滙力集團
HUILI GROUP

Huili Resources (Group) Limited
滙力資源（集團）有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1303

SHARE OFFER

Sponsor

光大證券 EBS INTERNATIONAL
China Everbright Capital Limited

Sole Global Coordinator

光大證券 EBS INTERNATIONAL
China Everbright Securities (HK) Limited

Joint Bookrunners

光大證券 EBS INTERNATIONAL
China Everbright Securities (HK) Limited

建银国际 CCB International

Joint Lead Managers

光大證券 EBS INTERNATIONAL
China Everbright Securities (HK) Limited

建银国际 CCB International

FORTUNE (HK) SECURITIES LIMITED

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

滙力集團
HUILI GROUP

Huili Resources (Group) Limited
滙 力 資 源 (集 團) 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	:	250,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	25,000,000 Shares (subject to adjustment)
Number of International Placing Shares	:	225,000,000 Shares (subject to adjustment and the Over-allotment Option)
Offer Price	:	HK$1.70 per Offer Share payable in full on application in Hong Kong dollars, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%
Nominal value	:	HK$0.10 per Share
Stock code	:	1303

Sponsor

光大證券 EBS INTERNATIONAL

China Everbright Capital Limited

Sole Global Coordinator

光大證券 EBS INTERNATIONAL

China Everbright Securities (HK) Limited

Joint Bookrunners

光大證券 EBS INTERNATIONAL

China Everbright Securities (HK) Limited

建银国际 CCB International

Joint Lead Managers

光大證券 EBS INTERNATIONAL

China Everbright Securities (HK) Limited

建银国际 CCB International

FORTUNE (HK) SECURITIES LIMITED

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix VIII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission, The Stock Exchange of Hong Kong Limited, Hong Kong Exchanges and Clearing Limited and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Underwriters) upon the occurrence of the events set out in the section headed "Underwriting — Grounds for Termination" at any time prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not in the United States subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws.

29 December 2011

EXPECTED TIMETABLE[1]

If there is any change to the following expected timetable of the Hong Kong Public Offer, our Company will issue an announcement in The Standard (in English) and the Hong Kong Economic Times (in Chinese).

Application lists open[(2)]	11:45 a.m. on Thursday, 5 January 2012
Latest time for lodging **WHITE** and **YELLOW** Application Forms and to give **electronic application instructions** to HKSCC[(3)]	12:00 noon on Thursday, 5 January 2012
Application lists close[(2)]	12:00 noon on Thursday, 5 January 2012
Announcement of (i) the indication of the level of interest in the International Placing; (ii) the level of applications in the Hong Kong Public Offer; (iii) the basis of allotment of Hong Kong Offer Shares under the Hong Kong Public Offer; and (iv) the number of Offer Shares reallocated, if any, between the Hong Kong Public Offer and the International Placing to be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.huili.hk and in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on or before	Wednesday, 11 January 2012
Results of allocations in the Hong Kong Public Offer (with successful applicants' identification documents numbers, where appropriate) to be available through a variety of channels (see the section headed "How to Apply for the Hong Kong Offer Shares — V. Publication of Results") from	Wednesday, 11 January 2012
Results of allocations in the Hong Kong Public Offer to be available at www.tricor.com.hk/ipo/result with a "search by ID" function	Wednesday, 11 January 2012
Despatch of share certificates or deposit of share certificates into CCASS and refund cheques in respect of wholly or partially unsuccessful application on or before [(4) (5) (6) (7)]	Wednesday, 11 January 2012
Dealings in Offer Shares on the Stock Exchange to commence on	Thursday, 12 January 2012

Notes:

(1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the "Structure of the Share Offer" in this prospectus.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 5 January 2012, the application lists will not open or close on that day. Further information is set forth in "How to Apply for the Hong Kong Offer Shares — II. Applying by using a **WHITE** or **YELLOW** application form — 6. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(3) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to "How to Apply for the Hong Kong Offer Shares — III. Applying by giving electronic application instructions to HKSCC" in this prospectus.

(4) Share certificates for the Offer Shares are expected to be issued on Wednesday, 11 January 2012 but will only become valid certificates of title at 8:00 a.m. on Thursday, 12 January 2012 provided that (i) the Hong Kong Public Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated. If the Hong Kong Public Offer does not become unconditional or either of the Underwriting Agreements is terminated, our Group will make an announcement as soon as possible.

(5) Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer. Part of the applicant's Hong Kong identity card number or passport number, or, if the applicant is made by joint applicants, part of the Hong Kong identity card number or passport number of the first named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Bank may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.

(6) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer and have indicated in their application forms that they wish to collect any refund cheques and share certificates in person from our Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, may do so between 9:00 a.m. to 1:00 p.m. on Wednesday, 11 January 2012. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation's chop. Identification and (where applicable) authorisation documents acceptable to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, must be produced at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer may collect their refund cheques, if any, in person but may not elect to collect their share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participant's stock account or CCASS Investor Participant's stock account, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

(7) Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to Apply for the Hong Kong Offer Shares — VI. Despatch/Collection of Share Certificates and Refund Cheques" in this prospectus.

You should read carefully "Underwriting", "How to Apply for the Hong Kong Offer Shares" and "Structure of the Share Offer" in this prospectus for additional information regarding the Share Offer, including the conditions to the Share Offer, how to apply for the Hong Kong Offer Shares, the expected timetable, the effects of bad weather and the despatch of share certificates and the refund of application monies.

TABLE OF CONTENTS

This prospectus is issued by us solely in connection with the Hong Kong Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares.

This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of our Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorized anyone to provide you with information that is different from what is contained in this prospectus and/or the Application forms. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sponsor, the Sole Global Coordinator, any of the Underwriters, any of our and their respective directors, officers, employees, advisers, agents or representatives or any other person or party involved in the Share Offer.

TABLE OF CONTENTS

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is only a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk factors" in this prospectus. You should read that section carefully before making any decision to invest in the Offer Shares.

OVERVIEW

We are a nickel-oriented diversified metal mining company principally engaged in mining and ore processing of nickel and copper in Hami, Xinjiang. Our overall strategic objective is to exploit our competitive advantages to become one of the leading diversified metal mining companies in the PRC.

Nickel is a chemical element with the chemical symbol Ni. The valuable properties of nickel are its hardness and resistance to oxidation. According to the 2010 Yearbook, the global consumption of refined nickel in 2009 was approximately 1.23 million metric tonnes, and the PRC was the largest refined nickel consumption country in the world during 2007 to 2009. Although the annual production volume of (i) nickel content in ore and concentrates; and (ii) refined nickel products in the PRC have been increasing during the past decade, its domestic production still cannot satisfy its fast-growing demand. In 2009, the annual production volume of refined nickel amounted to approximately 164.8 thousand metric tonnes in the PRC, which was well behind its domestic consumption of approximately 442.0 thousand metric tonnes, thus, resulting in a shortage of 277.2 thousand metric tonnes and, according to the 2010 Yearbook, the PRC imported a net amount of USD 4.43 billion worth of nickel in 2009, with a CAGR of 47.01% from 2000 to 2009. We believe that (i) the sustainable growth in the demand for nickel in the PRC, and (ii) the demand-supply imbalance in Nickel market have created a favourable business environment for suppliers of nickel concentrates and refined nickel.

Our Xinjiang mining and exploration projects are located within close proximity to the regional city of Hami, Xinjiang, which is approximately 400 km south east of Urumqi, the capital of Xinjiang Uygur Autonomous Region. Urumqi and Hami are connected via a national highway, a railway and also by air services.

During the period from late 2008 to first half of 2009, the price of nickel and copper plummeted significantly following the global financial crisis. For example, the LME cash nickel price and the LME cash copper price, which peaked in May 2007 and July 2007 respectively, decreased by approximately 84% to USD8,934 per metric tonne in December 2008, and by approximately 68% to USD2,810 per metric tonne in December 2008, respectively. Although both of the LME cash nickel price and the LME cash copper price gradually increased to approximately USD15,700 per metric tonne and approximately USD5,000 per metric tonne in June 2009 respectively, demand for nickel and copper were dampened as a result of the economic slowdown after the global financial crisis.

Taking into account that (i) Mineral Resources and Ore Reserves are non-renewable resource in nature; (ii) the collapse in market prices of nickel and copper was temporary in nature, our Directors consider that it was not in the interest of our Company to sell any metal concentrates in the then prevailing market conditions in late 2008 and 2009, and we strategically suspended our sales for the period from October 2008 to December 2009.

We still carried out small-scale mining and ore processing activities in November and December 2008 after we suspended our sales from October 2008. In 2009, we continued to scale down our operations in mining and ore processing. Therefore the total amount of ores extracted from Project No. 2 and No. 20 was significantly decreased from approximately 121,420 tonnes in 2008 to approximately 48,803 tonnes in 2009. In addition to the production scale, we also postponed our proposed investment on capital expenditure of Project No. 2 and No. 20 during the 18 months ended 31 December 2009 to the first half of 2010. As a result, total amount of ores extracted from Project No. 2 and No. 20 further decreased to approximately 29,926 tonnes in 2010 as the normal operation of Project No. 2 and No. 20 was negatively affected by the delay of our capital expenditure investment on Project No. 2 and No. 20.

We have resumed our sales of metal concentrates in January 2010 and recorded a gross profit of RMB4.5 million for the year. Upon the Listing, our management will continue to review our sales strategies from by taking into account factors including (i) the prevailing market prices of metal products; (ii) trend of market prices of non-ferrous metal products; and (iii) the liquidity position and capital expenditure need of our Company.

To monitor the implementation of the above sales strategies, a review committee, comprising all of our independent non-executive Directors, has been formed to review our sale strategies periodically. If there is any material change in our sale strategies or suspension of our sale activity, we will seek an approval from the review committee in advance.

Currently, our Group has three mining projects with valid mining and safety production permits, namely Project No.2, Project No. 20 and Project Baiganhu. However, Project No. 20 and Project Baiganhu are only expected to recommence/ commence commercial operation in the third quarter of 2012. Regarding Project No.2, we received verbal notification from the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in January 2011 to suspend our production in Project No.2 as a result of the implementation of the Consolidation Program. We were informed by the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in October 2011 that 新疆新鑫礦業股份有限公司 (Xinjiang Xinxin Mining Industry Co., Ltd.) (Stock Code: 3833) has been selected as the main integration entity (整合主體). As at the Latest Practicable Date, no concrete plan, including the pricing terms and timetable of the Consolidation Program, was formulated, so it is not feasible for our Directors to predict the completion date of the Consolidation Program. Our Directors consider that it is unlikely for us to resume mining activities on Project No.2. For the background and details of the Consolidation Program, please refer to the paragraph headed "The Impact of Mine Consolidation Policy of the PRC on Our Mining Projects" in the Business section of this prospectus.

Set out below is the summary of our concentrators and mining and exploration projects:

(i) **Concentrators**

Name of concentrators	Type of metal concentrate produced	Source of ores	Designed annual production capacity	Notes
Hami Jiatai Concentrator	Nickel concentrate and copper concentrate	Copper-nickel ores from Project No.2 and Project No.20	450,000 tonnes	1, 2 and 3
Hami Jinhua Concentrator	Lead concentrate and zinc concentrate	Lead-zinc ores from Project Baiganhu	450,000 tonnes	1 and 4

Notes:

1. *Our attributable share of the above concentrators is 90% as we only hold a 90% equity interest in Hami Jinhua.*

2. *Upon the commencement of commercial production of Project H-989, which is expected to be in the first half of 2013, it will supply copper-nickel ores to the Hami Jiatai Concentrator for processing.*

3. *The Hami Jiatai Concentrator commenced commercial operation in 2002. However, the scale production of the Hami Jiatai Concentrator has been suspended since January 2011 as we received verbal notification from the Hami Municipal Bureau of Land and Resources in January 2011 to suspend our production in Project No.2 as a result of the implementation of the Consolidation Program and is expected to resume in the third quarter of 2012.*

4. *Certain requisite approvals from the relevant authorities are pending before commencement of commercial production, which is expected in the second quarter of 2012.*

In order to restore and further expand the production scale and improve the efficiency of the Hami Jiatai Concentrator, we plan to purchase copper-nickel ores from independent suppliers in Hami for the production of nickel concentrate and copper concentrate. With copper-nickel ores supplied by independent suppliers, Project H-989 and Project No. 20, the production scale and efficiency of the Hami Jiatai Concentrator will be enhanced. As at the Latest Practicable Date, no legal-binding agreement has been signed by us in relation to the procurement of copper-nickel ores.

Further, it is our strategy to broaden our revenue base and expand our product portfolio by producing lead and zinc concentrates at the Hami Jinhua Concentrator which will process the lead-zinc ores exploited from Project Baiganhu. The Hami Jinhua Concentrator is expected to commence commercial production at around the second quarter of 2012. To achieve the above business objective, we plan to invest approximately RMB35.7 million and approximately RMB9.8 million as capital expenditure for Project Baiganhu during the two years ending 31 December 2013. Of the total capital expenditure, approximately RMB4 million will be incurred during the year ending 31 December 2011. In addition, we will invest approximately RMB10 million for technical modification on the tailing storage facilities of the Hami Jinhua Concentrator which will be completed in April 2012.

(ii) Mining and exploration projects

Project name	Type of ore under exploration/ mining	Type of permit obtained	Permit expiry date	Exploration area (km^2)	Annual operation scale	Whether covered by the Independent Technical Report	Notes
Project No. 2	Copper-nickel ore	Mining permit and safety production permit	June 2013 (Mining permit) and August 2013 (safety production permit)	0.32	30,000 tonnes	Yes	5, 6 and 7
Project No. 20	Copper-nickel ore	Mining permit and safety production permit	June 2018 (Mining permit) and January 2012 (safety production permit)	0.22	150,000 tonnes	Yes	5, 7 and 8
Project Baiganhu	Lead-zinc ore	Mining permit and safety production permit	November 2013 (Mining permit) and March 2014 (safety production permit)	0.96	300,000 tonnes	Yes	5, 7 and 9
Project Baiganhu Gold	Gold ore	Exploration permit	May 2014	1.28	Not applicable	No	5 and 10
Project H-989	Copper-nickel ore	Exploration permit	May 2014	1.91	Not applicable	Yes	5, 7 and 11
Project Heishan	Copper-nickel ore	Exploration permit	January 2014	20.26	Not applicable	No	5 and 10
Project Hongshanpo	Lead-zinc ore	Exploration permit	December 2013	3.98	Not applicable	No	5 and 10
Project Huangshan	Copper-nickel ore	Exploration permit	December 2012	3.49	Not applicable	No	5 and 10
Project Xidagou	Lead-zinc ore	Exploration permit	January 2014	4.78	Not applicable	No	5 and 10
Project Yinaoxia	Copper-gold ore	Exploration permit	January 2014	8.93	Not applicable	No	5 and 10

Notes:

5. *Our attributable share of the above mining and exploration projects is 90% as we only hold a 90% equity interest in Hami Jinhua.*

6. *In January 2011, we received verbal notification from the Hami Municipal Bureau of Land and Resources to suspend our production in Project No.2 as a result of the implementation of the Consolidation Program. For the background and details of the Consolidation Program, please refer to the paragraph headed "The Impact of Mine Consolidation Policy of the PRC on Our Mining Projects" in the Business section of this prospectus.*

7. *The estimation of the Mineral Resources and/or Ore Reserves of the relevant projects is included in the Independent Technical Report.*

8. *The mining activity of Project No.20 has not been active since January 2011 as it is under development to extract ores at a lower part of the ore bodies. We expect the scale production of Project No.20 will resume after the completion of the current mine development in the third quarter of 2012.*

9. *Project Baiganhu has not commenced commercial operation as its mine construction has not yet been completed.*

10. *The Independent Technical Report does not include the estimation of the Mineral Resources and/or Ore Reserves of the relevant projects as these projects are still at an early stage of exploration. Therefore, there is not sufficient information available for the Independent Technical Adviser to conduct JORC compliant geological and exploration review on such projects.*

11. *After almost six years of exploration effort, we have applied to the competent authority for a mining permit for Project H-989 in September 2011. It is expected that the valid mining permit for Project H-989 will be granted to us by January 2012.*

The following tables set forth an estimation of our Mineral Resources as of 2 August 2011:

Project name (Notes 1&2)	**Classification**	**Quantity (kt)**	**Ni Grade (%)**	**Cu Grade (%)**	**Ni metal (tonne)**	**Cu metal (tonne)**
Project No. 2	Measured	—	—	—	—	—
	Indicated	910	0.64	0.25	5,790	2,280
	Inferred	570	0.49	0.22	2,820	1,270
Sub-total		1,470	0.58	0.24	8,610	3,550
Project No. 20	Measured	—	—	—	—	—
	Indicated	1,330	0.71	0.24	9,430	3,150
	Inferred	1,260	0.69	0.25	8,660	3,160
Sub-total		2,590	0.70	0.24	18,090	6,310
Project H-989	Measured	—	—	—	—	—
	Indicated	3,390	0.49	0.23	16,540	7,750
	Inferred	2,370	0.51	0.19	12,100	4,390
Sub-total		5,760	0.50	0.21	28,640	12,140
Grand total	Measured	—	—	—	—	—
	Indicated	5,630	0.57	0.23	31,770	13,180
	Inferred	4,200	0.56	0.21	23,580	8,810
	Total	9,830	0.56	0.22	55,340	21,990

Source: Independent Technical Report (Rounding errors affect the total metal amounts reported above)

Notes:

1. Reported at a 0.2% Ni cut-off grade.

2. Our attributable share of the above Mineral Resources is 90% as we only hold a 90% equity interest in Hami Jinhua.

Project name (Notes 3&4)	Classification	Quantity (kt)	Zn Grade (%)	Pb Grade (%)	Zn metal (tonne)	Pb metal (tonne)
Project Baiganhu	Measured	—	—	—	—	—
	Indicated	1,730	6.57	4.13	113,540	71,440
	Inferred	2,150	6.42	3.96	137,910	85,140
	Total	3,880	6.49	4.03	251,450	156,580

Source: Independent Technical Report (Rounding errors affect the total metal amounts reported above)

Notes:

3. Reported at a 1.0% Zn cut-off grade.

4. Our attributable share of the above Mineral Resources is 90% as we only hold a 90% equity interest in Hami Jinhua.

The following tables set forth an estimation of our Ore Reserves as of 2 August 2011:

Project name (Notes 5&6)	Reserve classification	Ore Quantity (kt)	Ni Grade (%)	Cu Grade (%)	Ni Tonnes (tonne)	Cu Tonnes (tonne)
Project No. 2	Proved	—	—	—	—	—
	Probable	544	0.64	0.25	3,483	1,337
Project No. 20	Proved	—	—	—	—	—
	Probable	1,099	0.64	0.21	7,071	2,362
Grand total	Proved	—	—	—	—	—
	Probable	1,643	0.64	0.23	10,554	3,699

Project name (Notes 5&6)	Reserve classification	Ore Quantity (kt)	Zn Grade (%)	Pb Grade (%)	Zn Tonnes (tonne)	Pb Tonnes (tonne)
Project Baiganhu	Proved	—	—	—	—	—
	Probable	1,055	5.95	3.73	62,773	39,352

Source: Independent Technical Report (Rounding errors affect the total metal amounts reported above)

Notes:

5. Our attributable share of the above ore reserves is 90% as we only hold a 90% equity interest in Hami Jinhua.

6. The reporting standard for our Mineral Resources and Ore Reserves is the JORC Code, which is in compliance with the requirements under Chapter 18 of the Listing Rules.

As Mineral Resources and Ore Reserves are non-renewable resource in nature, we believe the control of sizable Mineral Resources and Ore Reserves is fundamental to long-term sustainable expansion of our business. We believe that we are well-positioned to expand our Mineral Resources and Ore Reserves.

Currently, our Group holds seven exploration permits in Hami, Xinjiang. As advised by our PRC Legal Advisers, in accordance with the Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey (礦產資源勘查區塊登記管理辦法), the maximum duration of an exploration permit for mineral resources (other than petroleum and natural gas) is three years. When a renewal of exploration permit is needed, an application must be submitted to the competent authority for renewal of such exploration permit at least 30 days prior to the expiration date. According to Xinjiang Uygur Autonomous Region Administration Measures of Exploration Right and Mining Right (新疆維吾爾自治區探礦權采礦權管理辦法), each renewal term cannot exceed three years. There is no specific restriction or limitation on the number of times an exploration permit may be renewed. Upon obtaining satisfactory exploration results and if we consider these mineralisations are economically and commercially viable for mining, we will apply to the PRC government for a mining permit for the relevant area. In September 2011, we have applied to the competent authority for a mining permit for Project H-989. It is expected that the valid mining permit for Project H-989 will be granted to us by January 2012. Save for the above, we have no concrete timetable to apply mining permits for the remaining exploration projects as the exploration results of these exploration projects do not yet satisfy the requirements for commercial mining activities.

Under PRC law, the holder of an exploration permit has priority in obtaining the mining right of the mineral resources as specified in the exploration permit if ore resources can be successfully found in the area under its exploration. Please refer to the Section headed "Regulation - Regulations relating to Mineral Resources Mining - Application for a Mining Permit" of this prospectus for details of the procedure and the materials required to be submitted for application of a mining permit as well as the basic concerns of governmental authority of land and resources when granting a mining permit. Our PRC Legal Advisers are of the view that, as long as we have fulfilled all the substantive and procedural conditions required by the relevant PRC laws and requests of the relevant authority, there will be no material substantive obstacle in obtaining mining permit for the seven exploration projects. But if we fail to submit the relevant materials as required or otherwise fail to satisfy the concerns of government authority of land and resources, we may not obtain the mining permit for the relevant exploration projects.

In addition, through the Acquisition Agreements, we have conditionally agreed to acquire the entire equity interest of Shaanxi Jiarun and Shaanxi Jiahe, which will hold the mining permits for Project Huaba and Project Huangjinmei, respectively, before completion of the Acquisition Agreements.

Set out below is a summary of Project Huaba and Project Huangjinmei:

Project name	Type of ore under exploration	Type of permit on hand	Permit expiry date (month/ year)	Exploration area (km^2)	Current operation status
Project Huaba	Vanadium ore	Exploration permit	April 2011	11.41	In the course of applying mining permit (Notes 1 & 3)
Project Huangjinmei	Gold ore	Exploration permit	October 2011	4.29	In the course of applying mining permit (Notes 2 & 3)

Notes:

1. The application for a mining permit for Project Huaba was submitted in October 2011. The approval is expected to be granted in February 2012. As its exploration permit expired in April 2011, we submitted the renewal application to the relevant authorities in January 2011, and expect the renewed permit will be granted in February 2012 if the valid mining permit is not granted to us at that time.

2. The application for a mining permit for Project Huangjinmei was submitted in April 2011. The approval is expected to be granted in January 2012.

3. Upon completion of the Acquisition, our attributable share of the above exploration projects will be 90% as we only hold a 90% equity interest in Hami Jinhua.

The following tables set forth an estimation of the Mineral Resources of Project Huaba and Project Huangjinmei as of 2 August 2011:

Project name (Notes 5&8)	Classification	Quantity *(kt)*	Au Grade *(g/t)*	Au metal *(t)*
Project Huangjinmei	Measured	—	—	—
	Indicated	1,310	2.84	3.7
	Inferred	1,870	3.00	5.6
Sub-total		3,180	2.95	9.4

Project name (Notes 6&8)	Classification	Quantity	V_2O_5 Grade	V_2O_5 metal
		(kt)	*(g/t)*	*(t)*
Project Huaba (Vanadium)	Measured	—	—	—
	Indicated	49,900	0.8	398,410
	Inferred	53,360	0.76	403,660
Sub-total		103,260	0.78	802,080

Project name (Notes 7&8)	Classification	Quantity	Cu Grade	Cu metal
		(kt)	*(g/t)*	*(t)*
Project Huaba (Copper)	Measured	—	—	—
	Indicated	1,330	1.5	19,870
	Inferred	1,210	1.23	14,970
Sub-total		2,540	1.37	34,840

Source: Independent Technical Report (Rounding errors affect the total metal amounts reported above)

Notes:

5. Reported at a 1.0 g/t Au cut-off grade.
6. Reported at a 0.5% V_2O_5 cut-off grade.
7. Reported at a 0.5% Cu cut-off grade.
8. Upon completion of the Acquisition Agreements, our attributable share of the above Mineral Resources will be 90% as we only hold a 90% equity interest in Hami Jinhua.

