	—	330,000	—	—	330,000	4.86	
		12.5.2011–31.12.2014	1.1.2015–31.12.2018	10.17	—	330,000	—	—	330,000	5.09	
		12.5.2011–31.12.2015	1.1.2016–31.12.2018	10.17	—	330,000	—	—	330,000	5.27	
		12.5.2011–31.12.2016	1.1.2017–31.12.2018	10.17	—	330,000	—	—	330,000	5.40	
		12.5.2011–31.12.2017	1.1.2018–31.12.2018	10.17	—	330,000	—	—	330,000	5.47	
Total						12,210,000	36,500,000	(990,000)	(1,320,000)	46,400,000	
Exercisable at end of the reporting period										3,300,000	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

14. Share-Based Payment Transactions (continued)

In respect of the share options granted during the period, the closing price of the Company's shares immediately before the date of grant of the options was HKD10.40. The fair values of the options granted during the period 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:

Date of grant	12 May 2011
Closing share price at date of grant	HKD10
Exercise price	HKD10.17
Annual risk free rate	2.1%–2.3%
Expected volatility	54%
Life of the options	5.64 years to 7.64 years
Expected dividend yield	0.5%
Staff turnover rate	9%

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.

During the period, the Group recognised share-based payment expenses of RMB10,791,000 (six months ended 30.6.2010: RMB4,832,000) in relation to the share options granted by the Company.

15. Disposal of Subsidiary

On 20 March 2011, the Group disposed of its 100% equity interests in Shangrao City Jinshi Mining Technology Development Limited* (上饒市金石礦業科技開發有限公司) (“Jinshi Mining”) to the independent third parties at a consideration of RMB 37,000,000. The net assets of Jinshi Mining at the date of disposal were as follows:

	Unaudited
	RMB'000
Property, plant and equipment	7,997
Exploration and evaluation assets	97,915
Trade and other receivables	463
Bank balances and cash	271
Trade and other payables	(303)
Net assets disposed of	106,343
Loss on disposal of subsidiary	(69,343)
Total consideration	37,000
Total consideration satisfied by:	
Cash	33,000
Deferred consideration	4,000
Total consideration	37,000
Net cash inflow arising on disposal	
Cash consideration obtained from disposal	33,000
Cash and bank balances disposed of	(271)
	32,729

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

16. Capital Commitment

	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Capital expenditure in respect of exploration and mining projects:		
Contracted for but not provided in the condensed consolidated financial statements	155,616	72,754
Authorised but not contracted for	998,932	1,209,143
	1,154,548	1,281,897

17. Related Party Disclosures

The remuneration of key management personnel of the Group, representing directors, during the period is as follows:

	Six months ended	
	30.6.2011 RMB'000 (unaudited)	30.6.2010 RMB'000 (unaudited)
Short-term benefits	1,006	676
Post-employment benefits	35	17
Equity-settled share-based payments	1,623	2,013
	2,664	2,706