MINE LIFE

Set forth below is the estimated mine lives of our mining projects, as indicated in the Independent Technical Report:

Project name	Ore Reserve (kt)	Production schedule (ktpa) 2011	2012	2013	2014	2015	Mine life (year) *(Notes 4, 5& 6)*
Project No.2 *(Note 1)*	544	N/A	N/A	N/A	N/A	N/A	N/A
Project No.20 *(Note 2)*	1,099	10	72	120	150	150	8.4
Project Baiganhu *(Note 3)*	1,055	10	125	200	300	300	4.8

Notes:

1. Currently there is no forecast production and so there is no estimated mine life for Project No. 2.

2. The estimated mine life of Project No. 20 is based on the Ore Reserve estimate of 1,099 kt as of 2 August 2011 and the production schedule (10 kt in year 1, 72 kt in year 2, 120 kt in year 3 and 150 ktpa thereafter). A total amount of 10 kt of ores is expected to be extracted from Project No.20 during the underground mine construction phase in 2011. A total amount of 12 kt of ores is expected to be extracted from Project No.20 during the underground mine construction phase from January to July 2012. The monthly production capacity of Project No. 20 is expected to increase to 12 kt upon the completion of its phase two development. Accordingly, from August to December 2012, monthly production capacity of Project No. 20 will be 12 kt, with a total amount of 60 kt of ores extracted from Project No.20 from August to December 2012. Therefore, a total amount of 72 kt of ores will be extracted from Project No.20 in 2012. Except for 2011 and 2012, we prepare the estimation based on a 10 month production per year. The estimated mine life of Project No. 20 is 8.4 years, commencing in August 2011 with ore mined during development.

3. The estimated mine life of Project Baiganhu is based on the Ore Reserve estimate of 1,055 kt as of 2 August 2011 and the production schedule (10 kt in year 1, 125 kt in year 2, 200 kt in year 3 and 300 ktpa thereafter). A total amount of 10 kt of ores is expected to be extracted from Project Baiganhu during the underground mine construction phase in 2011. A total amount of 45 kt of ores is expected to be extracted from Project Baiganhu during underground the mine construction phase from January to August 2012. The monthly production capacity of Project Baiganhu is expected to reach 20 kt upon the completion of its phase one development. Accordingly, from September to December 2012, monthly production capacity of Project Baiganhu will be 20 kt, with a total amount of 80 kt of ores extracted from Project Baiganhu from September to December 2012. Therefore, a total amount of 125 kt of ores will be extracted from Project Baiganhu in 2012. Except for 2011 and 2012, we prepare the estimation based on a 10 month production per year. The estimated mine life of Project Baiganhu is 4.8 years, commencing in November 2011 with ore mined during development.

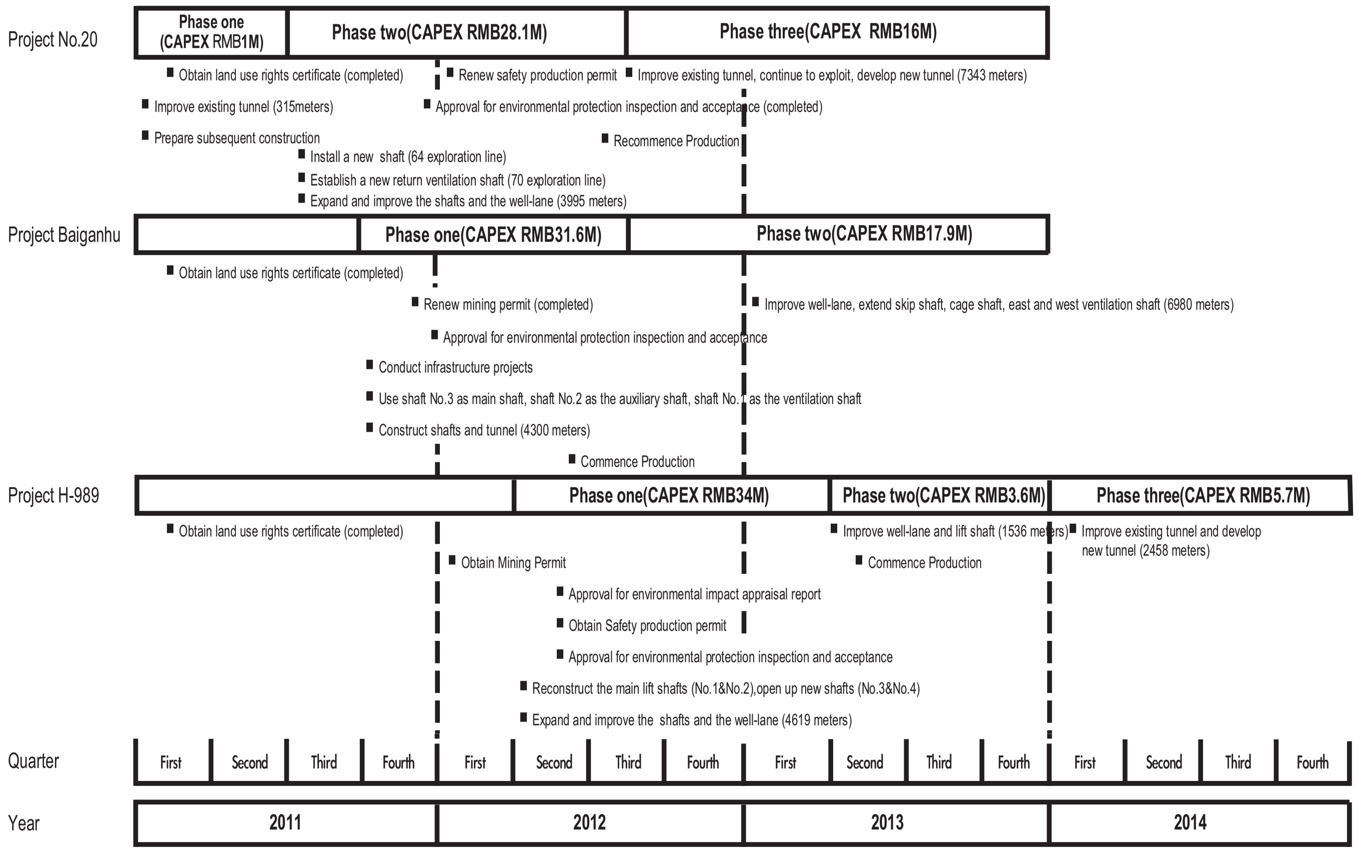
4. As advised by the Independent Technical Adviser, further exploration activities could lead to an increase in the Mineral Resource and Ore Reserve estimates, which could lead to an increase in mine life. In order to extend the mine life of our mining projects, we plan to spend approximately RMB450,000, RMB3.8 million and RMB1.9 million for additional exploration activities for Project No.20, Project Baiganhu and Project H-989 during the year ending 31 December 2013 in accordance with the relevant requirements and standards of JORC Code. Such additional exploration activities will be financed by our internal resources.

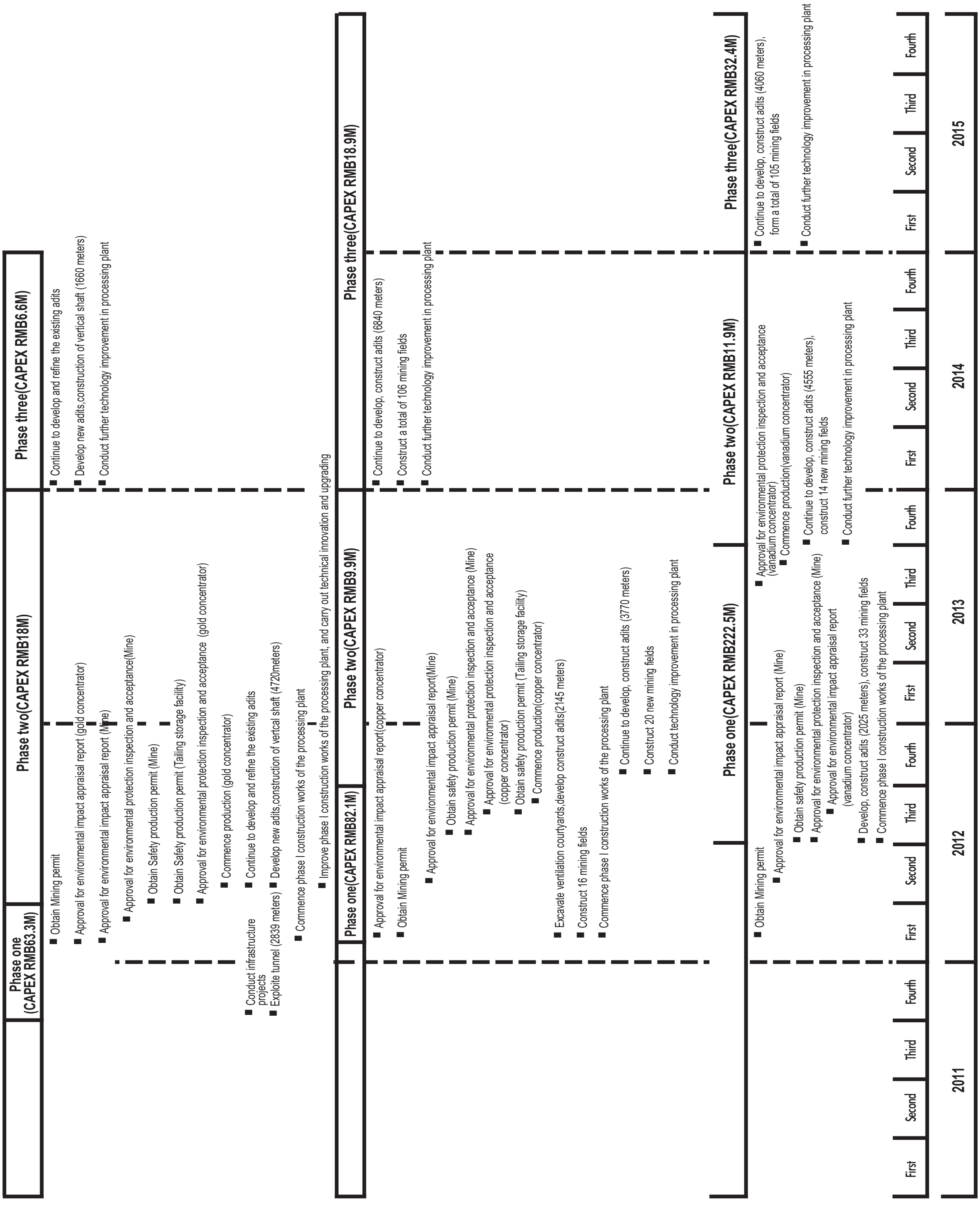
5. As advised by the Independent Technical Adviser, the estimation of mine life shall be calculated based on the estimated Ore Reserve and estimated production schedule of relevant mines, in accordance with standards of JORC. Given that it was not feasible for the Independent Technical Adviser to estimate the Ore Reserve of Project H-989, Project Huaba and Project Huangjinmei as at the date of the Independent Technical Report, the Independent Technical Adviser confirm that it is not feasible for them to estimate and disclose the estimated mine life of Project H-989, Project Huaba and Project Huangjinmei in the Prospectus. As advised by the Independent Technical Adviser, the estimation of Ore Reserve is based on (i) the data contained in the relevant studies, such as utilisation and development schemes; and (ii) the approved scale of mining operation specified under the mining permit granted by the competent authorities in the PRC. Currently, as (i) the relevant studies of Project H-989, Project Huaba and Project Huangjinmei are not completed; and (ii) we have not obtained the mining permits of these mining projects, it is not feasible for the Independent Technical Adviser to estimate the Ore Reserve of Project H-989, Project Huaba and Project Huangjinmei.

6. In general, annual depletion rate of our mining projects are effectively equal to the annual production rate of the relevant mining projects. Therefore, depletion rate is the annual ore production volume divided by the Ore Reserves. Based on our estimated production scheme, the estimated depletion rates of Project No.20 are approximately 0.9%, 6.6%, 10.9%, 13.6% and 13.6% for the years 2011-2015. For Project Baiganhu, the estimated depletion rates are 0.9%, 11.8%, 19.0%, 28.4% and 28.4% for the years 2011-2015. However, the estimated depletion rate is subject to changes of many variables, for example changes in Ore Reserves. For example, any increase in Ore Reserve estimate as a result of our further exploration activities could lead to decrease in the estimated depletion rate of our mining projects.

TIMETABLE

The estimated timetable for the construction and completion of Project No.20, Project Baiganhu, Project H-989, Project Huangjinmei and Project Huaba is set out below and on the next page. This timetable is an estimate only and is subject to change. In particular, if approvals are not obtained in the target time frame, then the timetable will need to be extended.




Project Huangjinmei
Phase one (CAPEX RMB63.3M)
Phase two(CAPEX RMB18M)
Phase three(CAPEX RMB6.6M)
Obtain Mining permit
Approval for environmental impact appraisal report (gold concentrator)
Approval for environmental impact appraisal report (Mine)
Approval for environmental protection inspection and acceptance(Mine)
Obtain Safety production permit (Mine)
Obtain Safety production permit (Tailing storage facility)
Approval for environmental protection inspection and acceptance (gold concentrator)
Commence production (gold concentrator)
Conduct infrastructure projects
Exploite tunnel (2839 meters)
Continue to develop and refine the existing adits
Develop new adits,construction of vertcal shaft (4720meters)
Commence phase I construction works of the processing plant
Improve phase I construction works of the processing plant, and carry out technical innovation and upgrading
Continue to develop and refine the existing adits
Develop new adits,construction of vertical shaft (1660 meters)
Conduct further technology improvement in processing plant
Project Huaba (Copper)
Phase one(CAPEX RMB82.1M)
Phase two(CAPEX RMB9.9M)
Phase three(CAPEX RMB18.9M)
Approval for environmental impact appraisal report(copper concentrator)
Obtain Mining permit
Approval for environmental impact appraisal report(Mine)
Obtain safety production permit (Mine)
Approval for environmental protection inspection and acceptance (Mine)
Approval for environmental protection inspection and acceptance (copper concentrator)
Obtain safety production permit (Tailing storage facility)
Commence production(copper concentrator)
Excavate ventilation courtyards,develop construct adits(2145 meters)
Construct 16 mining fields
Commence phase I construction works of the processing plant
Continue to develop, construct adits (3770 meters)
Construct 20 new mining fields
Conduct technology improvement in processing plant
Continue to develop, construct adits (6840 meters)
Construct a total of 106 mining fields
Conduct further technology improvement in processing plant
Project Huaba (Vanadium)
Phase one(CAPEX RMB222.5M)
Phase two(CAPEX RMB11.9M)
Phase three(CAPEX RMB32.4M)
Obtain Mining permit
Approval for environmental impact appraisal report (Mine)
Obtain safety production permit (Mine)
Approval for environmental protection inspection and acceptance (Mine)
Approval for environmental impact appraisal report (vanadium concentrator)
Develop, construct adits (2025 meters), construct 33 mining fields
Commence phase I construction works of the processing plant
Approval for environmental protection inspection and acceptance (vanadium concentrator)
Commence production(vanadium concentrator)
Continue to develop, construct adits (4555 meters), construct 14 new mining fields
Conduct further technology improvement in processing plant
Continue to develop, construct adits (4060 meters), form a total of 105 mining fields
Conduct further technology improvement in processing plant
Quarter
First
Second
Third
Fourth
Year
2011
2012
2013
2014
2015

FUTURE CAPITAL EXPENDITURES AND MINING CAPACITY AND PROCESSING CAPACITY

(i) Concentrators

Set out below is the summary of the expected capital expenditure and processing capacity of our concentrators.

Name of concentrator/facility	Capital expenditure (RMB million)	Time schedule	Estimated monthly production capacity (tonnes) As of 31 December 2012	2013	2014	2015	Notes
Hami Jiatai Concentrator	—	—	45,000	45,000	45,000	45,000	1
Hami Jinhua Concentrator	—	—	45,000	45,000	45,000	45,000	2
Technical modification on tailing storage facilities	10.0	November 2011 - April 2012	N/A	N/A	N/A	N/A	3

Notes:

1. The Hami Jiatai Concentrator commenced commercial operation in 2002. However, the scale production of the Hami Jiatai Concentrator has been suspended since January 2011 and is expected to resume in the third quarter of 2012. Upon Project No.20 resuming mining activities in the third quarter of 2012 and Project H-989 commencing commercial production in the first half of 2013, they will supply copper-nickel ores to the Hami Jiatai Concentrator for processing. The Hami Jiatai Concentrator is equipped with a processing line with a designed capacity of 1,500 tonne/day for 300 days a year (or 45,000 tonne/month, or 450,000 tonne/annum), which is sufficient for our copper-nickel ores processing need.

2. The Hami Jinhua Concentrator has yet to commence commercial production as Project Baiganhu, which is intended supply ores to the Hami Jinhua Concentrator for processing, has not yet started its mining activities. We expect Project Baiganhu will commence commercial operation in the third quarter of 2012. Before the commencement of commercial operation of Project Baiganhu, the Hami Jinhua Concentrator will start to produce zinc concentrate and lead concentrate in the second quarter of 2012 through processing lead-zinc ores extracted from Project Baijanhu during its underground mine construction phase. The Hami Jinhua Concentrator is equipped with a processing line with a designed capacity of 1,500 tonne/day for 300 days a year (or 45,000 tonne/month, or 450,000 tonne/annum), which is sufficient for our lead-zinc ores processing need. As it is not commercially feasible to procure large quantities of lead-zinc ores in Hami, we have no intention to purchase lead-zinc ores from independent suppliers for the production of lead concentrate and zinc concentrate at the Hami Jinhua Concentrator.

3. The tailing storage facilities which will be modified are shared between the Hami Jiatai Concentrator and the Hami Jinhua Concentrator in order to optimize our cost structure. Other than the technical modification on tailing storage facilities, the Hami Jiatai Concentrator and the Hami Jinhua Concentrator will not need any capital expenditure in the foreseeable future.

(ii) **Mining and exploration projects**

In order to improve the mining capacities, we plan to invest further capital expenditure in mining the residual mineral reserves and exploration activities for the seven exploration permits we hold. Set out below is the summary of the expected capital expenditure for our mining and exploration activities and improving the mining capacities of our mining projects.

Project name	Capital expenditure (RMB million)	Time schedule	Estimated monthly production capacity(tonnes) As of 1 January 2013	2014	2015	2016	Notes
Project No. 2	N/A	N/A	N/A	N/A	N/A	N/A	4
Project No. 20							
Phase One	1.0	January 2011 - June 2011	N/A	N/A	N/A	N/A	5
Phase Two	28.1	July 2011 - July 2012	12,000	N/A	N/A	N/A	6
Phase Three	16.0	August 2012 - December 2013	12,000	15,000	15,000	15,000	7
Project Baiganhu							
Phase One	31.6	October 2011 - August 2012	20,000	N/A	N/A	N/A	8
Phase Two	17.9	September 2012 - December 2013	20,000	30,000	30,000	30,000	9
Project H-989							
Phase One	34.0	April 2012 - March 2013	N/A	10,000	N/A	N/A	10
Phase Two	3.6	April 2013 - December 2013	N/A	15,000	N/A	N/A	11
Phase Three	5.7	January 2014 - December 2014	N/A	N/A	20,000	20,000	11
Project Baiganhu Gold	4.40	January 2011 - December 2015	N/A	N/A	N/A	N/A	12
Project Heishan	8.58	January 2011 - December 2015	N/A	N/A	N/A	N/A	12
Project Hongshanpo	2.56	January 2011 - December 2015	N/A	N/A	N/A	N/A	12
Project Huangshan	3.59	January 2011 - December 2015	N/A	N/A	N/A	N/A	12
Project Xidagou	2.68	January 2011 - December 2015	N/A	N/A	N/A	N/A	12
Project Yinaoxia	3.23	January 2011 - December 2015	N/A	N/A	N/A	N/A	12
Project No. 20, Project Baiganhu and Project H-989	6.15	January 2013 - December 2013	N/A	N/A	N/A	N/A	13

Notes:

4. Given that Project No.2 may be merged or consolidated with nearby nickel and copper mines in Huangshang Dong of Hami as may be required by the relevant PRC authority, we do not consider incurring any future capital expenditure in relation to Project No.2 at this stage.

5. During the phase one development process, the production of Project No.20 was suspended temporarily. As phase one development constitutes preparatory work for phase two development plan, the production capacity of Project No. 20 was not increased upon the completion of phase one development.

6. The monthly production capacity of Project No. 20 is expected to increase to 12,000 tonnes upon the completion of phase two development.

7. During the phase three development process, Project No.20 will maintain normal operation and its production volume will not be affected. The monthly production capacity of Project No. 20 is expected to increase to 15,000 tonnes upon the completion of phase three development.

8. As at the Latest Practicable Date, Project Baiganhu has not commenced commercial operation as its mine construction had not yet been completed. The monthly production capacity of Project Baiganhu is expected to reach approximately 20,000 tonnes upon the completion of its phase one development. We expect that Project Baiganhu will commence commercial operation in the third quarter of 2012. Before the commencement of commercial operation of Project Baiganhu, the Hami Jinhua Concentrator will start to produce zinc concentrate and lead concentrate through processing lead-zinc ores extracted from Project Baiganhu during its underground mine construction phase.

9. During the phase two development process, Project Baiganhu will maintain normal operation and its production volume will not be affected. The monthly production capacity of Project Baiganhu is expected to further increase to 30,000 tonnes upon the completion of the phase two development.

10. Upon the completion of the phase one development, the monthly production capacity of Project H-989 is expected to increase to 10,000 tonnes.

11. During the development process, Project H-989 will maintain normal operation and its production volume will not be affected. Upon the completion of the phase two development, the monthly production capacity of Project H-989 is expected to increase to 15,000 tonnes, and it is expected to further increase to 20,000 tonnes upon the completion of the phase three development.

12. As of the Latest Practicable Date, Project Baiganhu Gold, Project Heishan, Project Hongshanpo, Project Huangshan, Project Xidagou and Project Yinaoxia were under exploration. The capital expenditure plans for these projects are for exploration activities.

13. In order to extend the mine life of our mining projects, we plan to spend approximately RMB450,000, RMB3.8 million and RMB1.9 million for additional exploration activities for Project No. 20, Project Baiganhu and Project H-989 during the year ending 31 December 2013 in accordance with the relevant requirement and standard of JORC Code.

Set out below is the expected production volume of copper-nickel ores of Project No.20 under different development phases:

Development phase	**Period**	**Production Volume (metric tonnes)**
Phase two - underground mine construction process	July 2011 - July 2012	22,000
After completion of phase two	August - December 2012	60,000
Phase three	January - December 2013	120,000[Note 1]
After completion of phase three	January 2014 onwards	150,000 (per annum)

Set out below is the expected production volume of lead-zinc ores of Project Baiganhu under different development phases:

Development phase	Period	Production Volume (metric tonnes)
Phase one - underground mine construction process	October 2011 - August 2012	55,000
After completion of phase one	September - December 2012	80,000
Phase two	January - December 2013	200,000(Note 2)
After completion of phase two	January 2014 onwards	300,000 (per annum)

Notes:

1. Based on the monthly production capacity of 12,000 tonnes and ten months production per year.

2. Based on the monthly production capacity of 20,000 tonnes and ten months production per year.

(iii) **Project Huaba and Project Huangjinmei**

Through the Acquisition Agreements, we have conditionally agreed to acquire the entire equity interests in Shaanxi Jiarun and Shaanxi Jiahe, which will hold the mining permits of Project Huaba and Project Huangjinmei, respectively, before completion of the Acquisition Agreements.

Set out below is the summary of the expected capital expenditures for Project Huaba and Project Huangjinmei.

			Estimated monthly production capacity(tonnes) As of 1 January			
Project name	**Capital expenditure (RMB million)**	**Time schedule**	**2013**	**2014**	**2015**	**2016**
Project Huaba (Copper)						
Phase One (mine)	82.1	February 2012 — August 2012	30,000	N/A	N/A	N/A
Phase One (concentrator)			30,000	N/A	N/A	N/A
Phase Two (mine)	9.9	September 2012 — December 2013	30,000	50,000	N/A	N/A
Phase Two (concentrator)			30,000	50,000	N/A	N/A
Phase Three (mine)	18.9	January 2014 — December 2015	N/A	N/A	50,000	100,000
Phase Three (concentrator)			N/A	N/A	50,000	100,000

Project name	Capital expenditure (RMB million)	Time schedule	Estimated monthly production capacity(tonnes) As of 1 January 2013	2014	2015	2016
Project Huaba (Vanadium)						
Phase One (mine)	222.5	July 2012 — September 2013	N/A	60,000	N/A	N/A
Phase One (concentrator)			N/A	60,000	N/A	N/A
Phase Two (mine)	11.9	October 2013 — December 2014	N/A	60,000	60,000	N/A
Phase Two (concentrator)			N/A	60,000	60,000	N/A
Phase Three (mine)	32.4	January 2015 — December 2015	N/A	N/A	N/A	120,000
Phase Three (concentrator)			N/A	N/A	N/A	120,000
Project Huangjinmei						
Phase One (mine)	63.3	October 2011 — April 2012	18,000	N/A	N/A	N/A
Phase One (concentrator)			18,000	N/A	N/A	N/A
Phase Two (mine)	18.0	May 2012 — December 2013	18,000	30,000	N/A	N/A
Phase Two (concentrator)			18,000	30,000	N/A	N/A
Phase Three (mine)	6.6	January 2014 — December 2014	N/A	N/A	36,000	36,000
Phase Three (concentrator)			N/A	N/A	36,000	36,000

OUR PRODUCTION SCHEDULES IN 2012

(i) Project No.20, Project H-989 and Hami Jiatai Concentrator

Though Project No.20 is expected to recommence commercial operation in the third quarter of 2012, a total of 22,000 tonnes of copper-nickel ores are expected to be extracted from Project No.20 during the underground mine construction process of phase two development from July 2011 to July 2012. In addition, the monthly production capacity of Project No. 20 is expected to increase to 12,000 tonnes upon the completion of its phase two development in July 2012. Accordingly, a total of 60,000 tonnes copper-nickel ores are expected to be extracted from Project No.20 from August to December 2012.

For Project H-989, though it is expected to commence commercial operation in the first half of 2013, a total of 35,000 tonnes of copper-nickel ores are expected to be extracted from Project H-989 during the underground mine construction process of phase one development from April to December 2012.

Taking into account the inventory amount of copper-nickel ores of 2,285 tonnes as of 30 June 2011, there will be a total of 119,285 tonnes of copper-nickel ores that can be used to produce concentrates in 2012. The Directors expect that 110,000 tonnes of copper-nickel ores will be supplied to Hami Jiatai Concentrator (with a production capacity of 45,000 tonnes/month) for processing. Such ores will produce 8,561 tonnes of concentrates in 2012.

(ii) **Project Baiganhu and Hami Jinhua Concentrator**

Though Project Baiganhu is expected to commence commercial operation in the third quarter of 2012, a total of 55,000 tonnes of lead-zinc ores are expected to be extracted from Project Baiganhu during the underground mine construction phase from October 2011 to August 2012. In addition, the monthly production capacity of Project Baiganhu is expected to increase to 20,000 tonnes upon the completion of its phase one development in August 2012. Accordingly, a total of 80,000 tonnes of lead-zinc ores will be extracted from Project Baiganhu from September to December 2012.

Taking into account the inventory amount of lead-zinc ores of 18,058 tonnes as of 30 June 2011, there will be a total of 153,058 tonnes of lead-zinc ores that can be used to produce concentrates in 2012. Our Directors expect that 145,000 tonnes of lead-zinc ores will be supplied to Hami Jinhua Concentrator (with a production capacity of 45,000 tonnes/month) for processing, and such ores will produce 24,147 tonnes of concentrates in 2012.

(iii) **Project Huangjinmei**

As at the Latest Practicable Date, Project Huangjinmei (including mine and concentrator) was under the phase one development. Upon the completion of the phase one development, Project Huangjinmei will commence its commercial production in May 2012 and its estimated monthly production capacity will reach to 18,000 tonnes. As a result, a total of 144,000 tonnes gold ores are expected to be extracted from Project Huangjinmei from May to December 2012, which will be supplied to gold concentrator (with a production capacity of 18,000 tonnes/month before the completion of the phase two development) for processing. Such ores will produce 4,248 tonnes of gold concentrates in 2012.

(iv) **Project Huaba(Copper)**

Upon the completion of the phase one development, Project Huaba(Copper) will commence its commercial production in September 2012 and its estimated monthly production capacity will reach to 30,000 tonnes. Accordingly, a total of 120,000 tonnes copper ores are expected to be extracted from Project Huaba(Copper) from September to December 2012, which will be supplied to Huaba Concentrator(Copper) (with a production capacity of 30,000 tonnes/month before the completion of the phase two development) for processing. Such ores will produce 1,644 tonnes of cathode copper in 2012.

FORECASTED OPERATING COSTS

The table below sets forth a summary of estimated production costs for Project No.20, Project H-989 and Project Baiganhu during the four years ending 31 December 2015, as indicated in the Independent Technical Report:

	Project No.20				Project H-989				Project Baiganhu			
	2012	**2013**	**2014**	**2015**	**2012**	**2013**	**2014**	**2015**	**2012**	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mining Cost												
Mining and hauling	6,120	10,200	12,750	12,750	2,975	8,075	12,750	17,000	10,625	17,000	25,500	25,500
Workforce Employment	587	694	622	533	285	550	622	711	491	660	660	660
Consumables	1,312	2,056	2,571	2,571	638	1,628	2,571	3,427	2,248	3,596	5,394	5,394
Fuel, Electricity and Water	1,224	1,723	2,154	2,154	595	1,364	2,154	2,872	2,188	3,500	5,250	5,250
Safety Production	384	407	407	407	186	220	407	407	407	407	407	407
Non-income Taxes, Royalties and Other Governmental Charges	432	720	900	900	210	570	900	1,200	1,250	2,000	3,000	3,000
Total Mining Cost	**10,059**	**15,800**	**19,404**	**19,315**	**4,889**	**12,407**	**19,404**	**25,617**	**17,209**	**27,163**	**40,211**	**40,211**
Total Mining Volume (Tonne)	72,000	120,000	150,000	150,000	35,000	95,000	150,000	200,000	125,000	200,000	300,000	300,000
Unit Mining Cost (RMB/t of ore)	139.71	131.67	129.36	128.77	139.69	130.60	129.36	128.09	137.67	135.82	134.04	134.04
Processing Cost												
Workforce Employment	1,026	1,067	960	823	426	853	960	1,097	1,433	1,920	1,920	1,920
Consumables	3,246	4,867	5,858	5,858	1,348	3,891	5,858	7,810	5,662	8,125	11,715	11,715
Fuel, Electricity and Water	1,788	2,792	3,360	3,360	742	2,232	3,360	4,480	3,248	4,660	6,720	6,720
Ore Transportation	2,314	3,145	3,738	3,718	961	2,514	3,738	4,958	5,220	7,490	10,800	10,800
Total Processing Cost	**8,374**	**11,871**	**13,916**	**13,759**	**3,477**	**9,490**	**13,916**	**18,345**	**15,563**	**22,195**	**31,155**	**31,155**
Total Processing Volume (Tonne)	77,724	124,643	150,000	150,000	32,276	99,643	150,000	200,000	145,000	208,058	300,000	300,000
Unit Processing Cost (RMB/t of ore)	107.74	95.24	92.77	91.73	107.73	95.24	92.77	91.73	107.33	106.68	103.85	103.85
Total Mining and Processing Cost	**18,433**	**27,671**	**33,320**	**33,074**	**8,366**	**21,897**	**33,320**	**43,962**	**32,772**	**49,358**	**71,366**	**71,366**
Administrative	2,035	2,618	2,548	2,379	845	2,093	2,548	3,171	3,549	7,277	8,813	8,813
Total Cash Cost	**20,468**	**30,289**	**35,868**	**35,453**	**9,211**	**23,990**	**35,868**	**47,133**	**36,321**	**56,635**	**80,179**	**80,179**
Depreciation and Amortization (Note)	6,139	9,414	13,224	16,343	1,332	3,210	3,653	4,243	10,128	17,490	37,438	44,163
Total Production Cost	**26,607**	**39,703**	**49,092**	**51,796**	**10,543**	**27,200**	**39,521**	**51,376**	**46,449**	**74,125**	**117,617**	**124,342**

Note:

Depreciation and amortization includes depletion charges arising from the capital expenditures for the mining structures and mining right of the above mining projects. For Project No.20 and Project Baiganhu, the capital expenditures for the mining structures are depreciated over the entire mine life. However, for Project H-989, the capital expenditures for the mining structures are depreciated based on the production plans and the estimated resources quantity as of 2 August 2011 because some of the pre-requisites for estimating mine life of Project H-989 including the completion of feasibility study and the Preliminary Design Report for Project H-989 have not yet been fulfilled as at the date of the Independent Technical Report due to the fact that Project H-989 is still at the early stage of development. The mining rights of the above mining projects are amortized in accordance with the production plans and the estimated resources quantity as of 2 August 2011 using the unit-of-production method. The depletion charges arising from the capital expenditures for the mining structures and mining right of the above mining projects will amount to approximately RMB2.7 million, RMB0.1 million and RMB6.8 million, representing approximately 44%, 8% and 67% of total depreciation and amortization of Project No.20, Project H-989 and Project Baiganhu, respectively, in 2012.

The above table is an estimate only and is subject to change. Our Directors provide no assurance that our actual production costs will not differ materially from the above estimated production costs.

SOURCE OF FUNDING AND WORKING CAPITAL REQUIREMENTS

We expect to finance our working capital requirements for the 12 months following the date of this prospectus with (i) cash inflows generated from our operating activities; (ii) the cash and cash equivalents on hand; (iii) net proceeds from the Share Offer; and (iv) proceeds from interest-bearing borrowing. Set out below is a summary of our existing and estimated source of funding and estimated working capital requirements for the 12 months from the date of this prospectus under Rule 18.03(4):

	12 months ending 31 December 2012	**12 months ending 31 December 2012** (Note 3)
	RMB million	*RMB million*
Cash and cash equivalents at the beginning of 2012	36	36
Cash generated from operating activities (Note 3)	402	187
Estimated net proceeds from the Share Offer (Note 1)	332	332
Proceeds from interest-bearing borrowing	86	86
Total available working capital	856	641
General, administrative and operating costs (Note 3)	194	112
Cost of exploration	8	8
Acquisition of Shaanxi Jiarun and Shaanxi Jiahe	12	12
Payment for pre-acquisition dividend to the then Shareholders of Hami Jiatai	15	15
Payment for interest	1	1
Development of Project Huangjinmei and Project Huaba	186	186
Mine development of Project No.20, Project Baiganhu and Project H-989	97	97
Technical modification of tailing storage facility	8	8
Total working capital requirements (Note 2)	521	439
Total available working capital/ total working capital requirements	164.3%	146.0%

Notes:

(1) Represent net proceeds from the Share Offer (based on an Offer Price of HK$1.70 per Offer Share and the exchange rate of HK$1.0 to RMB0.816), net of the underwriting commissions and part of offering expenses which will be paid in 2012.

(2) Represent all the estimated cash outflows for the 12 months ending 31 December 2012 including capital expenditures.

(3) Having considered that the Acquisitions have not been completed as at the Latest Practicable Date, for the sake of prudence, we calculate a total available working capital/ total working capital requirements ratio without taking into account the net cash generated from operating activities of Shaanxi Jiarun and Shaanxi Jiahe. We have not included revenue, production cost and relevant expenses of Shaanxi Jiarun and Shaanxi Jiahe for the computation of estimated cash generated from operating activities. However, capital expenditure for the development of Shaanxi Jiarun and Shaanxi Jiahe has been included in the cash used in investing activities.

Taking into account the financial resources available to our Group, including the internally generated funds, the available banking facility and the estimated net proceeds of the Share Offer, our Directors are of the opinion that our Group has sufficient working capital for 125% of its present requirements, that is for at least the next 12 months from the date of this prospectus.

COMPETITIVE ADVANTAGES

We believe that we have the following principal competitive advantages, which differentiate our business in market competition and assure our sustainable growth:

- Sizeable mineral resources and ore reserves
- Well-positioned to capitalize on opportunities in Xinjiang
- Established expertise in exploration, mining and ore processing

BUSINESS STRATEGIES

Our overall strategic objective is to exploit our competitive advantages to become one of the leading diversified metal mining companies in the PRC. We plan to accomplish this goal by pursuing the following strategies:

- Ramp up our mining and ore processing capacities
- Increase our Mineral Resources and Ore Reserves through further exploration and selective acquisitions
- Expand our product portfolio and establish our presence beyond Xinjiang
- Strengthen our customer relationship and broaden our customer base

THE IMPACT OF MINE CONSOLIDATION POLICY FOR HAMI CITY ON OUR MINING PROJECTS

According to the Notice on Matters Relating to the Development and Integration of Mineral Resources at the Copper-Nickel Mine Area in Huangshan Dong of Hami City (關於哈密市黃山東銅鎳礦區礦產資源開發整合有關問題的通知) ("Notification") issued by the General Office of the Department of Land and Resources of the Xinjiang Uygur Autonomous Region (新疆維吾爾自治區國土資源廳辦公室) on 20 February 2009, the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) has been authorized to coordinate the relevant enterprise(s) as main integration entity(ies) (整合主體) to merge and consolidate several copper-nickel mines located in the copper-nickel mine area in Huangshan Dong of Hami City (哈密市黃山東銅鎳礦區)

Pursuant to the Notification, four mines ("Affected Mines") respectively operated by four mining enterprises, including Project No. 2 of Hami Jiatai, with operating mines located in Huangshan Dong of Hami City (哈密市黃山東銅鎳礦區) are required to participate in the Consolidation Program. If any of the four enterprises refuses to participate in the Consolidation Program, they are not allowed to renew or amend their mining permits, and their mines will be closed upon the expiry of their mining permits.

Our Group was approached to participate in the relevant negotiation at the end of 2009 and was requested to submit background information of Project No.2, including mineral resources data and operation statistics, to the Hami Municipal Bureau of Land and Resources (哈密市國土資源局). During the first half of 2010, we submitted the relevant information and documents to the Hami Municipal Bureau of Land and Resources (哈密市國土資源局).

In January 2011, we received verbal notification from the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) pursuant to which we were requested to suspend our production in Project No. 2 as a result of the Consolidation Program.

We are entitled to receive cash compensation if Project No.2 is required to integrate or consolidate with the other selected mines in Huangshan Dong. Such compensation will be determined by us and the main integration entity(ies) (整合主體) upon arm's length commercial negotiation with reference to the appraisal value of Project No.2 which will be prepared by an independent professional valuer.

As at 30 June 2011, the net assets value of Project No.2 was approximately RMB22.2 million, including mining rights of approximately RMB18.4 million and other property, plant and equipment of approximately RMB3.8 million. If the cash compensation to be received by us is less than the net assets value of Project No.2, we will need to make impairment provision for the shortfall between the cash compensation and the net assets value of Project No.2, which will in turn negatively affect our financial performance.

According to the written confirmation letter dated 12 August 2011 issued by the Hami Municipal Bureau of Land and Resources (哈密市國土資源局), only Project No.2 is involved in the Consolidation Program, and other mines in respect of which we have mining permits and exploration permits are not affected by the Consolidation Program. In addition, we can resume mining activities on Project No. 2 if the Consolidation Program cannot be finalised by the end of 2011.

We were informed by the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in October 2011 that 新疆新鑫礦業股份有限公司 (Xinjiang Xinxin Mining Industry Co., Ltd.) (Stock Code: 3833) has been selected as the main integration entity (整合主體).

To the best knowledge of our Directors, formal negotiation between 新疆新鑫礦業股份有限公司 (Xinjiang Xinxin Mining Industry Co., Ltd.) (Stock Code: 3833) and the four mining enterprises with operating mines located in the copper-nickel mine area in Huangshan Dong of Hami City (哈密市黃山東銅鎳礦區) has not commenced, and therefore, no concrete plan, including the pricing terms and timetable of the Consolidation Program, has been formulated. Therefore, our Directors consider that it is unlikely for us to resume mining activities on Project No.2. As the main objective of the Consolidation Program is to address the potential production safety problem arising from the overlapping of mining areas of the Affected Mines, to the best knowledge of our Directors, the Consolidation Program will be completed only when all Affected Mines agree to participate in the Consolidation Program by signing relevant transfer agreement(s) with the main integration entity. Given that the formal negotiation between the main integration entity and the Affected Mines has not commenced and no concrete plan, including the pricing terms and timetable of the Consolidation Program, has been formulated as at the Latest Practicable Date, it is not feasible for our Directors to predict the completion date the Consolidation Program.

Project No.2 is one of our mining projects which supplied copper-nickel ores to Hami Jiatai Concentrator for processing. During the Track Record Period, the revenue of Project No.2 amounted to approximately RMB8.2 million, nil, RMB27.3 million and RMB15.9 million, respectively. Although we are entitled to receive cash compensation arising from the Consolidation Program, the discontinuation of our operation in Project No.2 will reduce the internal supply of copper-nickel ores to Hami Jiatai Concentrator, which will in turn negatively affect our production volume of nickel concentrate and copper concentrate in Hami Jiatai Concentrator.

Based on the below factors and reasons, our Directors believe that, other than Project No.2, the Consolidation Program will not affect the operation and development of other mining and exploration projects of our Group:

- According to the written confirmation letter dated 12 August 2011 issued by the Hami Municipal Bureau of Land and Resources (哈密市國土資源局), only Project No.2 is involved in the Consolidation Program, and other mines in respect of which the Group have mining permits and exploration permits are not affected by the Consolidation Program;

- As advised by our PRC Legal Advisers, the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) is the competent governmental department to implement the Consolidation Program in Hami Municipality according to the Notification and thus has requisite authority to issue the above confirmation letter; and

- According to the Notification, the purpose of the Consolidation is to address the potential production safety problem arising from the overlapping of mining areas of the Affected Mines located in the copper-nickel mine area in Huangshan Dong of Hami City (哈密市黃山東銅鎳礦區). As other mining and exploration projects of our Group do not have mining areas overlapping with those of the Affected Mines, it is reasonable to believe that the Consolidation Program will not affect the operation and development of other mining and exploration projects of our Group.

HISTORICAL FINANCIAL INFORMATION

The consolidated financial data set forth below presents the summary consolidated financial information of our Group during the Track Record Period. The financial information contained herein and in the Accountant's Report in Appendix I to this prospectus has been prepared in accordance with HKFRSs. Investors should read these selected financial data together with Appendix I in this prospectus and discussion under the section headed "Financial Information — Management's Discussion and Analysis of Results of Operation" in this prospectus.

Consolidated statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	17,872	—	37,566	29,956	19,611
Cost of sales	(19,767)	(5,434)	(33,036)	(25,695)	(15,049)
Gross (loss)/profit	(1,895)	(5,434)	4,530	4,261	4,562
Distribution costs	(95)	—	(1,821)	(1,609)	(938)
Administrative expenses	(6,579)	(3,620)	(15,737)	(6,859)	(5,288)
Gains from bargain purchases	32,199	—	—	—	—
Other (losses)/gains — net	(643)	278	(345)	(340)	156
Operating profit/(loss)	22,987	(8,776)	(13,373)	(4,547)	(1,508)
Finance income	263	12	13,134	13,075	4,670
Finance costs	(116)	(89)	(4,002)	(559)	(3,306)
Finance income/(costs) — net	147	(77)	9,132	12,516	1,364
Profit/(loss) before income tax	23,134	(8,853)	(4,241)	7,969	(144)
Income tax credit	1,172	2,136	1,501	10	154
Profit/(loss) for the year/period	24,306	(6,717)	(2,740)	7,979	10
Other comprehensive income	—	—	—	—	—
Total comprehensive income/(loss)	24,306	(6,717)	(2,740)	7,979	10
Profit/(loss)/ Total comprehensive income/(loss) attributable to:					
Equity holders of the Company	23,377	(6,050)	(3,374)	6,743	(220)
Non-controlling interests	929	(667)	634	1,236	230
	24,306	(6,717)	(2,740)	7,979	10

Consolidated balance sheets

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	89,747	77,958	70,238	67,173
Mining rights	131,606	130,426	129,711	129,711
Land use rights	10,271	10,050	9,830	10,431
Available-for-sale financial assets	3,480	—	—	—
Deferred tax assets	2,774	4,874	6,415	6,472
Prepayments for investments	—	—	18,000	28,000
Total non-current assets	237,878	223,308	234,194	241,787
Current assets				
Inventories	27,345	40,068	23,020	11,112
Trade receivables	107	—	—	564
Other receivables and prepayments	25,290	22,970	2,730	3,284
Cash and cash equivalents	1,770	1,551	63,598	59,788
Restricted cash at banks	—	—	—	1,441
Total current assets	54,512	64,589	89,348	76,189
Total assets	292,390	287,897	323,542	317,976
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	—	—	65,972	65,972
Share premium	—	—	109,303	109,303
Other reserves	627	1,222	(15,524)	(15,524)
Retained earnings	22,750	16,105	12,149	11,929
Loans from shareholders	90,000	90,000	—	—
	113,377	107,327	171,900	171,680
Non-controlling interests	12,601	11,934	12,568	12,798
Total equity	125,978	119,261	184,468	184,478

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Pre-acquisition dividend payable — non-current portion	—	—	50,949	63,135
Provision for close down, restoration and environmental costs	1,774	1,863	2,019	2,049
Deferred tax liabilities	36,760	36,724	35,351	34,831
Total non-current liabilities	38,534	38,587	88,319	100,015
Current liabilities				
Pre-acquisition dividend payable — current portion	92,000	92,000	30,000	15,000
Trade payables	4,831	4,997	5,982	1,823
Other payables and accruals	26,070	32,785	13,093	15,971
Income tax payable	4,977	267	1,680	689
Total current liabilities	127,878	130,049	50,775	33,483
Total liabilities	166,412	168,636	139,074	133,498
Total equity and liabilities	292,390	287,897	323,542	317,976
Net current (liabilities)/assets	(73,366)	(65,460)	38,593	42,706
Total assets less current liabilities	164,512	157,848	272,787	284,493

Note: Except for the dividend declared by Hami Jiatai to its former equity holders prior to the date of its acquisition by the Group in May 2008, no dividend has been paid or declared by the Company or the companies comprising the Group during the Track Record Period. The fair value gain of pre-acquisition dividend payable of RMB13.1 million derived from the re-measurement of the long-term portion for the year ended 31 December 2010 did not represent any cash inflow to our Group, and which would not be available for dividend distribution.

LATEST BUSINESS OPERATION AND PERFORMANCE OF OUR GROUP DURING THE FIVE MONTHS ENDED 30 NOVEMBER 2011

Due to the negative impacts arising from (i) tightening monetary policy of the PRC; (ii) global economic uncertainties; and (iii) the euro zone sovereign debt crisis, the market prices of commodity products, including non-ferrous metal products, decreased gradually during the period between July 2011 and November 2011. For example, the LME cash nickel price and the LME cash copper price decreased from approximately USD22,966 per metric tonne and approximately USD9,429 per metric tonne on 1 July 2011 to approximately USD17,492 per metric tonne and approximately USD7,860 per metric tonne on 30 November 2011 respectively.

During the second half of 2011, we mainly focused our managerial and financial resources to implement the development programs on our mining projects as scheduled. For the details of the development plan of our mining projects, please refer to the section headed "Business - Future Plan for Developing Our Mining Projects" of this prospectus.

As (i) Project No.20 and Project Baiganhu were under development and (ii) our production in Project No.2 was suspended as a result of implementation of the Consolidation Program, our two concentrators were not in operation during the second half of 2011. In addition, no sales have been recorded since 1 July 2011, therefore, together with (i) possible impairment provision in relation to Project No.2; and (ii) listing expenses which will be allocated and charged to the profit and loss account of our Group during the year ending 31 December 2011, our Group is expected to record a loss during the year ending 31 December 2011.

DIVIDEND AND DIVIDEND POLICY

After the completion of the Share Offer, our shareholders will be entitled to receive any dividends we declare. The payment and amount of any dividend will be at the discretion of the Board and will depend on our general business conditions and strategies, cash flows, financial results and capital requirements, interests of our shareholders, taxation conditions, statutory restrictions, and other factors that our Board deems relevant. The payment of any dividends will also be subject to the Companies Law and our constitutional documents, which indicate that payment of dividends out of our share premium account is possible on the condition that we are able to pay our debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Our ability to declare future dividends will also depend on the availability of dividends, if any, received from our PRC subsidiaries. Pursuant to the PRC laws, dividends may only be paid out of distributable profits, defined as retained earnings after tax payments as determined under the PRC GAAP less any recovery of accumulated losses and the required allocations to statutory reserves made by our PRC operating subsidiary. In general, we do not expect to declare dividends in a year where we do not have any distributable earnings.

We currently intend to retain most, if not all, of our available funds and future earnings to operate and expand our business, primarily through acquisitions. Our Board will review the dividend policy on an annual basis. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$390 million from the Share Offer after deducting the underwriting commissions and other estimated offering expenses payable by us, based on an Offer Price of HK$1.70 per Share set forth on the cover page of this prospectus.

We intend to use the proceeds from the Share Offer for the purposes and in the amounts set out below:

- approximately 39%, or HK$152 million to finance the planned capital expenditure on Project No. 20, Project Baiganhu and Project H-989 during the two years ending 31 December 2013; of which approximately HK$50 million, approximately HK$56 million and approximately HK$46 million for the capital expenditure on Project No. 20, Project Baiganhu and Project H-989, respectively;

- approximately 2%, or HK$9 million to finance the technical modification on tailings storage facilities of Hami Jinhua Concentrator by the first half of 2012;

- approximately 4%, or HK$16 million to finance the planned capital expenditure on our exploration activities during the two years ending 31 December 2013 in order to further expand our resources;

- approximately 45%, or HK$174 million to finance the acquisition of Shaanxi Jiarun and Shannxi Jiahe under the Acquisition Agreements. According to the Acquisition Agreements, the total consideration of RMB210 million payable by our Group will be divided into five equal annual installments upon the completion of the Acquisition Agreements. For the details concerning the Acquisition Agreements, please refer to the section headed "Acquisition — Acquisition Agreements" in this prospectus. The remaining consideration payable by our Group will be funded by our internal resource and/or debt financing; and

- approximately 10%, or HK$39 million, to fund our working capital.

To the extent that the net proceeds from the Share Offer are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing and non-interest-bearing bank accounts with licensed commercial banks and/or authorized financial institutions in Hong Kong or the PRC.

Should the Over-allotment Option be exercised in full, our Company will receive additional net proceeds of approximately HK$61.8 million. Our Directors intend to apply the additional net proceeds to general working capital by increasing the amount of which to up to 10% of the aggregate net proceeds from the Share Offer; and the remaining additional net proceeds to finance the payment of consideration under the Acquisition Agreements.

RISK FACTORS

We believe that an investment in our Shares involves certain risks, some of which are beyond our control. These risks can be broadly categorized into (i) risks relating to our business and our industry; (ii) risks relating to conducting operations in the PRC; (iii) risks relating to the Share Offer; and (iv) risks relating to statements in this prospectus. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that are presently deemed immaterial, could also harm our business, financial condition and operating results. Prospective investors of our Shares should consider carefully all the information set forth in this prospectus and, in particular, this section in connection with any investment in our Shares.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

- Project No. 20 and Project Baiganhu have finite and relatively short estimated mine life and there are uncertainties to acquire new mining projects
- Project No. 2 may be merged or consolidated with nearby nickel and copper mines in Huangshan Dong of Hami as may be required by the relevant PRC authority
- We do not have land use right certificates for our Project No. 2
- There are uncertainties associated with our plan to acquire additional exploration and mining rights
- Our business and results of operations are susceptible to volatility in commodity prices and economic cyclicality, including the global financial and economic crisis which commenced in 2008
- Our limited operating history may not serve as an adequate basis to judge our future operating results and prospects
- We are dependent on certain major customers
- We are dependent on certain sub-contractors for our exploration projects and mining projects
- The accuracy of the resources and reserves estimates of our mines is based on a number of assumptions, and should not be interpreted as assurances of the economic viability of our mines or the profitability of our future operations
- Risks and uncertainties associated with our exploration projects
- Uncertainties associated with our mining projects and the estimations from the feasibility studies

- Environmental laws and regulations or their interpretation or implementation, or unanticipated environmental effects from our operations could require us to incur additional costs

- We may be unable to renew our permits or obtain relevant approvals relating to our operations

- We may not be able to ensure the provision of adequate and uninterrupted supplies of electricity for our operation

- Our Hami Jiatai and Hami Jinhua Concentrators may face low utilisation rate

- We may face risks in relation to environmental hazards

- The existing resources may be depleted

- We may not be able to obtain sufficient funding for our capital expenditure and other funding requirements, which could limit our ability to develop our businesses

- We are a holding company relying on dividend payments from our subsidiaries for funding

- We face various operational risks and may lack sufficient insurance coverage

- We may face increasing competition from our competitors

- Our future performance depends on our ability to retain key personnel

- Amortisation expenses relating to our mining rights may adversely affect our results of operations

- Our existing mines are located in Hami, Xinjiang, and our operations may be adversely affected by the extremities of climate and any political and social instability in Xinjiang

- Net current liabilities as at 31 December 2008 and 2009

- We experienced net cash outflow from operating activities during the Track Record Period

- Our operations are exposed to risks in relation to the mishandling of dangerous articles

- The industry in which we operate is strictly regulated and if any stricter regulations regarding our operation are enacted in the future, our business and operation may be significantly impacted.

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC

- Our business, financial condition, results of operations and prospects could be negatively affected by PRC political, economic and legal developments and changes to government policies

- Our business could be negatively affected by changes and uncertainties in the PRC legal system

- It may be difficult to enforce judgments from non-PRC courts against us, our Directors or officers who live in PRC

- Government control of currency conversion and changes in the exchange rate between the RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends

- PRC regulations relating to loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of the Share Offer to contribute additional capital or make loans to our PRC subsidiaries

- PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders or our PRC subsidiaries to liabilities or penalties, limit our ability to inject capital into our PRC subsidiaries or limit the ability of our PRC subsidiaries to distribute profits to us

- Restrictions on foreign investment in the PRC mining industry could materially and adversely affect our business and results of operations

- Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options may subject such employees or us to fines and legal or administrative sanctions

- We may be subject to the PRC taxation pursuant to《關於企業重組業務企業所得稅處理若干問題的通知》(the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business*) and《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》(the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer*)

- Dividends received from the Group and gain on the sale of Shares may be subject to PRC income tax laws

RISKS RELATING TO THE SHARE OFFER

- There has been no prior public market for our Shares
- Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future
- The market price of our Shares could be lower than the Offer Price
- We cannot assure you that we will declare dividends in the future
- We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Share Offer

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

- Investors should not place undue reliance on industry and market information and statistics derived from official government publications contained in this prospectus

SENSITIVITY ANALYSIS

The following analysis shows how changes in average selling price of (i) copper; (ii) nickel; (iii) lead; and (iv) zinc will impact the net profit/(loss) for the year ended 31 December 2010.

The impact of changes in average selling price of copper on the net profit/(loss) for the year ended 31 December 2010

Our base case scenario is calculated using a historical average selling price of approximately RMB11,588 per tonne for the year ended 31 December 2010:

Percentage increase/ (decrease) in average selling price from RMB11,588 per tonne	Net profit/(loss) for the year ended 31 December 2010	Percentage increase/(decrease) in net loss for the year ended 31 December 2010
(%)	*RMB('000)*	*%*
50%	829	(130.3%)
40%	115	(104.2%)
30%	(599)	(78.1%)
20%	(1,313)	(52.1%)
10%	(2,026)	(26.0%)
0%	(2,740)	0%
(10%)	(3,454)	26.0%
(20%)	(4,167)	52.1%
(30%)	(4,881)	78.1%
(40%)	(5,595)	104.2%
(50%)	(6,308)	130.3%

The impact of changes in average selling price of nickel on the net profit/(loss) for the year ended 31 December 2010

Our base case scenario is calculated using a historical average selling price of approximately RMB5,755 per tonne for the year ended 31 December 2010:

Percentage increase/ (decrease) in average selling price from RMB5,755 per tonne	Net profit/(loss) for the year ended 31 December 2010	Percentage increase/(decrease) in net loss for the year ended 31 December 2010
(%)	*RMB('000)*	*%*
50%	6,088	(322.2%)
40%	4,323	(257.8%)
30%	2,557	(193.3%)
20%	791	(128.9%)
10%	(975)	(64.4%)
0%	(2,740)	0%
(10%)	(4,505)	64.4%
(20%)	(6,271)	128.9%
(30%)	(8,037)	193.3%
(40%)	(9,803)	257.8%
(50%)	(11,568)	322.2%

The impact of changes in average selling price of lead on the net loss for the year ended 31 December 2010

Our base case scenario is calculated using a historical average selling price of approximately RMB5,611 per tonne for the year ended 31 December 2010:

Percentage increase/ (decrease) in average selling price from RMB5,611 per tonne	Net loss for the year ended 31 December 2010	Percentage increase/(decrease) in net loss for the year ended 31 December 2010
(%)	*RMB('000)*	*%*
50%	(1,563)	(42.9%)
40%	(1,798)	(34.4%)
30%	(2,034)	(25.8%)
20%	(2,270)	(17.2%)
10%	(2,505)	(8.6%)
0%	(2,740)	0%
(10%)	(2,975)	8.6%
(20%)	(3,210)	17.2%
(30%)	(3,446)	25.8%
(40%)	(3,682)	34.4%
(50%)	(3,917)	42.9%

The impact of changes in average selling price of zinc on the net loss for the year ended 31 December 2010

Our base case scenario is calculated using a historical average selling price of approximately RMB5,916 per tonne for the year ended 31 December 2010:

Percentage increase/ (decrease) in average selling price from RMB5,916 per tonne	Net loss for the year ended 31 December 2010	Percentage increase/(decrease) in net loss for the year ended 31 December 2010
(%)	*RMB('000)*	%
50%	(2,508)	(8.5%)
40%	(2,555)	(6.8%)
30%	(2,601)	(5.1%)
20%	(2,647)	(3.4%)
10%	(2,694)	(1.7%)
0%	(2,740)	0%
(10%)	(2,786)	1.7%
(20%)	(2,833)	3.4%
(30%)	(2,879)	5.1%
(40%)	(2,925)	6.8%
(50%)	(2,972)	8.5%

The sensitivity illustrations above are intended for reference only. For the sensitivity analysis, we considered: (i) the variation in average selling price of our products during the year ended 31 December 2010; (ii) resource compensation fee which is charged for 2% of sales revenue; (iii) current income tax which is charged for 25% of profit before income tax. Except for the average selling price, resource compensation fee and current income tax, not any other variation in our income, cost and expense were considered in the sensitivity analysis.

The sensitivity range has been selected by reference to historical movements in the prices of copper, nickel, lead and zinc during the period from January 2009 to December 2010. The current range used for the price sensitivity analysis is +/-50% for the year ended 31 December 2010. Taking into account the historical volatility of the prices of copper, nickel, lead and zinc, our Directors believed this sensitivity analysis is sufficiently broad and it is able to properly capture historical price volatility.

STATISTICS FOR THE SHARE OFFER

	Based on an Offer Price per Share of HK$1.70
Market capitalisation of the Shares *(Note 1)*	HK$1,700 million
Unaudited pro forma adjusted net tangible assets per Share *(Note 2)*	HK$0.60

Notes:

(1) The calculation of market capitalisation is based on 1,000,000,000 Shares expected to be in issue following completion of the Share Offer, without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or the option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company.

(2) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the paragraphs under "Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" in Appendix III in this prospectus and on the basis of 1,000,000,000 Shares in issue immediately upon completion of the Share Offer but without taking into account of any Shares which may be allotted and issued upon exercise of the Over-allotment Option or the option which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by the Company.

In this prospectus, unless the context requires otherwise, the following terms shall have the meanings set forth below:

"2010 Yearbook"	2010 Yearbook of Nonferrous Metals Industry of China (2010 中國有色金屬工業年鑒) published by China Nonferrous Metals Industry Association (中國有色金屬工業協會)
"Acquisition Agreements"	Shaanxi Jiarun Acquisition Agreement and Shaanxi Jiahe Acquisition Agreement
"Acquisition Dates"	the acquisition dates of Hami Jinhua by Realty Investment in April 2008 and Hami Jiatai by Hami Jinhua in May 2008
"Application Form(s)"	**WHITE** and **YELLOW** application form(s), or where the context so requires, any of them, used in the Hong Kong Public Offer
"Articles"	the articles of association of our Company, conditionally adopted on 16 December 2011 with effect from Listing, a summary of certain provisions of which is set forth in Appendix VI to this prospectus
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

"CCBIAM"	CCB International Asset Management Limited, a company incorporated in Hong Kong with limited liability and is indirectly and wholly-owned by China Construction Bank Corporation
"CCBIAM Exchangeable Bonds"	the redeemable exchangeable bond (as amended) issued by King Award in the principal amount of HK$85.47 million and the redeemable exchangeable bond (as amended) issued by Sky Circle in the principal amount of HK$69.93 million, in each case subscribed by High Inspiring (as CCBIAM's nominee) pursuant to the Exchangeable Bonds Subscription Agreement
"China Everbright" or "Sponsor"	China Everbright Capital Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
"China Everbright Securities" or "Sole Global Coordinator" or "Joint Bookrunner" or "Joint Lead Manager"	China Everbright Securities (HK) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
"CSRC"	中國證券監督管理委員會 (China Securities Regulatory Commission), a regulatory body responsible for the supervision and regulation of the national securities markets in the PRC and certain matters relating to the proposed offshore listing of enterprises with business in the PRC or owned by PRC nationals
"chief executive"	the chief executive (as defined in the SFO) of our Company
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Huili Resources (Group) Limited (滙力資源(集團)有限公司) (formerly known as Realty Resources (Group) Limited (滙力資源(集團)有限公司)), a company incorporated in the Cayman Islands with limited liability on 19 February 2010, and changed to its present name on 13 May 2010
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Consolidation Program"	the proposed merging and consolidation of several copper-nickel mines located in the copper-nickel mine area in Huangshan Dong of Hami City (哈密市黃山東銅鎳礦區) under the coordination of the Hami Municipal Bureau of Land and Resources (哈密市國土資源局)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the case of our Company, means King Award, Sky Circle, Mr. LU and Mr. WANG
"Director(s)"	the directors of our Company
"Exchangeable Bonds Subscription Agreement"	the exchangeable bonds subscription agreement dated 10 August 2010 (as amended) entered into between our Company, Mr. LU, Mr. WANG, King Award, Sky Circle and CCBIAM
"First Arrival"	First Arrival Investments Limited (先達投資有限公司), a company incorporated under the laws of the BVI with limited liability on 8 August 2008 and is wholly-owned by Mr. WANG
"Fortune In"	Fortune In Investments Limited (福臨投資有限公司), a company incorporated under the laws of the BVI with limited liability on 17 December 2007 and a wholly-owned subsidiary of our Company
"GDP"	gross domestic product of a country or a territory
"Group", "we" or "us"	our Company and our subsidiaries at the relevant time, or where the context refers to any time prior to our Company becoming the holding company of our current subsidiaries, our current subsidiaries and the businesses carried on by such subsidiaries or (as the case may be) our predecessors, and "our" shall be construed accordingly
Guarantee	the guarantee dated 30 August 2010 (as amended) by Mr. LU, Mr. WANG, King Award and Sky Circle with respect to the performance of their obligations under the transaction documents in relation to the CCBIAM Exchangeable Bonds in favour of CCBIAM
"Hami Jinhua"	哈密市錦華礦產資源開發有限責任公司 (Hami Jinhua Mineral Resource Exploiture Limited*), a sino-foreign joint venture company established in the PRC on 4 April 2006, and a subsidiary of our Company

"Hami Jinhua Concentrator"	concentrator owned by Hami Jinhua for the processing of copper-lead-zinc ore
"Hami Jiatai"	哈密市佳泰礦產資源開發有限責任公司 (Hami Jiatai Mineral Resource Exploiture Limited*), a company established in the PRC as a limited liability company on 12 November 2001 and a subsidiary of our Company
"Hami Jiatai Concentrator"	concentrator owned by Hami Jiatai for the processing of copper-nickel ore
"High Inspiring"	High Inspiring Limited, a company incorporated in the BVI with limited liability and a subsidiary of CCBIAM
"HK$" or "HK cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKFRS(s)"	Hong Kong Financial Reporting Standards issued by HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Offer Shares"	the 25,000,000 new Shares being initially offered by our Company for subscription under the Hong Kong Public Offer (subject to adjustment as described in the section headed "Structure of the Share Offer" in this prospectus)
"Hong Kong Public Offer"	the conditional offer of the Hong Kong Offer Shares to members of the public in Hong Kong for subscription (subject to adjustment as described in the section headed "Structure of the Share Offer" in this prospectus) for cash at the Offer Price and on the terms and conditions described in this prospectus and the related Application Forms
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offer listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus

"Hong Kong Underwriting Agreement"	the conditional underwriting agreement dated 28 December 2011 relating to the Hong Kong Public Offer and entered into between, amongst others, our Company, the Sole Global Coordinator, the Sponsor and the Hong Kong Underwriters, as further described in the section headed "Underwriting — Underwriting arrangements and expenses" in this prospectus
"International Placing"	the conditional placing of the International Placing Shares by the International Underwriters, acting on behalf of our Company, at the Offer Price, with professional, institutional or other investors, as further described in the section headed "Structure of the Share Offer" in this prospectus
"International Placing Agreement"	the conditional underwriting agreement relating to the International Placing expected to be entered between amongst others, our Company, the Sole Global Coordinator, the Sponsor and the International Underwriters, as further described in the section headed "Underwriting — International Placing" in this prospectus
"International Placing Shares"	the 225,000,000 new Shares being initially offered by our Company for subscription under the International Placing (subject to adjustment and the Over-allotment Option as described in the section headed "Structure of the Share Offer" in this prospectus)
"Independent Technical Adviser" or "MMC"	Runge Asia Limited, trading as Minarco-Mine Consult, a company commissioned by us to undertake an independent technical review and assessment of our mining and exploration projects
"Independent Technical Report"	the Independent Technical Review and Competent Persons Report, dated 29 December 2011, prepared by Independent Technical Adviser as set out in Appendix V to this prospectus
"Independent Third Parties"	persons or companies which are independent of and not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive, Substantial Shareholders of our Company or any of our subsidiaries and their respective associates, and "Independent Third Party" means any of them
"International Underwriters"	the underwriters of the International Placing as listed in the section headed "Underwriting — International Placing Underwriters" in this prospectus

Investor's Rights Agreement	the investor's rights agreement dated 30 August 2010 (as amended) between, the Company, King Award, Mr. LU, Sky Circle, Mr. WANG, High Inspiring and CCBIAM in relation to, inter alia, the CCBIAM Exchangeable Bonds
"Issuing Mandate"	the general unconditional mandate granted to our Directors by our Shareholders in relation to the issue of our new Shares, further information on which is set forth in the paragraphs under "Further information about our Company and its subsidiaries — 3. Written resolutions of the shareholders of our Company" in Appendix VII to this prospectus
"Jinchuan Group"	金川集團有限公司 (Jinchuan Group Limited), a large integrated non-ferrous metallurgical and chemical engineering enterprise engaged in mining, concentrating, metallurgy and chemical engineering with output of nickel and platinum group metals respectively accounts for more than 90% of the total output in the PRC, and one of the customers of our Group
"Jiahua Enterprise"	哈密市嘉華實業有限責任公司 (Hami Jiahua Industrial Limited*), a limited liability company established in the PRC on 29 June 2006, which is owned as to 98.04% by Mr. WANG Dianyun (王殿運), 0.98% and 0.98% by Mr. ZHAO Guangsheng (趙廣勝) and Mr. SUN Deguang (孫德光), respectively
"King Award"	King Award Limited (景勵有限公司), a company incorporated under the laws of the BVI with limited liability on 4 January 2010, and is wholly owned by Mr. LU
"Latest Practicable Date"	22 December 2011, being the latest practicable date for the inclusion of information in this prospectus prior to the printing of this prospectus
"Listing"	listing of our Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date on which dealings of our Shares on the Main Board first commence, which is currently expected to be on 12 January 2012
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time

"M&A Rules"	關於外國投資者併購境內企業的規定 (The Rules on Acquisition of Domestic Enterprises by Foreign Investors in the PRC)
"Main Board"	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Ministry of Commerce" or "MOFCOM"	中華人民共和國商務部 (The Ministry of Commerce of the PRC)
"Mr. WANG"	Mr. WANG Dayong (王大勇), our Chairman and an executive Director, and a Controlling Shareholder
"Mr. LU"	Mr. LU Qi (盧琦), an executive Director and a Controlling Shareholder
"Nickel City"	Nickel City Industrial Company (鎳都實業公司), an Independent Third Party and one of our customers
"Offer Price"	HK$1.70 per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which our Offer Shares are to be subscribed pursuant to the Share Offer
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option proposed to be granted by our Company to the Sole Global Coordinator (for itself and on behalf of the International Underwriters), exercisable at any time until 30 days from the last day for the lodging of applications under the Hong Kong Public Offer, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Offer Shares representing 15% of the initial number of our Offer Shares, at the Offer Price, to cover, among other things, over-allocations in the International Placing, if any, and/or the obligations of the Sole Global Coordinator to return securities borrowed under the Stock Borrowing Agreement
"PRC" or "China"	中華人民共和國 (The People's Republic of China). Except where the context requires, geographical references in this prospectus to the PRC or China exclude Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan
"PRC GAAP"	Generally Accepted Accounting Principles of the PRC

"PRC Government" or "State"	the central government of the PRC including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Legal Advisers"	Global Law Office, the legal advisers to our Company in respect of PRC law
"Project No. 2" or "No. 2" or "No. 2 mine"	ore body number 2 of copper-nickel mine in Huangshan Dong of Hami Xinjiang (新疆哈密黃山東銅鎳礦2號礦體), Hami Jiatai currently holds the mining permit of it
"Project No. 20" or "No. 20" or "No. 20 mine"	ore body number 20 of copper-nickel mine in Huangshan Dong of Hami Xinjiang (哈密佳泰新疆哈密黃山東銅鎳礦20號礦體), Hami Jiatai currently holds the mining permit of it
"Project Baiganhu" or "Baiganhu" or "Baiganhu mine"	lead-zinc mine in Baiganhu of Hami Xinjiang (哈密錦華新疆哈密白幹湖鉛鋅礦), Hami Jinhua currently holds the mining permit of it
"Project Baiganhu Gold"	gold mine in Baiganhu of Hami Xinjiang (新疆哈密市白幹湖礦區東部金礦), Hami Jiatai currently holds the exploration permit of it
"Project H-989" or "H989" or "H989 mine"	copper-nickel mine in Huangshan H-989 of Hami Xinjiang (新疆哈密市黃山H-989測區銅鎳礦), Hami Jiatai currently holds the exploration permit of it
"Project Heishan"	copper-nickel mine in Heishan of Hami Xinjiang (新疆哈密市黑山銅鎳礦), Hami Jiatai currently holds the exploration permit of it
"Project Hongshanpo"	lead-zinc mine in Hongshanpo of Hami Xinjiang (新疆哈密市紅山坡鉛鋅礦), Hami Jiatai currently holds the exploration permit of it
"Project Huaba"	copper-vanadium mine in Huaba Mine Area, Langao County, Shaanxi (陝西省嵐皋縣花垻礦區釩金屬礦), Shaanxi Jiatai Hengrun is in the course of applying the mining permit of it
"Project Huangjinmei"	gold mine in Huangjinmei Mine Area, Ningshan County, Shaanxi (陝西省甯陜縣黃金美礦區金礦), Shaanxi Jiatai Hengrun is in the course of applying the mining permit of it
"Project Huangshan"	copper-nickel mine in Huangshan of Hami Xinjiang (新疆哈密市黃山測區銅鎳礦), Hami Jiatai currently holds the exploration permit of it

"Project Xidagou"	lead-zinc mine in Xidagou of Hami Xinjiang (新疆哈密市西大溝鉛鋅礦), Hami Jiatai currently holds the exploration permit of it
"Project Yinaoxia"	copper-gold mine in Yinaoxia of Hami Xinjiang (新疆哈密市音凹峽銅金礦), Hami Jiatai currently holds the exploration permit of it
"Qualified IPO"	the initial public offering and the listing of the Shares on the Stock Exchange or another internationally recognised stock exchange
"Realty Investment"	Realty Investment (Group) Limited (滙力投資(集團)有限公司), a company incorporated under the laws of Hong Kong with limited liability on 4 January 2008 and a wholly-owned subsidiary of our Company
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing, further information on which is set forth in the section headed "Reorganisation" in this prospectus
"Right Source"	Right Source International Limited (正源國際有限公司), a company incorporated under the laws of the BVI with limited liability on 11 December 2007 and a wholly-owned subsidiary of our Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Repurchase Mandate"	the general unconditional mandate granted to our Directors by our Shareholders in relation to the repurchase of our Shares, further information on which is set forth in the paragraphs under "Further information about our Company and its subsidiaries — 3. Written resolutions of the shareholders of our Company" in Appendix VII to this prospectus
"SAFE"	中華人民共和國國家外匯管理局 (the State Administration of Foreign Exchange of the PRC), the PRC governmental agency responsible for matters relating to foreign exchange administration
"SAFE Circular No. 75"	國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知 (The SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment through Overseas Special Purpose Vehicles)
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shaanxi Jiahe"	陝西佳合礦業開發有限公司 (Shaanxi Jiahe Mining Exploitation Limited*), a company established in the PRC as a limited liability company on 10 May 2010, which Hami Jiatai agreed to acquire subject to the Shaanxi Jiahe Acquisition Agreement
"Shaanxi Jiahe Acquisition Agreement"	the conditional acquisition agreement entered into among Shaanxi Jiatai Hengrun (as vendor), Hami Jiatai (as purchaser) and Shaanxi Jiahe on 28 May 2010, as supplemented on 22 February 2011, 29 September 2011 and 14 December 2011, pursuant to which, among other matters, Hami Jiatai agreed to acquire Shaanxi Jiahe conditionally upon, among others, the granting of the mining permit of Project Huangjinmei
"Shaanxi Jiarun"	陝西佳潤礦業開發有限公司 (Shaanxi Jiarun Mining Exploiture Limited*), a company established in the PRC as a limited liability company on 1 July 2008, which Hami Jiatai agreed to acquire subject to the Shaanxi Jiarun Acquisition Agreement
"Shaanxi Jiarun Acquisition Agreement"	the conditional acquisition agreement entered into among Shaanxi Jiatai Hengrun (as vendor), Hami Jiatai (as purchaser) and Shaanxi Jiarun on 28 May 2010, as supplemented on 22 February 2011, 30 June 2011, 29 September 2011 and 14 December 2011, pursuant to which, among other matters, Hami Jiatai agreed to acquire Shaanxi Jiarun conditionally upon, among others, the granting of the mining permit of Project Huaba
"Shaanxi Jiatai Hengrun"	陝西佳泰恒潤礦產資源開發有限公司 (Shaanxi Jiatai Hengrun Mineral Resource Exploiture Limited*), a company established in the PRC as a limited liability company on 16 January 2006, the vendor of Shaanxi Jiarun and Shaanxi Jiahe
"Share(s)"	ordinary shares in our Company with a nominal value of HK$0.10 each
"Shareholder(s)"	holder(s) of the Share(s)
"Share Offer"	the Hong Kong Public Offer and the International Placing

"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 16 December 2011, a summary of its principal terms is set forth in the paragraphs under "Share Option Scheme" in Appendix VII to this prospectus
"Sky Circle"	Sky Circle International Limited (天圓國際有限公司), a company incorporated under the laws of the BVI with limited liability on 10 December 2007, and is wholly owned by Mr. WANG
"SRK"	SRK Consulting China Limited (see www.srk.cn for a review), an independent technical consultant of mineral assets, was established in early 2005, and has mainly worked on Chinese mining projects independently or together with SRK Consulting's other offices, mainly SRK Australasia. It has prepared dozens of independent technical reports on mining projects for various companies who acquired Chinese projects or who completed public listings on overseas stock exchanges.
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between King Award and the Sole Global Coordinator pursuant to which the Sole Global Coordinator may borrow up to 37,500,000 Shares from King Award for the purpose of covering over-allocation in the International Placing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period from 1 January 2008 to 30 June 2011
"Underwriters"	collectively, the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Placing Agreement
"United States" or "U.S."	the United States of America
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States

"Xinjiang"	Xinjiang Uyghur Autonomous, is one of the autonomous regions of the People's Republic of China
"Xinjiang Zhongxin"	Xinjiang Zhongxin Mining Company Limited (新疆眾鑫礦業有限責任公司), a limited liability company incorporated in the PRC on 24 January 2006, one of our customers and Independent Third Party
"%"	per cent.

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into HK dollars at an exchange rate of RMB0.816 = HK$1.00 and translated into US dollars at an exchange rate of RMB6.29 = US$1.00 for illustration purpose only. Such conversion shall not be construed as representations that amounts in Renminbi were or may have been converted into HK dollars and US dollars at such rates or any other exchange rates.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, if there is any inconsistency between the Chinese names of the PRC entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The provision of English translation of company names in Chinese or another language which are marked with "*" is for identification purposes only.

The glossary contains certain definitions and other terms related to our business and used in this prospectus. The terms and their meanings may not correspond to the standard industry meaning or usage of these terms.

"°"	degrees
"Au"	the chemical symbol for gold
"adit"	a type of entrance to an underground mine which is horizontal or nearly horizontal, usually built into the side of a hill or mountain
"concentrate"	a powdery product containing an upgraded mineral content resulting from initial processing of mined ore to remove waste materials. A concentrate is an intermediary product, subject to further processing, such as smelting, to effect recovery of metal
"Concentrate grade"	the grade of the final product of the mineral processing plant
"copper"	copper is a chemical element with the symbol Cu and atomic number 29. It is commonly described as a reddish-down, malleable, and ductile metal that is one of the best conductors of heat and electricity. The melting point and boiling point for copper are 1083 °C and 2567 °C respectively. Pure copper is rather soft and malleable and a freshly-exposed surface has a pinkish or peachy color. It is used as a thermal conductor, an electrical conductor, a building material, and a constituent of various metal alloys
"Cu"	the chemical symbol for copper
"deposit"	a body of mineralization containing a sufficient average grade of metal or metals to warrant further exploration and/or development expenditure. A deposit may not have a realistic expectation of being mined, therefore it may not be classified as a resource or a reserve
"drilling	the process of making a circular hole in the ground with a drill, which is typically used to obtain a cylindrical sample of ore. Alternatively, blasthole drilling is a technique used to create a hole to house an explosive charge in preparation for blasting a zone of rock
"exploration"	activity to prove the location, volume and quality of an ore body
"Feed grade"	the grade of the mineralised material as it enters the mineral processing plant

"flotation"	a process to induce mineral to particles to attach to bubbles of froth and to float, sink, so that the valuable minerals are concentrated and separated from the remaining mineral material
"grade"	the concentration, commonly expressed as percentage or grams per tonne, of useful elements, minerals or their components in any ore or concentrate
"hanging wall"	the rock immediately overlying a mineral deposit
"indicated resource"	as defined by the JORC Code, a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, of which the locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed
"inferred resource"	as defined by the JORC Code, a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability
"JORC"	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the JORC, Australian Institute of Geoscientists and Minerals Council of Australia in September 1999 and revised in December 2004, a widely used and internationally recognized code setting out the minimum standards, recommendations and guidelines for public reporting of exploration results, mineral resources and ore reserves
"m"	meter(s), a metric unit measure of distance
"km"	kilometer(s), a metric unit measure of distance

"kt"	thousand tonnes
"g/t"	gram per tonne
"kwh"	kilowatt hours
"lead"	lead is a chemical element with the symbol Pb and atomic number 82. It is such a common element that it is often used as a standard for describing lesser-known metallic elements. It is a very soft metal that has a shiny blue-white appearance when it is first cut. The luster dulls after a while due to the formation of a thin film of protective oxidation. Lead has a melting point of 327.5°C and boiling point of 1740 °C
"measured resource"	mineral resource that has been intersected and tested by drill holes or other sampling procedures at locations close enough to confirm continuity and where geoscientific data are reliably known, as defined by the JORC Code
"mine life"	the number of years that a mine is expected to continue operations based on the current mine plan
"mineral deposits"	a natural occurrence of a useful mineral in a sufficient degree of concentration and size to suggest it may be economically extracted
"Mineral Resource(s)" or "resource(s)"	a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction, as defined in the JORC Code. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge
"mineralization"	an area with discontinuous distribution belts of mineralization, including the occurrence of deposits, mine sites and alteration of waste rock, as exploration indicators and under control of same geology conditions. It is a key zone for estimation and further planning of exploration of minerals
"mining loss"	the part of an ore reserve not recovered during the mining process
"mining rights"	the rights to mine mineral resources and obtain mineral products in areas where mining activities are licensed
"Mt"	million tonnes

"nickel"	nickel is a chemical element, with the chemical symbol Ni and atomic number 28. It is a hard, malleable and ductile metal. It has a silvery white appearance, and it can be polished to a lustrous finish. Nickel has a high melting point of 1453 °C and boiling point of 2732 °C
"Ni"	the chemical symbol for nickel
"nonferrous metals"	metals other than the ferrous metals such as iron, manganese and chromium
"open-pit mining"	mining of a deposit from a pit open to surface and usually carried out by stripping overburden materials
"ore"	mineral bearing rock that can be mined and treated profitably under current or immediately foreseeable economic conditions
"ore body"	natural mineral accumulations that can be extracted for use under existing economic conditions and using existing extraction techniques
"ore processing" or "processing"	the process of extracting usable portions of ores using physical and chemical methods
"Ore Reserve(s)" or "reserve(s)"	the economically mineable part of a measured and/or indicated mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses occurring when the material is mined. Appropriate assessments and studies have been carried out, taking consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors into account. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are subdivided into probable and proved
"Pb"	the chemical symbol for lead
"probable reserves"	the economically mineable part of an indicated, (and in some circumstances, a measured) mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses that may occur when the material is mined
"proved reserves"	the economically mineable part of a measured mineral resource, as defined by the JORC Code. It includes diluting materials and allowances for losses which may occur when the material is mined

"recovery rate"	the percentage of valuable mineral resource that is able to be recovered from mining and processing activities
"smelting"	a pyro-metallurgical process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed
"sq. km." or "km^2"	square kilometer
"sq. m." or "m^2"	square meter
"stope"	an underground excavation from which ore is being extracted
"tailing"	waste materials produced after processing ore to extract target minerals;
"tailing dam"	a storage facility for tailings
"tonne" or "t"	metric tonne
"underground mine"	openings in the earth accessed via shafts and adits below the land surface to extract minerals
"V_2O_5"	the chemical symbol for vanadium pentoxide
"vanadium" or "V"	vanadium is a chemical element with the symbol V and atomic number 23. It is described as a silvery-white or grayish-colored metal. It is fairly lightweight-somewhat heavier than aluminum, but lighter than iron. It is malleable and ductile, and resistant to corrosion by moisture, air, and even most acids and alkalis at room temperature. Vanadium has a high melting point of 1890 °C and boiling point of 3380 °C
"vein"	sheet-like body of minerals formed by fracture filling or replacement of host rock
"zinc"	zinc is a chemical element with the symbol Zn and atomic number 30. It is characterized as a fairly hard, blur-white metal. In its purest state, it is shiny and ductile, but the more common commercial grades of zinc have a dull finish and are quite brittle. Lead has a melting point of 419.6°C and boiling point of 907 °C
"Zn"	the chemical symbol for zinc

The mineral resource and reserve statements in this prospectus have been prepared in accordance with the JORC Code, which is summarised as below.

The JORC Code is an internationally accepted Mineral Resource/Ore Reserve classification system established in Australia. It was first published in February 1989 and most recently revised in December 2004. The JORC Code is commonly used in independent technical reports for Mineral Resource and Ore Reserve statements of public companies reporting to the Stock Exchange.

The JORC Code defines "Mineral Resource" as a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resource are subdivided, in order of decreasing geological confidence, into measured, indicated and inferred categories, which are further described as follows:

- Measured Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

- Indicated Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

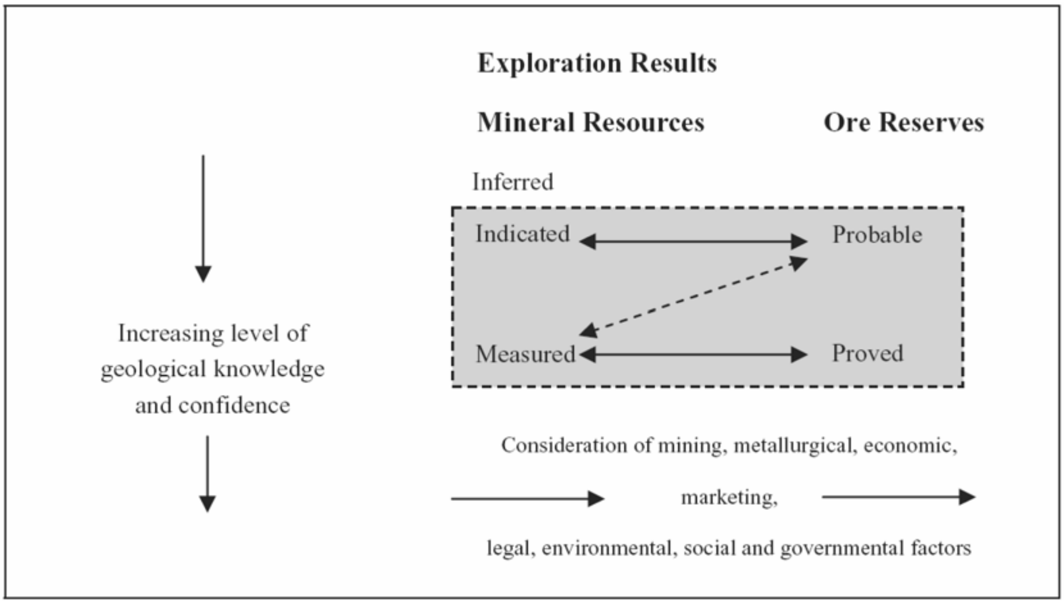
- Inferred Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

The JORC Code defines “Ore Reserve” as the economically mineable part of a measured and/or indicated mineral resource. The JORC Code deems inferred mineral resources to be too poorly delineated to be transferred into an Ore Reserve category. Reserves must account for diluting materials and losses which may occur when the material is mined. In order to declare reserves, an issuer must also complete relevant assessments and studies, including consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and government factors. This includes an assessment of mining dilution, mining losses and a comprehensive level of mine planning, design and scheduling. These assessments need to demonstrate at the time of reporting that extraction of the applicable measured and indicated resources that form the basis of the reserves could reasonably be justified. Ore Reserve are sub-divided in order of decreasing confidence into proven ore reserves and probable ore reserves, which are further described as follows:

- A ‘Proved Ore Reserve’ is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Proved Ore Reserve represents the highest confidence category of Ore Reserve estimates. This requires detailed exploration and quality data “points of observation” to provide high geological confidence; and

- A ‘Probable Ore Reserve’ is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistic ally assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but has adequate reliability as the basis of mining studies.

The following diagram summarises the general relationship between exploration results, Mineral Resource and Ore Reserve under the JORC Code:



Ore Reserves are generally quoted as comprising a portion of the total Mineral Resource rather than the Mineral Resources being additional to the Ore Reserves quoted. Under the JORC Code either procedure is acceptable, provided the method adopted is clearly identified.

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. The Directors of the Company have made these statements with due care and have no reason to believe that the statements are not accurate.

These forward-looking statements include, without limitation statements relating to our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, any statements preceded by, followed by or that include the words “aim,” “anticipate,” “believe,” “continue,” “could,” “expect,” “going forward,” “intend,” “ought to,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions, and any other statements in this prospectus that are not historical facts.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. We undertake no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement.

These factors include, among others, the following:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions in the markets in which we operate;
- the exploration of mineral reserves and development of mining facilities;
- the depletion and exhaustion of mineral resources and ore reserves;
- trends in commodity prices and demand for commodities;
- industry trends, including the direction of prices and expected levels of supply and demand;
- our operations and production costs;
- our ore processing capacity expansion and planned production;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the markets in which we operate;

- our ability to reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- supply and demand changes in our products;
- changes in prices for our products;
- our production capabilities;
- our relationship with, and other conditions affecting, our customers;
- risks inherent in our mining and production;
- changes in political, economic, legal and social conditions in the PRC, including the government's specific policies with respect to our products or business, economic growth, inflation, foreign exchanges and the availability of credit; and
- weather conditions or catastrophic weather-related damage.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this prospectus. Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described in the following risk factors when considering making an investment in the Shares being offered in the Share Offer. You should pay particular attention to the fact that our business and operations are conducted in the PRC and are governed by a legal and regulatory environment which in certain aspects differs from that prevailing in other countries. Our business could be materially and adversely affected by any of the risks and uncertainties described below. The trading price of the Shares may decline due to any of the risks and uncertainties and you may lose all or part of your investment.

We believe that an investment in our Shares involves certain risks, some of which are beyond our control. These risks can be broadly categorized into (i) risks relating to our business and our industry; (ii) risks relating to conducting operations in the PRC; (iii) risks relating to the Share Offer; and (iv) risks relating to statements in this prospectus. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that are presently deemed immaterial, could also harm our business, financial condition and operating results. Prospective investors of our Shares should consider carefully all the information set forth in this prospectus and, in particular, this section in connection with any investment in our Shares.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

Project No.20 and Project Baiganhu have finite and relatively short estimated mine life and there are uncertainties to acquire new mining projects

The estimated mine lives of Project No.20 and Project Baiganhu are 8.4 years and 4.8 years respectively. For the details of the estimated mine lives of Project No.20 and Project Baiganhu, please refer to the sub-sections "Jiatai Mining Operations" and "Jinhua Mining Operations" of the section headed "Mining" of Appendix V to this prospectus. Due to the short estimated mine lives, we intend to explore new mining projects in the future to expand our resources.

As advised by the Independent Technical Adviser, further exploration activities could lead to an increase in the Mineral Resource and Ore Reserve estimates, which could lead to an increase in mine life. In order to extend the mine life of our mining projects, we plan to spend approximately RMB450,000, RMB3.8 million and RMB1.9 million for additional exploration activities for Project No.20, Project Baiganhu and Project H-989 during the year ending 31 December 2013 in accordance with the relevant requirements and standards of JORC Code. Such additional exploration activities will be financed by our internal resources.

There is no assurance that we can find suitable mining projects and obtain the requisite licenses. Further, there is no assurance that the additional exploration activities can bring satisfactory result, that is, an increase of mine life. If we fail to find suitable mining projects and obtain the requisite licenses for production of such new mining projects in the future, or if we fail to increase the mine life from the additional exploration activities, our business operations and financial position may be materially and adversely affected.

Project No. 2 may be merged or consolidated with nearby nickel and copper mines in Huangshan Dong of Hami as may be required by the relevant PRC authority

According to the Notice on Matters Relating to the Development and Integration of Mineral Resources at the Copper-Nickel Mine Area in Huangshan Dong of Hami City (關於哈密市黃山東銅鎳礦區礦產資源開發整合有關問題的通知) (the "Notification") issued by the General Office of the Department of Land and Resources of the Xinjiang Uygur Autonomous Region (新疆維吾爾自治區國土資源廳辦公室) on 20 February 2009, the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) was authorized to coordinate relevant enterprise(s) as main integration entity(ies) (整合主體) to merge and consolidate several copper-nickel mines located in the copper-nickel mine area in Huangshan Dong of Hami City (哈密市黃山東銅鎳礦區).

Pursuant to the Notification, four mines (the "Affected Mines") respectively operated by four mining enterprises, including Project No. 2 of Hami Jiatai, with operating mines located in Huangshan Dong of Hami City (哈密市黃山東銅鎳礦區) were required to participate in the Consolidation Program. If any of the four enterprises refuses to participate in the Consolidation Program, they are not allowed to renew or amend their mining permits, and their mines will be closed upon the expiry of their respective mining permits.

Although we hold valid mining permits and safety production permit for Project No. 2, we received verbal notification from the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in January 2011, pursuant to which, we were requested to suspend our production in Project No. 2 as a result of implementation of the Consolidation Program.

We were informed by the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in October 2011 that 新疆新鑫礦業股份有限公司 (Xinjiang Xinxin Mining Industry Co., Ltd.) (Stock Code: 3833) has been selected as the main integration entity (整合主體). To the best of our Directors' knowledge, information and belief, formal negotiation between 新疆新鑫礦業股份有限公司 (Xinjiang Xinxin Mining Industry Co., Ltd.) and the four mining enterprises with operating mines located in Huangshan Dong of Hami City (哈密市黃山東銅鎳礦區) has not started, and therefore, no concrete plan, including the pricing terms and timetable of the Consolidation Program, has been formulated. Hence, our Directors consider that it is unlikely for us to resume mining activities on Project No.2. As the main objective of the Consolidation Program is to address the potential production safety problem arising from the overlapping of mining areas of the Affected Mines, to the best of our Directors' knowledge, information and belief, the Consolidation Program will be completed only when all Affected Mines agree to participate in the Consolidation Program by signing relevant transfer agreement(s) with the main integration entity. Given that the formal negotiation between the main integration entity and the Affected Mines has not commenced and no concrete plan, including the pricing terms and timetable of the Consolidation Program, has been formulated as at the Latest Practicable Date, so it is not feasible for our Directors to predict the completion date of the Consolidation Program. Our Directors consider that it is unlikely for us to resume mining activities on Project No. 2. Project No.2 is one of our mining projects which supplied copper-nickel ores to the Hami Jiatai Concentrator for processing. During the Track Record Period, the revenue of Project No.2 are approximately RMB8.2 million, nil, RMB27.3 million and RMB15.9 million, respectively.

Although we are entitled to receive cash compensation arising from the Consolidation Program, the discontinuation of our operation in Project No.2 will reduce the internal supply of copper-nickel ores to the Hami Jiatai Concentrator, which will in turn negatively affect our production volume of nickel concentrate and copper concentrate in the Hami Jiatai Concentrator.

As at the Latest Practicable Date, other than Project No.2, none of our mining projects and exploration projects was affected by the Consolidation Program. However, we cannot assure you that the relevant PRC authority will not launch similar consolidation program in the future which may affect our other mining projects and exploration projects. If any of our mining projects and exploration projects is subject to such consolidation program, we may need to suspend our operation in related mining projects and exploration projects, which will indirectly affect the operation of our concentrators, as well as our financial condition and result of operations.

We do not have land use right certificates for our Project No. 2

Pursuant to a letter issued by the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) on 25 January 2008, Hami Jiatai was granted the right of usage of 4 parcels of land with an aggregate area of 11,638.53 sq. m. These 4 parcels of land are located in Project No. 2 with certain structures erected on them. According to our PRC Legal Advisers, we do not have relevant land use rights certificates for these 4 parcels of land. Under this circumstance, if the structures situated on these lands complies with the overall land use planning, the relevant land management department will seize such properties and we may also be subject to a penalty, maximum of which is about RMB350,000. If the structures situated on these lands do not comply with the overall land use planning, the relevant land management department will demolish such structures.

Although Hami Jiatai submitted relevant application on 13 February 2011, in the course of applying the land use rights certificates of these 4 parcels of land, the relevant authority has indicated that it will not issue the relevant land use rights certificate until the Consolidation Program is completed or cancelled.

We were informed by the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in October 2011 that 新疆新鑫礦業股份有限公司 (Xinjiang Xinxin Mining Industry Co., Ltd.) (Stock Code: 3833) has been selected as the main integration entity (整合主體). As at the Latest Practicable Date, no concrete plan, including the pricing terms and timetable of the Consolidation Program, was formulated, so it is not feasible for our Directors to predict the completion date of the Consolidation Program. Our Directors consider that it is unlikely for us to resume mining activities on Project No.2, and thus our Directors consider that it is unlikely for us to obtain the relevant land use rights certificates. Therefore, we are unable to enjoy the legal rights attached to the lands, and the usages of the structures on the lands will also be affected.

There are uncertainties associated with our plan to acquire additional exploration and mining rights

Our core strategy is to expand our mineral resources through focused exploration efforts, and the acquisition and consolidation of target companies with nickel, copper and mines with other mineral resources. However, we may encounter intense competition during the expansion process. This may result in our inability to complete our expansion plan at a reasonable cost or at all. On 28 May 2010, we entered into the Acquisition Agreements, pursuant to which we conditionally agreed to acquire the entire equity interests in Shaanxi Jiarun and Shaanxi Jiahe and the respective debts due by Shaanxi Jiarun and Shaanxi Jiahe to Shaanxi Jiatai Hengrun, at an aggregate cash consideration of RMB210 million. For the details concerning the Acquisition Agreements, please refer to the section headed "Acquisition — Acquisition Agreements" in this prospectus. If the expansion plan is successful, we may have to allocate additional capital and human resources to facilitate our expansion by integrating the acquired business to ours.

There is no assurance that such integration will be completed within a reasonable period of time or at all or that it will generate the expected economic benefits. Further, our expansion plan may involve the spending of substantial time, cost and the experiencing of market uncertainties. In the event that we encounter problems or delays in penetrating into the relevant markets and at the same time we lose our competitive edge over our competitors, our results of operations and business prospects could be adversely affected. Furthermore, our expansion could be delayed or adversely affected by numerous factors, including failure to obtain necessary regulatory approvals to the investment or acquisition, lack of manpower or other resources. On the other hand, these projects may cost more than our planned investment budget. As a consequence of project delays, cost overruns, changes in market circumstances or other factors, the anticipated economic benefits from these capital expenditure projects may not materialise, which could adversely affect our financial condition and results of operations.

Our business and results of operations are susceptible to volatility in commodity prices and economic cyclicality, including the global financial and economic crisis which commenced in 2008

The market price in our non-ferrous metal concentrates, such as nickel, copper, lead and zinc, are priced with reference to prevailing domestic market prices of the relevant non-ferrous metal in standard quality and changes in demand and supply of such non-ferrous metal concentrates in market. Fluctuations of market prices and demand for our metal concentrates are beyond our control. Price volatility of major non-ferrous metals is closely related to the global economy, the economic cycle in the PRC and the fluctuation of commodity markets. During the third quarter of 2008, the effect of the financial tsunami triggered by the US sub-prime crisis gradually deepened. Deflation, the drastic slowdown of global economy, depreciation in US dollars, widened credit spreads and reduced market liquidity have resulted in plummeting prices of non-ferrous metal. During the period from late 2008 to 2009, the price of nickel and copper plummeted significantly following the global financial crisis. The monthly average price of nickel reached the peak in March 2008 at approximately RMB269,000 per metric tonne and thereafter tumbled reaching to the bottom of approximately RMB82,000 per metric tonne in December 2008. In 2009, such price gradually rebounded to approximately RMB141,500 per metric tonne in December 2009. In 2010, such price increased from approximately RMB143,000 per metric tonne in January 2010 to approximately RMB181,000 per metric tonne in

December 2010 with an all-year high of approximately RMB185,000 per metric tonne in April 2010. Such price further soared to approximately RMB218,000 per metric tonne in February 2011 and fell to approximately RMB164,000 per metric tonne in June 2011. In respect of the price of copper, the settlement price on the last trading day of the current month futures contract for standard copper cathode quoted on Shanghai Futures Exchange also reached the peak at RMB66,810 in March 2008 and thereafter tumbled to the bottom of RMB28,020 in December 2008. In 2009, such price gradually rebounded from RMB28,800 in January 2009 to RMB54,960 in December 2009. Although in 2010, such price increased from RMB60,360 per metric tonne in January to RMB67,210 per metric tonne in December 2010, it fell to RMB52,870 per metric tonne in February 2010 and further lower to RMB52,530 per metric tonne in June 2010. Such price climbed further up to the peak of RMB74,830 per metric tonne in February 2011 and dropped to as low as RMB66,100 per metric tonne in May 2011 and resumed rising again to RMB72,480 per metric tonne in July 2011. The price of copper reached its low in June 2010 at 52,530 per metric tonne but shot up to 74,830 per metric tonne in February 2011. In view of the collapse in market price of nickel and copper, and the dampened demand for nickel and copper as a result of the economic slowdown after the global financial crisis, mining and smelting companies slashed production, and reduced, delayed or stretched out their development plans in order to conserve cash resources. Although the prices of non-ferrous metals started to pick up in 2009 as illustrated above, our Directors considered that sales of our metal concentrates at the then prevailing prices cannot justify the costs of our production. We consider that it was not in the interest of our Company to sell any metal concentrates in the then prevailing market conditions in 2009. Accordingly, we strategically suspended our sales for the period from October 2008 to December 2009. As of January 2010, the prices of non-ferrous metal increased as illustrated above and we have resumed our sales in January 2010. However, given that the pricing of our metal concentrates correlates to global and domestic commodity prices which can be volatile, any fluctuation or significant decrease in commodity prices for non-ferrous metals could cause a material adverse impact on our results of operations and our future development plans.

There can be no assurance that these measures will be successful. If the global economies experience further recession, the prices of non-ferrous metals will fluctuate significantly and as a result, our business and results of operations will continue to be adversely affected.

Currently, the price of non-ferrous metals is not regulated in the PRC. There is no assurance that the PRC government will not introduce any regulations governing the price of non-ferrous metals in future. Any price regulation may have a material and adverse impact on us.

Further, changes in the average selling prices of nickel and copper on the profitability of our Group are comparatively much more significant as compared to the changes in that of lead and zinc. For the details concerning the impact of changes in the average selling price of nickel, copper, lead and zinc, please refer to the section headed “Business - Sensitivity Analysis” in this prospectus. We are principally engaged in the mining and ore processing of nickel and copper. The high sensitivity of the changes in the average selling prices of nickel and copper on our profitability means any fluctuation or significant decrease in the prices of nickel and/or copper could cause material adverse impact on our results of operations and our future development plans.

Our limited operating history may not serve as an adequate basis to judge our future operating results and prospects

We have a limited operating history. There is limited historical information available upon which evaluation of our business and prospects can be based. We began exploration, mining and processing activities after acquiring control of Hami Jinhua in April 2008 and Hami Jiatai in May 2008. Since then, we inherited the business, assets, mines and management team of Hami Jinhua and Hami Jiatai and continued the business. Due to our limited management and operating history, our operating results during the years ended 31 December 2008, 31 December 2009 and 31 December 2010 and the six months ended 30 June 2011 may not be indicative of our future operating results and prospects, and there may not be an adequate basis on which to evaluate our future operating results and prospects. As our past results may not be indicative of our results in the future, investors may have difficulties evaluating our business and prospects.

We have encountered and may continue to encounter risks and uncertainties frequently experienced by early-stage companies, including those relating to:

- our ability to maintain effective control of our operating costs and expenses;
- our ability to develop and maintain internal personnel, systems and procedures to ensure compliance with the extensive regulatory requirements applicable to the non-ferrous metal mining industry in the PRC;
- our ability to respond to changes in our regulatory environment; and
- our ability to implement, monitor and enhance our internal controls system.

If we are unable to address these risks, our financial condition and operating results may be materially and adversely affected.

We are dependent on certain major customers

During the Track Record Period, almost all of our revenue was generated from the sales of copper concentrate and nickel concentrate to a few major customers, including Xinjiang Zhongxin, a nickel smelting enterprise in Hami and two procurement agents of Jinchuan Group. In 2008, sales to our largest customer and our five largest customers accounted for 63.1% and 100% of our total revenue. In 2009, we had not sold any of our metal concentrates and no revenue was recorded as the market prices of mental concentrates decreased sharply due to the negative impact of global financial crisis. Please refer to the paragraph headed “Risks Relating to Our Business and Our Industry - Our business and results of operations are susceptible to volatility in commodity prices and economic cyclicality, including the global financial and economic crisis which commenced in 2008” in this section for more details. During the year ended 31 December 2010 and the six months ended 30 June 2011, sales to our largest customer accounted for 63.9% and 84.0% of our total revenue, respectively. During the same period, sales to our five largest customers accounted for 100% and 100% of our total revenue, respectively. In the event that we fail to maintain business relationship with our existing customers or we fail to identify new customers, there may be a material adverse impact on our profitability, results of operations and financial condition.

We are dependent on certain sub-contractors for our exploration projects and mining projects

We sub-contract our exploration and mining activities to Independent Third Parties with relevant expertise and qualifications. Our operations will be affected by the performance of our subcontractors. Although we supervise their work process and monitor the standard of their quality and safety of work of these subcontractors, we may not be able to control the quality, safety and environmental standards of the work done through subcontractors to the same extent as when the work is performed by our own employees. Any failure by these subcontractors to meet our quality, safety and environmental standards may result in non-compliance with the relevant PRC regulations on quality, safety, environmental standards, etc. or our being liable to third parties and have a material adverse effect on our business, reputation, financial condition and results of operations. Moreover, any failure by us to retain our subcontractors or obtain replacements on favourable terms or at all may have a material adverse effect on our business and results of operations.

The accuracy of the resources and reserves estimates of our mines is based on a number of assumptions, and should not be interpreted as assurances of the economic viability of our mines or the profitability of our future operations

The resources and reserves estimates of our mines are based on a number of assumptions that have been made by MMC, our Independent Technical Adviser, in accordance with the JORC Code. However, we cannot assure you that the resources and reserves estimates as presented in this prospectus and the Independent Technical Report will be recovered in the quantities, quality or yields presented in this prospectus and the Independent Technical Report. Resources and reserves estimates involve expressions of judgment based on various factors such as knowledge, experience and industry practice, and the accuracy of these estimates may be affected by many factors, including quality of the results of exploration drilling and sampling of the ore body and analysis of the ore samples, as well as the procedures adopted by and experience of the person making the estimates.

Estimates of the resources and reserves at our mines may change significantly when new information or technologies become available or new factors arise, and interpretations and deductions on which resources and reserves estimates are based may prove to be inaccurate. Due to limited extent of exploration and the diversity and complexity of the geological structures of our mine, our estimates may differ significantly from the actual mine reserves in terms of tonnage, quality and feasibility. Any one or a combination of the above could have a material adverse effect on our business, financial condition and results of operations. Resources estimates indicate in-situ mineral occurrences from which valuable or useful minerals may be recovered, but do not take into account whether such resources could be mined or whether valuable or useful minerals could be recovered economically from them, nor do resources estimates incorporate mining dilution or allow for mining losses. The reserves estimates contained in this prospectus represent the amount that we believe can be profitably mined and processed and are calculated based on estimates of future production costs and prices. In the future, we may need to revise the reserves estimates of our mines, if, for instance, our production costs increase or prices decrease and as a result the extraction of a portion (or all) of the reserves at our mines becomes uneconomical.

The inclusion of resources and reserves estimates in this prospectus and the Independent Technical Report should not be regarded as a representation that all these amounts can be economically exploited, and nothing contained in this prospectus (including, without limitation, the estimates of mine lives) should be interpreted as assurances of the economic viability of our mines or the profitability of our future operations.

Risks and uncertainties associated with our exploration projects

We believe control of mineral resources is fundamental to long-term sustainable expansion of our business. One of our core strategies is to expand our mineral reserves through focused exploration. We engage third party professionals who possess the relevant expertise and requisite qualifications to carry out the exploration work. Exploration work involves a high degree of risk and incurs substantial costs and expenses and it may not be successful. The long-term success of our business depends on the cost and success of exploration operations. During the the years ended 31 December 2008, 31 December 2009 and 31 December 2010 and the six months ended 30 June 2011, we incurred a total subcontracting fee of RMB4.6 million, RMB2.7 million, RMB1.7 million and nil, respectively in relation to exploration.

The risks associated with exploration include the identification of potential mineralization based on analysis of geological data, the technological challenges of exploration and development, the obtaining of necessary governmental permits and the construction of mining and processing facilities at any site chosen for mining. A decline in the market price of nickel may render our Mineral Resources and Ore Reserves containing relatively lower grades of nickel mineralisation uneconomic. There is no assurance that any exploration will result in the discovery of resources or reserves or in any new commercially profitable mining operation. Unsuccessful exploration work may represent higher production costs and hence may adversely affect our results of operation.

Uncertainties associated with our mining projects and the estimations from the feasibility studies

Mining is a relatively high risk industry. The grade, shape, size and wall rock of each orebody are different. Therefore, it is possible that our mining engineering plans will not achieve our target results to the fullest extent and satisfy all our mining needs. In addition, mining activities may cause damages to the orebody and wall rock due to complicated geological structures of the mine. The roof of a stope may cave in if the crustal stress balance is disrupted by mining activities and this may cause accidents and adversely affect our mining operations. In the event that our mining plans are disrupted, our financial condition and results of operations could be adversely affected.

There are a number of risks involved in estimating our reserves and resources and operating our mines, as set forth in "Appendix V — Independent Technical Report — Project Risks and Opportunity Assessment". These risks include (but not limited to) risks relating to the following:

- **Environmental, Health and Safety Compliance**: Project No. 2, Project No. 20, Project H-989 and Project Baiganhu currently do not fully comply with the relevant environmental, health, safety and social regulations. Although MMC is of the view that it is possible that the relevant authorities have the ability to halt operations until some of the outstanding approvals and permits are obtained.

- **Metal Price**: As discussed above, Project No. 2, Project No. 20, Project H-989 and Project Baiganhu are sensitive to fluctuations in the relevant metal prices.

- **Vein Thickness and Grade Variability:** It was noted by MMC that Mineral Resource classifications have been downgraded in certain areas.

According to the Independent Technical Report, the risks are rated moderate. Nevertheless, it may take a considerable amount of time and money to mitigate such risks. If the mitigation of such risks takes a long time, our operation plan may be delayed. This may negatively affect our operation and financial condition.

Environmental laws and regulations or their interpretation or implementation, or unanticipated environmental effects from our operations could require us to incur additional costs

Our industry is subject to extensive PRC environmental laws and regulations, both at the national and local levels, relating to air and water quality, waste management, public health and safety.

We are required under the PRC laws to obtain the approval for environmental impact appraisal report (環境影響評價報告批覆) before commencement of construction of Hami Jinhua Concentrator. We are also required under the PRC laws to obtain the approvals for environmental protection inspection and acceptance (竣工環境保護驗收批覆) for our mining projects, and concentrators before the commencement of commercial operation.

However, as at the Latest Practicable Date, we have not yet obtained the approval for environmental impact appraisal report for Hami Jinhua Concentrator, construction of which is completed and yet to start operation. Further, we have failed to obtain the approvals for environmental protection inspection and acceptance for Project No. 2, Project No. 20 and Hami Jiatai Concentrator before they were completed and commenced operation. As advised by our PRC Legal Advisers, we will be subject to a maximum penalty of RMB100,000 and suspension of construction with regard to Hami Jinhua Concentrator, and a maximum penalty of RMB50,000 and suspension of production with regard to each of Project No.2, Project No. 20 and Hami Jiatai Concentrator, if such non-compliance cannot be rectified within a prescribed period as granted by the relevant governmental department.

According to two confirmation letters both dated 27 July 2011 issued by Hami Regional Bureau of Environmental Protection (哈密地區環境保護局), it confirmed that no punishment will be imposed on the Hami Jinhua or Hami Jiatai and Hami Jiatai can carry on the operation at Project No.2, Project No.20 and Hami Jiatai Concentrator since (i) Hami Jinhua has not caused any damage to the environment and has engaged professional institution who is currently preparing the environmental impact appraisal report for the Hami Jinhua Concentrator, (ii) Hami Jiatai has made relevant applications to the Bureau for the approvals for environmental protection inspection and acceptance for Project No.2, Project No.20 and Hami Jiatai Concentrator in compliance with the relevant law and regulations and such inspection was in progress. Based on the foregoing confirmations from Hami Regional Bureau of Environmental Protection (哈密地區環境保護局), which is the competent authority to issue such confirmations and is in a higher level of governmental hierarchy than Hami Municipal Bureau of Environmental Protection (哈密市環境保護局), our PRC Legal Advisers are of the opinion that the likelihood of Hami Jinhua being punished due to failing to obtain the approval for environmental impact appraisal report and Hami Jiatai being punished due to carrying on operations without holding the approvals for environmental protection inspection and acceptance is relatively low.

Further, there is no assurance that any environmental laws or regulations adopted in the future will not materially increase our operating and other expenses. For the period from the Acquisition Date to 31 December 2008 and the two years ended 31 December 2010, and the six months ended 30 June 2011, we spent a total amount of RMB190,000, RMB117,800, RMB90,500 and RMB170,000 respectively on environmental protection. We plan to spend approximately RMB1,680,000, RMB118,300, and RMB118,300, on environmental protection for Project No. 20, Project H-989 and Project Baiganhu, during the three years ending 31 December 2013. These monies will gear environment-friendly operation and enhance the health and safety of our employees. Considerable amount of time may also be required to comply with such laws.

Our costs and time to comply with environmental laws and regulations may increase significantly if the PRC Government adopts stricter environmental requirements such as tightening pollutant discharge limits, increasing pollutant discharge fees, imposing new fees, introducing more extensive pollution control requirements, introducing more stringent licensing mechanisms and increasing the number of regulated substances. Failure to comply with, or any change or difference in the interpretation or enforcement policy of such laws and regulations, or the occurrence of any unanticipated environmental incidents from our operations, may subject us to punitive governmental measures, including forced suspension of operations, which may have a material adverse effect on our financial condition and results of operations.

We may be unable to renew our permits and obtain relevant approvals relating to our operations

Under the Mineral Resources Law of the People's Republic of China, all mineral resources in the PRC are owned by the State. As at the Latest Practicable Date, we have three mining permits and seven exploration permits in Hami, Xinjiang. **Of the 3 mining projects with valid mining and safety production permits, namely Project No. 2, Project No. 20 and Project Baiganhu, Project No. 20 and Project Baiganhu are only expected to recommence/commence commercial operation in the third quarter of 2012. Regarding Project No. 2, we have received verbal notification from the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in January 2011 to suspend our production in Project No. 2 as a result of an implementation of the Consolidation Program.**

We were informed by the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in October 2011 that 新疆新鑫礦業股份有限公司 (Xinjiang Xinxin Mining Industry Co., Ltd.) (Stock code: 3383)) has been selected as the main integration entity (整合主體). As at the Latest Practicable Date, no concrete plan, including the pricing terms and timetable of the Consolidation Program, was formulated, so it is not feasible for our Directors to predict the completion date of the Consolidation Program. Our Directors consider that it is unlikely for us to resume mining activities on Project No.2. For further information on the related mine consolidated policy, the mining permits and exploration permits, please refer to "Business — Exploration" and " — Mining" of this prospectus. To apply for a renewal of our mining and exploration permits, we have to submit all the required materials and complete the necessary procedures as required by the relevant authorities and the laws and regulations. For further information, please refer to the sections headed "Regulations — Regulations relating to Mineral Resources Exploration" and "Regulations — Regulations relating to Resources Mining" of this prospectus. There is no assurance that we will be able to renew our mining and exploration permits upon expiry or convert our exploration permit into mining permit. If we fail to renew our mining or exploration permits upon expiry or convert our exploration permit into mining permit, our mining and exploration operations and our business may be adversely affected.

Project Baiganhu and Hami Jinhua Concentrator have to obtain a number of approvals and permits before its commercial operation in around third quarter and second quarter of 2012, respectively, which are our target operation dates. These approvals and permits include Water Consumption Permit (取水許可證), Pollutant Discharge Permit (排放污染物許可證), the environmental impact appraisal report (環境影響評價報告批覆), and the approval of environmental protection inspection and acceptance (竣工環境保護驗收批覆) for Project Baiganhu and Hami Jinhua Concentrator respectively. Since both our Project Baiganhu and Hami Jinhua Concentrator have not yet commenced production or operation, none of them requires to consume water or discharge pollutants, we have not yet applied for any of the Water Consumption Permit, the Pollutant Discharge Permit or the approval of environmental protection inspection and acceptance. If any of our Project Baiganhu and Hami Jinhua Concentrator commences production or operation, we are required to obtain the relevant permits or approvals. There is no assurance that these permits will be granted and if so, how long it will take for obtaining such permits. If the operations of Project Baiganhu and Hami Jinhua Concentrator are delayed, our operating results may be materially and adversely affected.

As advised by our PRC Legal Advisers, in respect of Hami Jiatai's investment in Project Baiganhu Gold and Shaanxi Jiahe's investment in Project Huangjinmei, each of Hami Jiatai and Shaanxi Jiahe will be required to obtain approval from the PRC Ministry of Industry and Information Technology (中華人民共和國工業和信息化部, "MIIT") if the mining and selection capacity is or exceeds 500 tonnes per day as required by the Decision of the State Council on Reform of the Investment System (國務院關於投資體制改革的決定) and its appendix, namely, the Catalogue of Investment Projects Requiring Government Verification and Approval (2004 Version) (政府核准的投資項目目錄(2004年本)). Such approval shall be obtained before commencement of the construction of gold mines and concentrators. Given as at the Latest Practicable Date, the construction of gold mines and concentrators are yet to commence, our PRC Legal Advisers confirm that no approval from the MIIT is required to be obtained at this stage. Our PRC Legal Advisers consider that there will be no legal impediment for Hami Jiatai or Shaanxi Jiahe to obtain the approval from the MIIT in respect of its investment in the relevant gold mining project if the conditions set by the MIIT have been satisfied.

For details, please refer to "REGULATIONS — Regulations relating to Investment System and Industry Policy" of this Prospectus. However, if Hami Jiatai or Shaanxi Jiahe fails to meet any of such conditions set by the MIIT, it may not obtain the approval from the MIIT and consequently it may not be able to engage in the relevant gold mining or selection activities. If we fail to obtain such approval in a timely manner or at all, our mining operation of Project Baiganhu Gold and Project Huangjinmei will be delayed and our operating results may be adversely affected.

We may not be able to ensure the provision of adequate and uninterrupted supplies of electricity for our operation

Electricity is the main utility used in our exploration and mining operations. Electricity for Project No. 2 and Project No. 20 is sourced from a nearby independent nickel mining enterprise and electricity for our concentrators is purchased from local electrical power station. As advised by our PRC Legal Advisers, we are not in breach of any relevant PRC laws in relation to the purchase of electricity from the nearby nickel mining enterprise for Project No.2 and Project No.20. During the Track Record Period, we did not experience any interruption to our mines and processing operations arising from shortages or suspensions of electricity supplies that caused any material adverse effect to our business, financial condition or results of operations. There can be no assurance that supply of electricity will not be interrupted or that its prices will not increase in the future. In the event that our existing suppliers cease to supply us with electricity at existing or lower prices or at all, our financial condition and results of operations will be adversely affected. In addition, an interruption in electricity supply will materially and adversely affect our underground operation (particular in as water pumping and ventilation) and our safety.

Our Hami Jiatai and Hami Jinhua Concentrators may face low utilisation rates

The utilization rates of the Hami Jiatai Concentrator for the years ended 31 December 2008, 2009 and 2010 are 34.3%, 12.2% and 6.7% respectively. Although we have plans to purchase copper-nickel ores from independent suppliers, the supply of copper-nickel ores to the Hami Jiatai Concentrator for processing largely depends on Project No. 2 and Project No. 20. For further information on the supply of copper-nickel ores, please refer to the section headed "Business — Business Strategies" in this prospectus. As discussed in the previous paragraphs in this "Risk Factors" section, we have not applied or we are still applying or renewing for certain licenses, approvals and permits.

If we cannot obtain or renew the relevant licenses, approvals or permits for the operation of Project No. 2 and Project No. 20, such mines may need to suspend operation, so does the supply of copper-nickel ores to the Hami Jiatai Concentrator. The Hami Jiatai Concentrator may suffer a low utility rate if Project No. 2 and Project No. 20 suspend ore production. Further, there is no assurance that the independent suppliers will supply us with copper-nickel ores. If these happen, our financial condition will be negatively affected and our operating results will be materially and adversely affected.

As to our Hami Jinhua Concentrator, since it is not commercially feasible to procure large quantities of lead-zinc ores in Hami, our Group has no intention to purchase lead-zinc ores from independent suppliers for the production of lead concentrate and zinc concentrate at the Hami Jinhua Concentrator. If we do not purchase lead-zinc ores from independent suppliers in the future, the estimated utilisation rate of our Hami Jinhua Concentrator for processing of lead-zinc ore extracted from Project Baiganhu for the years ended 31 December 2013, 2014 and 2015 will be 44.4%, 66.7% and 66.7% respectively, the estimated idle capacities will be 55.6%, 33.3% and 33.3% respectively, the estimated overhead costs will be RMB4,914,000, RMB4,914,000 and RMB4,914,000 respectively and the overhead costs of idle capacity will be RMB2,730,000, RMB1,638,000 and RMB1,638,000, respectively. Such utilisation rate may negatively affect the financial condition and our operating results will be materially and adversely affected.

We may face risks in relation to environmental hazards

Environmental hazards may be caused by natural disaster or human error, and they may delay production, increase costs and cause personal injury and property damages. There is no assurance that our business will not be exposed to such risks. If accidents in relation to environmental hazards occur, our operations will be materially and adversely affected, and which may in turn lead to our breaching the conditions of our mining and exploration permits.

As approved and adopted by the board of Hami Jinhua on 25 January 2011, we have established an environmental control system to conduct regular internal inspections to detect potential environmental hazards on the same date. As at the date of this prospectus, we have (a) a waste management plan prepared, (b) a wastewater tank, wastewater treatment and reuse system built, (c) a wastewater abstraction equipment installed in the Tailing Storage Facility, (d) an associated wastewater receiving tank and pipeline installed and (e) water spraying equipment shall be installed in the raw material storage area. However, according to the Independent Technical Report, the hazardous wastes, such as sodium chlorate solution, waste lubricant and waste chemical solutions were not identified and measures for their collect and disposal by a licensed hazardous waste disposal provider are not in place. As to the measures to control water pollution, the operation efficiency is not yet known because it has not yet been put into use. Such measures and the respective implementations include the following:

- **Pollutant discharges —** Hami Jiatai will conduct production wastewater, domestic wastewater, boiler air emissions and dust monitoring for the Hami Jiatai's existing mines and concentrator. However, without the complete monitoring reports for review during the second site visit by MMC, the compliance status of wastewater discharge and air emission is unknown;

- **Hazardous Waste Disposal —** according to the Waste Management Plan issued by Hami Jinhua on 25 January 2011 (the "**Waste Management Plan**") , hazardous wastes were not identified. Such plan was updated on 8 March 2011. However, it still requires a list of hazardous waste and a contract with a qualified hazardous waste disposal entity to achieve the management of potentially hazardous substances;

- **Water and Wastewater —** according to the Waste Management Plan, a wastewater tank and wastewater treatment and reuse system have been build. A wastewater abstraction equipment was installed in the TSF and an associated wastewater receiving tank and pipeline were installed at the time of the second visit by MMC. However, the operation efficiency is not yet known because it has not yet been put into use;

- **Air -** according to the Waste Management Plan, water spraying equipment shall be installed in the raw materials storage area and along the internal roads in the site housing the concentrators; dust removal equipment shall be installed to mitigate the fugitive dust emission at key locations of the concentrators' process; and the local environmental monitoring station shall be commissioned to conduct environmental monitoring. Sprinklers were only observed in the raw material storage area of the Hami Jiatai Concentrator. Without the implementation of the water spraying equipment and dust removal equipment and environmental monitoring results, the compliance status of the dust and particulate emission is unknown; and

- **Health and Safety —** Hami Jiatai and Hami Jinhua installed one fire hose in each of the main workshops of the Hami Jiatai and Hami Jinhua's concentrators, and built three firefighting areas, each equipped with firefighting sand, fire sand buckets, spades and fire extinguishers.

To further improve our environmental protection standard, we expect to spend approximately RMB1,680,000, RMB118,300 and RMB118,300 on environmental protection cost for Project No. 20, Project H-989 and Project Baiganhu in the three years ending 31 December 2013. We intend to allocate operating and financial resources to ensure environment protection compliance as required by applicable PRC laws and regulations.

In the future, we may experience increased production costs arising from compliance with environmental laws and regulations. Moreover, the development of Chinese economy and the improvements in the living standards of the population may lead to a heightened awareness of environmental protection. As a result, more stringent environmental laws, regulations and policies may be implemented in the future, or existing environmental laws, regulations and policies may be more strictly enforced. We may not always be able to comply with all such existing or future laws, regulations or policies. Should we fail to comply with any such existing or future laws, regulations or policies, we may be subject to penalties and liabilities, including, but not limited to, warnings, fines, suspension of production and closure of the facility that failed to comply with the relevant environmental standards.

We may also be subject to actions by environmental protection groups or other interested parties, whether governmental or non-governmental, who object to the actual or perceived environmental impact of our mining projects or other actual or perceived condition of our mining projects. These actions may delay or halt production or may create negative publicity related to our mining projects.

The existing resources may be depleted

If we fail to explore or expand new reserves, the existing ore reserves may be depleted. There is no assurance that we will be able to expand our reserves. In such case we may need to source raw materials from external sources in order to continue with our production. The market price of the nickel and copper ore may not be favourable and there may not be sufficient nickel and copper ore available nearby our Hami Jiatai Concentrator and this will substantially increase our production cost. Our operations may be disrupted as a result.

We may not be able to obtain sufficient funding for our capital expenditure and other funding requirements, which could limit our ability to develop our businesses

We expect to have a high level of capital expenditure in the foreseeable future to fund our ongoing operations and future expansion. Although we have sufficient working capital, we may need more internal sources of liquidity or access to additional financing from external sources. Our ability to obtain external financing in the future and the related financing cost is subject to a variety of uncertainties, including:

- obtaining necessary regulatory approvals to raise funds in the domestic or international markets;
- our future results of operations, financial condition and cash flows;
- the condition of the global and domestic financial markets; and
- changes in the monetary policy of the PRC Government with respect to bank interest rates and lending practices.

Our business operations and further development could be adversely affected, if sufficient funding is not available.

We are a holding company relying on dividend payments from our subsidiaries for funding

We are a holding company incorporated in the Cayman Islands and we operate our core business through our subsidiaries in PRC. Therefore, the availability of funds for us to pay dividends to our Shareholders and to repay our indebtedness depends upon dividends received from these subsidiaries. If our subsidiaries incur debt or losses, their ability to pay dividends or other distributions to us may be impaired. As a result, our ability to pay dividends and to repay our indebtedness will be restricted. Furthermore, the PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRSs. The PRC laws also require companies incorporated in the PRC including foreign invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends.

In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders and to service our indebtedness.

We face various operational risks and may lack sufficient insurance coverage

We are exposed to various operational risks in connection with our businesses, including:

- mining disruptions caused by operational errors, electricity outages, mining resources shortages, the failure of equipment and other risks;
- operating limitations imposed by environmental or other regulatory requirements;
- social, political and labour unrest;
- environmental or industrial accidents;
- catastrophic events such as fires, earthquakes, explosions, floods, collapse of mine or other natural disasters; and
- risks related to the complicated geological structure of our mine and geological disasters that occur during the mining process.

Currently, we maintain accident insurance for our mine workers and Compulsory Traffic Accident Liability Insurance for Motor Vehicles (機動車交通事故責任強制保險). Apart from the above, we do not maintain (i) any business interruption insurance or third party liability insurance against claims for property damage, personal injury and environment liabilities; and (ii) any fire, earthquake, liability or properties insurance in respect of our properties, equipment, inventory. There can be no assurance that our insurance coverage could be sufficient in case of such major accident. In the event that we incur substantial losses or liabilities from such unfortunate incidents and we are not insured against such losses and liabilities, or our insurance is unavailable or inadequate to cover such losses and liabilities, our business, financial condition and results of operation could be adversely affected.

We may face increasing competition from our competitors

We understand that, there are seven major producers of nickel concentrate, including our Group, located in Hami, Xinjiang. As the PRC is the largest consumer, and a net importer of nickel, and the growth in consumption of nickel in PRC is expected to be sustained by the robust development in stainless steel industry and the extensive use of nickel in various industries, including nickel-based batteries, alloys and electro-plating materials, we believe that demand for nickel will continue to grow, which in turn will necessitate the purchase of nickel concentrates from external producers by nickel smelters. Therefore, we currently consider there is limited competition among the producers of nickel concentrates in Hami, Xinjiang, but there is no assurance that this competition landscape will not change. Increased competition may result in higher cost to acquire such mining and/or exploration permits, which may adversely affect our profitability or sustained development. Some of our domestic competitors may have certain advantages over us, including greater financial and technical resources and metal reserves, greater economies of scale, better name recognition and more established relationships in certain markets. A significant increase in competition may force us to lower our prices, lead to a decrease in our sales and ultimately may have a material adverse impact on our business, financial position and results of operations.

Our future performance depends on our ability to retain key personnel

Our success largely depends on the contributions and service of our key management and, in particular, our executive Directors and senior management team. Mr. ZHAO Guangsheng (who has over 23 years of experience in exploration, mining and ore production management), Mr. WU Guangsheng (who has approximately 9 years of experience in overseeing and monitoring the operation of ore processing plants), Mr. ZHAO Bochen (who has approximately 30 years of experience in exploration and mining), Mr. LI Xidong (who has approximately 14 years of experience in mining processing and selection, mining design and installation and ore processing engineering), Mr. ZHANG Li (who has approximately 33 years of experience in mining, operation management of mines and safety control of mines) and Mr. LI Muxiang (who has over 33 years of experience in managing the overall construction and mining design, and safety measures of gold and copper mines), being our executive Directors and member of our senior management team, have extensive experience in the mining industry in the PRC. We believe that we will be dependent on our experienced and dedicated senior management team in growing our business and realising our goal as a fast-growing, efficient and profitable diversified metal mining company in the PRC.

Our management team has been instrumental in the development of our Group and are responsible for formulating our Company's business growth and corporate development and strategies. They are also responsible for identifying overall business opportunities, recruiting new and capable staff and motivating our employees to achieve our corporate goals. For details of the experience of our Directors and our senior management team, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus. The loss of any of these key management personnel without timely and suitable replacements and our inability to attract and retain qualified and experienced personnel would have an unfavourable impact on our operations and financial performance.

Amortisation expenses relating to our mining rights may adversely affect our results of operations

We amortised our mining rights over useful lives of the mines in accordance with the production plans and reserves of the mines on the unit-of-production method. We intend to review the amount of reserves for our mines on an annual basis. Any material decrease to the amount of reserves for our mines may cause an impairment on the carrying value of our mining rights, which would adversely affect our results of operations.

Our existing mines are located in Hami, Xinjiang, and our operations may be adversely affected by the extremities of climate and any political and social instability in Xinjiang

All of our production premises and facilities are located in Xinjiang which is in the northwestern part of the PRC. Our operation are affected by the extreme climate conditions during summer and winter. Although the original designs and construction of our mines and concentrators have taken into account the extreme climate of Xinjiang, in case of prolonged adverse climate, our operations may still be adversely affected.

Xinjiang has been affected by periodical trans-national terrorist acts and uprisings of political or religious groups since early 1990s. The unstable political conditions in Xinjiang resulting from the actions of such political or religious groups in Xinjiang or neighboring areas in Central Asia may disrupt our future operations in Xinjiang and, in turn, adversely affect our business and results of operations. In additional, the population of Xinjiang consists of different ethical groups. We cannot assure you that our operations would not be adversely affected should any conflict among different ethical groups or terrorist attack. Our performance could be adversely affected as a result of any material adverse change in the political and social conditions in Xinjiang.

Net current liabilities as at 31 December 2008 and 2009

We had net current liabilities of RMB73.4 million and RMB65.5 million as at 31 December 2008 and 2009 respectively. However, as at 31 December 2010, we turned our current liabilities position to current assets position which was partly due to an increase of RMB62.0 million in our cash and cash equivalents to RMB63.6 million as at 31 December 2010, since we allotted our shares to King Award and Sky Circle for cash consideration of RMB67.9 million in total in August 2010.

There is no assurance that we may not have net current liabilities in the future. Having significant net current liabilities could constrain the operational flexibility of our Group as well as adversely affect the expansion ability. If we fail to generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on external borrowings for funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and its business operations and financial position may be materially adversely affected. Please refer to the section headed "Financial Information" in this prospectus for more details.

We experienced net cash outflow from operating activities during the Track Record Period

During the years ended 31 December 2008 and 31 December 2009, we had net cash outflow from operating activities of approximately RMB4.1 million and approximately RMB7.4 million, respectively. Net cash outflow from operating activities means that we spend more on operating activities than we receive in cash from operating activities. We cannot assure you that we will not experience net cash outflow from operating activities in the future. Negative operating cash flows could adversely affect our financial condition and weaken our ability to obtain additional debt to renew our debt facilities, if any, as they become due and payable.

Our operations are exposed to risks in relation to the mishandling of dangerous articles

Our exploration, mining and ore processing operations involve the handling and storage of explosive, toxic and other dangerous articles. We have implemented a set of guidelines and rules regarding the handling of such dangerous articles. More stringent laws, regulations and policies may be implemented by the relevant PRC authorities, and there can be no assurance that we will be able to comply with any existing or future laws, regulations and policies in relation to the handling of dangerous articles economically or at all. In addition, there can be no assurance that accidents arising from the mishandling of dangerous articles will not occur in the future. Should we fail to comply with any relevant laws, regulations or policies or should any accident occur as a result of the mishandling of dangerous articles, our business, reputation, financial condition and/or results of operations may be adversely affected, and we may be subject to penalties and/or civil and/or criminal liabilities.

The industry in which we operate is strictly regulated and if any stricter regulations regarding our operation are enacted in the future, our business and operation may be significantly impacted.

The mining industry in which we operate is strictly regulated. For a description of the laws and regulations related to our industry, please refer to the section headed "Regulations" in this prospectus. In addition, these laws and regulations and governmental policies are subject to change which may impose significant costs or limitations on the way we conduct or expand our business, such as those affecting the extent to which we can engage in, or charge fees for, specific businesses. The changes in the laws and regulations and other governmental policies may materially and adversely affect our business and operation, and we may not be able to adapt to all such changes on a timely basis. Moreover, there may be uncertainties regarding the interpretation and application of new laws and regulations and other governmental policies. Failure to comply with the applicable laws and regulations and other governmental polices may result in fines, restrictions on our activities or other adverse consequences, which could have significant impact on our business.

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC

Our business, financial condition, results of operations and prospects could be negatively affected by PRC political, economic and legal developments and changes to government policies

All of our operating assets are located in the PRC and all of our revenues are derived from our operations in the PRC. Our results of operations and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, the level of development, the growth rate, and government control of foreign exchange.

The PRC economy has traditionally been centrally planned. Since 1978, the PRC government has been promoting reforms of its economic and political systems. However, there is no assurance that the PRC government will continue to pursue economic reforms. In addition, while the PRC's economy has experienced significant growth in the last two decades, growth has been uneven across both geographic regions and the various sectors of the economy. Our business, results of operations, financial condition and prospect may be adversely affected by the PRC government's political, economic and social policies, tax regulations or policies, and regulations affecting our industry.

Our business could be negatively affected by changes and uncertainties in the PRC legal system

The PRC legal system is based on the civil law system. Unlike the common law system, prior legal decisions and judgments have limited significance for guidance. The PRC is still in the process of developing a comprehensive statutory framework. Since 1979, the PRC government has established a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs and matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new, and the implementation and interpretation of these laws and regulations remain uncertain in many areas. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and could result in substantial costs and diversion of resources and management attention.

It may be difficult to enforce judgments from non-PRC courts against us, our Directors or officers who live in PRC

The legal framework to which we and our operating subsidiaries are subject is materially different in certain areas from that of other jurisdictions, including Hong Kong, particularly with respect to the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which we and our operating subsidiaries are subject are also relatively underdeveloped and untested. However, in 2005, the PRC Company Law was amended to allow shareholders to commence an action against the directors, officers or any third party on behalf of a company under certain limited circumstances.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts or arbitral award with countries such as the United States, the United Kingdom, and Japan, and therefore enforcement in the PRC of judgments of a court in these jurisdictions may be difficult or impossible. Investors may not be able to enforce judgments or arbitral award, or effect service of process against our assets, senior management members or Directors in the PRC.

Government control of currency conversion and changes in the exchange rate between the RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends

RMB currently is not a freely convertible currency. We receive all of our revenues in RMB and will need to convert RMB to foreign currency for payment of dividends, if any, to holders of our Shares.

Under the current foreign exchange regulations in the PRC, our PRC subsidiaries will be permitted, upon completion of the Share Offer, to effect foreign exchange for current-account transactions (including the distribution of dividends) through accounts permitted by the PRC government. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. There can be no assurance that the PRC government will not in the future impose restrictions on foreign exchange transactions for current-account items, including the payment of dividends.

All our revenue and operating costs are denominated in RMB. As the domestic price of our metal concentrates (which is expressed in RMB) moves in line with global price of non-ferrous metal (which is typically expressed in U.S. dollars), the price in RMB we can receive for our concentrates depends on the RMB exchange rate against U.S. dollar. The exchange rates of the RMB against the U.S. dollar and other foreign currencies fluctuate and are affected by, among other things, the policies of the PRC government and changes in the PRC's and international political and economic conditions. Since 1994, the conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's interbank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of RMB to U.S. dollars was generally stable. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the RMB appreciated by approximately 2% against the U.S. dollar. The PRC government has since made, and in the future may make, further adjustments to the exchange rate system. From 21 July 2005 to 23 January 2009, the value of the RMB has appreciated by approximately 21.1% against the U.S. dollar. Since then, the value of the RMB has been stabilised until June 2010, when RMB has steadily appreciating against the U.S. dollar by approximately 6% during this period of time.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of the RMB against the U.S. dollar, the Hong Kong dollar or other foreign currency. If the appreciation of RMB continues, it may reduce the RMB price as well as our profits in RMB terms. Moreover, to the extent that we need to convert the proceeds from the Share Offer and future financing into the RMB for our operations, appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the RMB amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of the RMB against the Hong Kong dollar could adversely affect the amount of any cash dividends on our Shares in Hong Kong dollar terms.

PRC regulations relating to loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of the Share Offer to contribute additional capital or make loans to our PRC subsidiaries

We are an offshore holding company conducting our operations in the PRC through our PRC subsidiaries. In utilizing the proceeds we expect to receive from the Share Offer for the purposes described in the section headed "Future Plans and Use of Proceeds" in this prospectus, we may make loans or additional capital contributions to our PRC subsidiaries.

We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds from the Share Offer to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders or our PRC subsidiaries to liabilities or penalties, limit our ability to inject capital into our PRC subsidiaries or limit the ability of our PRC subsidiaries to distribute profits to us

SAFE issued a public notice in October 2005, namely SAFE Circular No. 75, requiring PRC residents to register with the local SAFE branch before establishing or controlling any company outside of the PRC for the purpose of capital financing with assets or equities of PRC companies, referred to in the notice as an "offshore special purpose company". PRC residents that are shareholders of offshore special purpose companies established before 1 November 2005 were required to register with the local SAFE branch before 31 March 2006. In addition, any PRC resident that is a shareholder of an offshore special purpose company is required to amend its SAFE registration with respect to that offshore special purpose company in connection with any increase or decrease of capital, transfer of shares, merger, division, equity investment, creation of any security interest over any assets located in the PRC or any other material change in share capital. In May 2007, SAFE issued relevant guidance to its local branches with respect to the operational process for SAFE registration, which standardized more specific and stringent supervision on the registration relating to SAFE Circular No. 75 and imposed obligations on onshore subsidiaries of offshore special purpose companies to coordinate with and supervise the shareholders of the offshore entity who are PRC residents to complete the SAFE registration process. As confirmed by our PRC legal advisors, none of our Controlling Shareholders is a PRC resident, as such SAFE Circular No. 75 is not applicable to us and our Controlling Shareholders in respect of the changes in shareholding structure of our Group and the Reorganisation prior to completion of the Share Offer. However, we may not be fully informed of the identities of all our future Shareholders who are PRC residents. Moreover, we do not have control over our Shareholders and cannot assure you that all of our PRC resident beneficial owners will comply with

SAFE Circular No. 75. The failure of our Shareholders who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to SAFE Circular No. 75 or the failure of future Shareholders who are PRC residents to comply with the registration procedures set forth in SAFE Circular No. 75 may subject such beneficial owners and/or our PRC subsidiaries to fines and legal sanctions and may also limit our ability to contribute additional capital to our PRC subsidiaries, limit the ability of our PRC subsidiaries to distribute dividends to our Company or otherwise materially and adversely affect our business.

Restrictions on foreign investment in the PRC mining industry could materially and adversely affect our business and results of operations

In the PRC, foreign companies have in the past been, and are currently, required to operate within a framework that is different from that imposed on domestic PRC companies. However, the PRC government has been opening up opportunities for foreign investment in mining projects and this process is expected to continue, especially following the PRC's accession into the WTO. However, if the PRC government should reverse this trend, or impose greater restrictions on foreign companies, or seek to nationalize our PRC operations, our business and results of operations could be materially and adversely affected. For a description of the laws and regulations applicable to foreign mining companies, please refer to the section headed "Regulations — Regulations Relating to Foreign Investment" in this prospectus.

Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options may subject such employees or us to fines and legal or administrative sanctions

Pursuant to the Implementation Rules of the Administration Measure for Individual Foreign Exchange (個人外匯管理辦法實施細則) and the Processing Guidance on Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Holding Plans or Stock Option Plans of Oversea-Listed Companies (境內個人參與境外上市公司持股計劃和認股期權計劃等外匯管理操作規程, "SAFE Circular No.78"), both issued by SAFE in 2007. PRC citizens who are granted shares or share options by an overseas listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company or other qualified PRC agents, to register with SAFE and complete certain other procedures related to the share option or other share incentive plan. Accordingly, our employees who are PRC nationals residing in China and have been granted share option under our Share Option Scheme, will be subject to these rules upon Listing, and their Foreign Exchange Income from the sale of shares or dividends or other distributions paid by us as an overseas listed company must be remitted into China. In addition, our PRC subsidiaries or any other qualified PRC institutions appointed by our PRC subsidiaries, if acting as PRC agent on behalf of the employees who have been granted share options, are required to appoint an asset manager or administrator and a custodian bank, as well as open foreign currency accounts to handle transactions relating to the share option or other share incentive plan. If we or our PRC option holders fail to comply with these rules, we may be subject to fines and legal or administrative sanctions.

We may be subject to the PRC taxation pursuant to《關於企業重組業務企業所得稅處理若干問題的通知》(the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business*) and《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》(the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer*)

The Ministry of Finance and the State Administration of Taxation of the PRC jointly issued, on 30 April 2009,《關於企業重組業務企業所得稅處理若干問題的通知》(the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business*) (the "Notice 59"), which became effective retrospectively on 1 January 2008. Pursuant to the Notice 59 and relevant rules and regulations, the transfer of equity interests in certain PRC subsidiaries held by offshore subsidiaries of a group to other offshore subsidiaries of the same group may be subject to a 10% enterprise income tax on capital gains which may be determined as the difference between the fair value of the equity interest transferred and the cost of investment. On 10 December 2009, the State Administration of Taxation of the PRC issued《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》(the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer*) (the "Notice 698"), which became effective retrospectively on 1 January 2008. The Notice 698 clarified how the capital gains should be calculated regarding the equity transfer of a resident enterprise by non-resident enterprises directly or indirectly. For transfers of equity interest in a PRC resident enterprise between related parties, the PRC tax authorities have the discretion to make adjustment to the taxable capital gains if the transfer price is deemed not being determined on an arm's length basis. In addition, if a non-resident foreign investor indirectly transfers equity interests in a PRC resident enterprise by selling equity interests in an offshore holding company which is located in a jurisdiction where tax rate is lower than 12.5% or offshore income is not taxable, it requires that the vendor of the foreign holding company (which holds, directly or indirectly, equity interest in a PRC resident enterprise) to make a submission to the PRC tax authorities within 30 days after signing of the equity transfer agreement, if certain conditions are met. The State Administration of Taxation of the PRC is entitled to redefine the nature of such indirect equity transfer and impose enterprise income tax on the seller of the foreign target company if it determines that such indirect transfer is carried out without reasonable commercial intention and evading enterprise income tax by abusing corporate structures.

During the Track Record Period and up to the Latest Practicable Date, in preparation for the Share Offer, our Group underwent the Reorganisation. For further details of the Reorganisation, please refer to the sections headed "History and Development" and "Reorganisation" in this prospectus.

However, it is currently unclear how the relevant PRC tax authorities will implement or enforce the above notices and whether such enterprise income tax on capital gains will be subject to any further change. In case we are required to pay the enterprise income tax on capital gains by the relevant PRC tax authorities, our tax liability may increase and our business, financial condition and operating results may be materially and adversely affected.

Dividends received from the Group and gain on the sale of Shares may be subject to PRC income tax laws

Under the Enterprise Income Tax Law and its implementation regulations (hereinafter be referred to as "**EIT Law**" collectively) issued by the State Council, a PRC withholding tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business to the extent such dividends have their source within the PRC unless there is an applicable tax treaty between the PRC and the jurisdiction in which an overseas holder resides which reduces or exempts the relevant tax. Similarly, any gain realized on the transfer of shares by such investors is subject to a 10% PRC income tax if such gain is regulated as income derived from sources within the PRC. Because it is uncertain whether our Group will be considered a PRC "resident enterprise", dividends payable to our foreign investors with respect to our Shares, or the gain our foreign investors may realize from the transfer of our Shares, may be treated as income derived from sources within the PRC and be subject to PRC tax. If we are required under the EIT Law to withhold PRC tax on dividends payable to our foreign Shareholders, or if you are required to pay PRC tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares

Prior to the Share Offer, there has been no public market for our Shares. The Offer Price may not be indicative of the price at which our Shares will trade following the completion of the Share Offer. Moreover, there can be no assurance that there will be an active trading market for our Shares, or if it exists, that it can be sustained following the completion of the Share Offer, or that the price at which our Shares will trade will not decline below the Offer Price. In addition, the price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of new technologies, strategic alliances or acquisitions, safety or environmental accidents suffered by us or other similar mining companies or fluctuations in the market prices of the metals contained in our concentrates could cause large and sudden changes in the volume and price at which our Shares will trade.

Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, including by our substantial shareholders, or the issuance of new Shares by us, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favourable to us, and our shareholders would experience dilution in their holdings upon issuance or sale of additional securities in the future.

The market price of our Shares could be lower than the Offer Price

Our Shares will not commence trading on the Stock Exchange until the Share certificates are delivered. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the market price of our Shares could be lower than the Offer Price.

We cannot assure you that we will declare dividends in the future

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Under PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits. Distributable profits refer to after tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years.

The calculation of our distributable profits under PRC GAAP differs in many aspects from the calculation under HKFRSs. As a result, our PRC operating subsidiaries may not be able to pay a dividend in a given year if they do not have distributable profits as determined under PRC GAAP even if they have profits as determined under HKFRSs. Accordingly, since our Company derives all of our earnings and cash flows from dividends paid to us by our PRC operating subsidiaries in the PRC, we may not have sufficient distributable profits to pay dividends to our Shareholders.

We did not declare or pay any dividends during the Track Record Period. For further details of our dividend policy, please refer to the section headed "Financial Information — Dividend and Dividend Policy" of this prospectus. Any future declaration of dividends will be proposed by our Board. The amount of future dividends on our Shares will depend on our earnings and financial position, our results of operations, our capital needs, our plans for expansion, our distributable reserves and other factors as our Directors may deem appropriate. Subject to the Companies Law, Shareholders in general meeting may from time to time declare a dividend or other distribution but no dividend or distribution shall be declared in excess of the amount recommended by our Directors. Accordingly, we cannot assure you that we will pay dividends in the future.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Share Offer

Prior or subsequent to the publication of this prospectus, there has been or may be press and media coverage regarding us and the Share Offer, in addition to marketing materials published by us in compliance with the Listing Rules. We have not authorised any such press and media reports, and the financial information, financial projections, valuations and other information about us contained in such unauthorised press and media coverage may not truly reflect what is disclosed in this prospectus. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication, and accordingly do not accept any responsibility for any such press or media coverage or the inaccuracy or incompleteness of any such information. To the extent that any such information appearing in the press and media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it, and accordingly you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the information included in this prospectus.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

Investors should not place undue reliance on industry and market information and statistics derived from official government publications contained in this prospectus

This prospectus contains information and statistics relating to the PRC and international metal industry and markets. With respect to information and statistics derived from various official government publications, while we have exercised reasonable care in compiling and reproducing such information and statistics, it has not been independently verified by us or any of our affiliates or advisers, nor by the Underwriters or any other parties involved in the Share Offer or their respective affiliates or advisers. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice relating to the PRC, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Further, there can be no assurance that such information and statistics are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other countries. We cannot ensure the accuracy of such information and statistics, and such information and statistics may not be consistent with other information prepared within or outside the PRC. Prospective investors should not place undue reliance on any of such information and statistics contained in this prospectus.

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

I. MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Main Board of the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our principal business operations and our mining and ore processing facilities are primarily located, managed and conducted in the PRC, our senior management members are and will therefore continue to be based in the PRC. Our Company has established a principal place of business in Hong Kong on 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong and was registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 26 August 2011. However, save that Mr. WANG, our executive Director and two of our independent non-executive Directors, namely Mr. CAO Kuangyu and Mr. SIN Lik Man, who are Hong Kong residents, all the other Directors are not Hong Kong residents or based in Hong Kong. Our Company does not and will not in the foreseeable future have two executive Directors residing in Hong Kong. We have applied to the Stock Exchange for a waiver from the strict compliance with the requirement under Rule 8.12 of the Listing Rules on the following grounds:

(a) our Group's principal place of business is based in Hami City, Xinjiang;

(b) throughout the Track Record Period, most of our Group's senior management staff are mainly located in Hami City, Xinjiang;

(c) our Group's principal business operations and our mining and ore processing facilities are based in the PRC;

(d) Mr. IP Wing Wai, our company secretary and financial controller, is ordinarily resident in Hong Kong; and

(e) the management and operation of our Group has been under the supervision of the existing five executive Directors and has proven to be effective. They are responsible for the day-to-day management of our Group's business. The appointment of an additional executive Director to reside in Hong Kong or the relocation of our executive Directors to Hong Kong would not only increase the administrative expenses of our Group, but would also reduce the effectiveness and responsiveness of the decision making process of the Board, especially when business decisions are required to be made within a short period of time.

We have received from the Stock Exchange a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we will appoint two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. We have appointed Mr. IP Wing Wai, our company secretary and financial controller, who is ordinarily resident in Hong Kong, and Mr. WANG, our executive Director as our two authorised representatives. Each of the authorised representatives will be available to meet with the Stock Exchange within a reasonable period of time upon request and will be readily contactable by telephone, facsimile or email. Each of the authorised representatives is authorised to communicate on our behalf with the Stock Exchange;

(b) both of our authorised representatives will have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matters;

(c) to enhance the communication between the Stock Exchange, the authorised representatives and our Directors, our Company will implement a policy whereby (a) each executive Director will have to provide his/her mobile telephone number, fax number and email address to the authorized representatives; (b) each executive Director will endeavour to provide valid telephone number or means of communication to the authorised representatives when he/she is traveling; and (c) each Director will provide his/her mobile telephone number, office telephone number, fax number and email address to the Stock Exchange;

(d) we shall promptly inform the Stock Exchange of any changes on the authorised representatives;

(e) we will appoint a compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will also act as our channel of communication with the Stock Exchange for a period commencing on the Listing Date and ending on the date on which our Company distributes the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46 of the Listing Rules; and

(f) all Directors (including the independent non-executive Directors) who are not ordinarily residents in Hong Kong have confirmed that they will apply for valid travel documents to visit Hong Kong when so required and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

II. WAIVER PURSUANT TO RULES 8.05 AND 18.04 OF THE LISTING RULES

Pursuant to Rule 8.05 of the Listing Rules, an issuer must satisfy one of the three tests in relation to: (i) profit; (ii) market capitalisation, revenue and cash flow; or (iii) market capitalisation and revenue requirements. Chapter 18 of the Listing Rules applies to mineral companies. Under Rule 18.04 of the Listing Rules, the requirements of Rule 8.05 of the Listing Rules may not apply if the Stock Exchange is satisfied that the directors and senior managers of the issuer, taken together, have sufficient experience of at least five years relevant to the exploration and/or extraction activities the issuer is pursuing. In view of the fact that we have two executive Directors and four senior management members who (individually) have more than 17 to 33 years (as the case may be, and as set out in the section headed "Directors, senior management and employees" of this prospectus) of relevant industry experience, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the profit and trading record requirements under Rule 8.05(1)(a) of the Listing Rules in accordance with the reasoning under Rule 18.04 of the Listing Rules.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 57IV of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus.

Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE SHARE OFFER

Our Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sponsor, the Sole Global Coordinator (on behalf of the Underwriters), any of our Company's or their respective directors, agents, employees or advisors or any other party involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus, and the procedures for applying for our Hong Kong Offer Shares are set out in the section headed "How to Apply for our Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offer.

The Share Offer is sponsored by the Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters. Pursuant to the International Placing Agreement, the International Placing is expected to be underwritten by the International Underwriters. Further information on the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF OUR OFFER SHARES

Each person acquiring our Offer Shares under the Hong Kong Public Offer will be required to, or be deemed by his/her/its subscription for our Offer Shares to, confirm that he/she/it is aware of the restrictions on offer of our Offer Shares described in this prospectus.

No action has been taken to permit an offering of our Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus or the related Application Forms may not be used for the purpose of, and does not (and is not intended to) constitute an offer or invitation in any other jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus or the related Application Forms and the offering and sale of our Offer Shares in other jurisdictions may be subject to restrictions by law and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF OUR SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option), and any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.

Except as disclosed in this prospectus, no part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our principal registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong branch registrar, Tricor Investor Services Limited. Dealings in our Shares registered on our Hong Kong branch registrar will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

OVER-ALLOTMENT AND STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time (which will begin on the Listing Date, and is expected to expire on Saturday, 4 February 2012, being the 30th day after the last date for lodging applications under the Hong Kong Public Offer), to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and, the stabilisation price is not permitted to exceed the Offer Price.

In connection with the Share Offer, Sole Global Coordinator or its affiliates or any person acting for it, as stabilising manager, on behalf of the Underwriters, may over-allocate Shares or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date.

However, there is no obligation on Sole Global Coordinator or its affiliates or any persons acting for it, to conduct any such stabilising action. Such stabilising action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Should stabilising transactions be effected in connection with the Share Offer, this will be at the absolute discretion of Sole Global Coordinator or its affiliates or any person acting for it.

The number of Shares over-allocated will not be greater than the maximum number of Shares which may be issued upon exercise of the Over-allotment Option, being 37,500,000 Shares, which is approximately 15% of the initial number of our Offer Shares.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any long position established as a result of those purchases in (iv), and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in our Offer Shares should note that:-

— Sole Global Coordinator or its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;

— there is no certainty regarding the extent to which, the size and the time or period for which Sole Global Coordinator or its affiliates or any person acting for it, will maintain such a long position;

— liquidation of any such long position by Sole Global Coordinator or its affiliates or any person acting for it, may have an adverse impact on the market price of our Shares;

— no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on Saturday, 4 February 2012, being the 30th day after the last date for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;

— the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

— stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

For the purpose of covering any over-allocations, Sole Global Coordinator or its affiliates or any person acting for it, may borrow from King Award up to 37,500,000 Shares, equivalent to the maximum number of our Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement expected to be entered into between Sole Global Coordinator or its affiliates or any person acting for it, and King Award on or about Thursday, 5 January 2012. The loan of our Shares by King Award pursuant to the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules, which restricts the disposal of Shares by our Controlling Shareholders subsequent to the date of this prospectus, subject to compliance with the following requirements in accordance with the requirements of Rule 10.07(3) of the Listing Rules:-

(i) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing;

(ii) the maximum number of our Shares which may be borrowed from King Award must not exceed the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option;

(iii) the same number of Shares so borrowed must be returned to King Award or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option or (b) the date on which the Over-allotment Option is exercised in full;

(iv) the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and

(v) no payments will be made to King Award by Sole Global Coordinator or its affiliates or any person acting for it, in relation to such Stock Borrowing Agreement.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure of the Share Offer” in this prospectus.

LANGUAGE

Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
WANG Dayong (王大勇) *Chairman*	Room 6807 The Harbour View Place 1 Austin Road West Kowloon Hong Kong	Chinese
LU Qi (盧琦)	6 Topaz Gate Toronto ON M2M 2Z7 Canada	Canadian
ZHAO Guangsheng (趙廣勝) *Chief executive officer*	Block 4, Section 2 Xiaoxinancha Au-Cu Mineralized Zone Huichun, Jilin The PRC	Chinese
WU Guangsheng (吳光升)	Block 4, Renminshichang Section Renxing Street, Tiexi District Siping, Jilin The PRC	Chinese
ZHAO Bochen (趙波臣)	Block 1, Section 1 Xiaoxinancha Au-Cu Mineralized Zone Huichun, Jilin The PRC	Chinese
Non-executive Directors		
XUE Di'an (薛迪安)	Room 201, Entrance 2, Building 4 50 Zhongzhou East Road Chanhe Huizu District Luoyang, Henan The PRC	Chinese
LIU Tongyou (劉同有)	Room 406, Block 45, Donghu Dajun Garden, Suzhou Industrial Park Jiangsu, The PRC	Chinese

Name	Residential address	Nationality
Independent non-executive Directors		
CAO Shiping (曹仕平)	B1203 Times Square South of Middle Jin Bi Road Kunming, Yunnan The PRC	Chinese
CAO Kuangyu (曹貺予)	Flat D 26/F Tower 2 Harbour Place 8 Oi King Street Hung Hom Kowloon Hong Kong	Chinese
SIN Lik Man (冼力文)	Flat F, 13/F, Block 9 Belvedere Garden Phase 2 620 Castle Peak Road Tsuen Wan New Territories Hong Kong	Chinese

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor	China Everbright Capital Limited 17/F., Far East Finance Centre 16 Harcourt Road Hong Kong
Sole Global Coordinator	China Everbright Securities (HK) Limited 36/F., Far East Finance Centre 16 Harcourt Road Hong Kong
Joint Bookrunners	China Everbright Securities (HK) Limited 36/F., Far East Finance Centre 16 Harcourt Road Hong Kong CCB International Capital Limited 34/F, Two Pacific Place 88 Queensway Admiralty Hong Kong

Joint Lead Managers	China Everbright Securities (HK) Limited 36/F., Far East Finance Centre 16 Harcourt Road Hong Kong
	CCB International Capital Limited 34/F, Two Pacific Place 88 Queensway Admiralty Hong Kong
	Fortune (HK) Securities Limited 35/F, Office Tower Convention Plaza No. 1 Harbour Road Wan Chai Hong Kong
Hong Kong Underwriters	China Everbright Securities (HK) Limited 36/F., Far East Finance Centre 16 Harcourt Road Hong Kong
	CCB International Capital Limited 34/F, Two Pacific Place 88 Queensway Admiralty Hong Kong
	Polaris Securities (Hong Kong) Limited Unit 1003-4, Tower 1, Admiralty Centre, 18 Harcourt Road Hong Kong
International Underwriters	China Everbright Securities (HK) Limited 36/F., Far East Finance Centre 16 Harcourt Road Hong Kong
	CCB International Capital Limited 34/F, Two Pacific Place 88 Queensway Admiralty Hong Kong

	Fortune (HK) Securities Limited 35/F, Office Tower Convention Plaza No. 1 Harbour Road Wan Chai Hong Kong
	Polaris Securities (Hong Kong) Limited Unit 1003-4, Tower 1, Admiralty Centre, 18 Harcourt Road Hong Kong
Legal advisers to our Company	*as to Hong Kong law* Reed Smith Richards Butler 20th Floor, Alexandra House 18 Chater Road Central Hong Kong
	as to PRC law Global Law Office 15/F, Tower 1 China Central Place No. 81 Jianguo Road Chaoyang District Beijing The PRC
	as to Cayman Islands law Conyers Dill & Pearman Cricket Square Hutchins Drive P.O.Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Sponsor and the Underwriters	*as to Hong Kong law* DLA Piper Hong Kong 17th Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
Reporting accountant	PricewaterhouseCoopers *Certified Public Accountants* 22/F, Prince's Building Central Hong Kong

Property valuer	Jones Lang LaSalle Sallmanns Limited 6th Floor, Three Pacific Place 1 Queen's Road East Hong Kong
Independent technical adviser	Runge Asia Limited, trading as Minarco-MineConsult Level 10, Silver Fortune Plaza 1 Wellington Street Central Hong Kong
Receiving banker	China Construction Bank (Asia) Corporation Limited Suite 2101, 21/F Devon House 979 King's Road Quarry Bay, Hong Kong

Registered office in the Cayman Islands	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter and principal place of business in the PRC	No. 38 Guangchang Bei Road Hami City Xinjiang Uygur Autonomous Region PRC
Place of business in Hong Kong registered under part XI of the Companies Ordinance	20th Floor, Alexandra House 18 Chater Road Central, Hong Kong
Company website	www.huili.hk (The contents of this website do not form part of this prospectus)
Company secretary	IP Wing Wai (葉永威), CPA
Authorised representatives	WANG Dayong (王大勇) Room 6807 The Harbour View Place 1 Austin Road West Kowloon Hong Kong IP Wing Wai (葉永威) Flat B, 31/F Block 1, Well On Garden 9 Fuk Nga Lane Tseung Kwan O New Territories Hong Kong
Compliance adviser	China Everbright Capital Limited
Audit committee	SIN Lik Man (冼力文) *(Chairman)* CAO Shiping (曹仕平) CAO Kuangyu (曹貺予)
Remuneration committee	CAO Kuangyu (曹貺予) *(Chairman)* LU Qi (盧琦) SIN Lik Man (冼力文)

Nomination committee	WANG Dayong (王大勇) *(Chairman)* CAO Kuangyu (曹貺予) SIN Lik Man (冼力文)
Principal share registrar and transfer office in the Cayman Islands	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Share registrar and transfer office in Hong Kong	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	*In the PRC* Industrial and Commercial Bank of China Xinjiang Uygur Autonomous Region Hami Branch Huochezhan Sub-Branch 4 Tian Shan North Road, Hami Xinjiang Uygur Autonomous Region PRC *In Hong Kong* Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Hong Kong China Construction Bank Corporation Hong Kong Branch 14-15/F., Tai Yau Building 181 Johnston Road, Wanchai Hong Kong Taiwan Shin Kong Commercial Bank Co., Ltd., Hong Kong Branch Suites 1502-07, 15/F, Tower 2, The Gateway 25 Canton Road Harbour City Kowloon Hong Kong

Certain information presented in this section relating to our industry and related industries has been extracted from various official government publications, unless otherwise indicated. Where indicated, certain information presented in this section relating to our industry and related industries has been extracted from Independent Third Parties publications. Such publications are available to the general public and their backgrounds are provided in the body of this section. While the Sponsor and we have taken reasonable care in the extraction, compilation and reproduction of information and statistics directly or indirectly from official government publications, none of us, the Sponsor or any parties involved in the Share Offer has independently verified such information or made any representation as to the accuracy of the sources. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Such information may not be consistent with other information compiled within or outside the PRC and you should not rely unduly upon it. No publication was commissioned for the purpose of the Share Offer.

(I) SOURCES OF INFORMATION

Information disclosed under this section is quoted from various third party sources. Each of these parties is an Independent Third Party and their reports have not been commissioned by us. Information regarding each of these parties including their background and principal activities is provided below.

(1) U.S. Geological Survey ("USGS")

The USGS was established on 3 March 1879. It is the largest water, earth, and biological science and civilian mapping agency of U.S. and it collects, monitors, analyzes, and provides scientific understanding about natural resource conditions, issues, and problems. The diversity of its scientific expertise enables it to carry out large-scale, multi-disciplinary investigations and provide impartial scientific information to resource managers, planners, and other customers. The USGS serves U.S. by providing reliable scientific information to describe and understand the Earth; minimize loss of life and property from natural disasters; manage water, biological, energy, and mineral resources; and enhance and protect our quality of life.

(2) The China Non-ferrous Metals Industry Association ("CNIA") (中國有色金屬工業協會)

The CNIA was formally established in April, 2001 and was approved and registered by the competent authority of the state council as a national, non-profit, and industry society organizations. It was voluntarily organised by nonferrous metals enterprises, institutions, and individuals with 1086 existing members.

(3) **The International Stainless Steel Forum ("ISSF")**

The ISSF is a non-profit research organisation, which serves as the world forum on various aspects of the international stainless steel industry, which was founded in 1996 and it now comprises 72 companies and affiliated members in 27 countries. Jointly they produced 75% to 80% of all stainless steel manufactured in 2009.

(4) **Jinchuan Group Limited (金川集團有限公司) ("Jinchuan Group")**

Jinchuan Group is a large integrated non-ferrous metallurgical and chemical engineering enterprise engaged in mining, concentrating, metallurgy and chemical engineering. It produces nickel, copper, cobalt, rare and precious metals and also some chemical products such as sulfuric acid, caustic soda, liquid chlorine, hydrochloric acid and sodium sulfite, together with some further processed nonferrous metals products. The output of nickel and platinum group metals respectively accounts for more than 90% of the total in the PRC. Jinchuan Group is one of our customers for nickel concentrate.

(5) **The International Nickel Study Group ("INSG")**

The INSG is an autonomous, intergovernmental organization established in 1990. Membership comprises governments of nickel producing, consuming and trading countries and other intergovernmental organizations. The INSG provides a unique forum for governments and industry to meet and exchange information on statistical, environmental and economic matters relating to nickel.

(6) **The AME Group ("AME")**

The AME is a global firm of independent economists in the metal and mineral industries with research offices in Australia and affiliations in North America, South America, Africa and the PRC. It specialised in all market and financial aspects of the aluminum, coal, copper, gold, iron ore, DRI/HBI, steel, lead, zinc and nickel industries.

(7) **The Shanghai Futures Exchange ("SHFE")**

The SHFE is regulated by the China Securities Regulatory Commission. At present, futures contracts of underlying commodities including gold, copper, aluminum, lead, steel rebar, steel wire rod, natural rubber, fuel oil and zinc, are listed for trading. There are over 200 members now in the SHFE, among which about 80% are futures brokerage firms. With more than 300 distant trading terminals nationwide, the SHFE is one of the three copper price-setting centers in the world.

(8) **The London Metal Exchange ("LME")**

The LME has established for over 130 years and is the world's premier non-ferrous metals market. It offers a range of futures and options contracts for non-ferrous, minor metals and steel including aluminum, copper, tin, nickel, zinc, lead and aluminum alloy etc. The LME is a highly liquid market. In 2010, it achieved volumes of 120.3 million lots, equivalent to $11.6 trillion annually and $46 billion on an average business day. Based in London the LME is a global market with an international membership and with more than 95% of its business coming from overseas.

(II) INTRODUCTION

We are a non-ferrous metal mining company principally engaged in mining and ore processing of nickel and copper in Hami, Xinjiang. Our products, including nickel concentrates and copper concentrates, are intermediate products for smelting and refinery into refined nickel and refined copper. We sell our products to smelters directly, or to trading companies which re-sell to smelters.

The following sets forth an overview and analysis on the nickel, copper, lead and zinc industries in the PRC.

(III) NICKEL

(A) Introduction

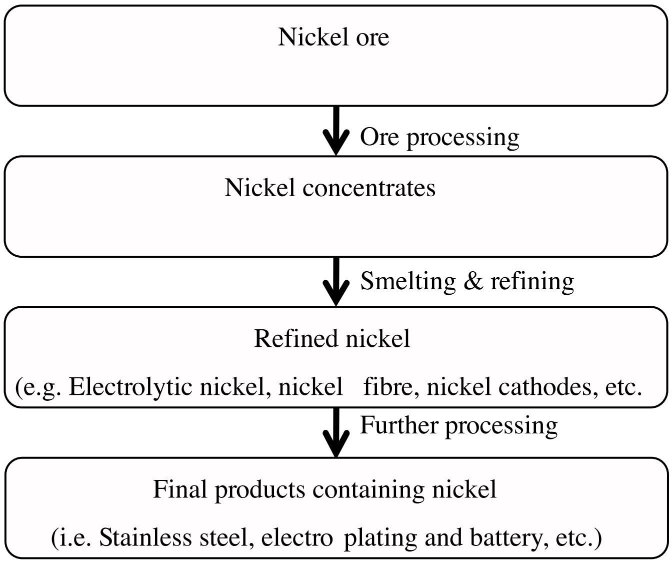
Nickel is a chemical element, with the chemical symbol Ni and atomic number 28. It is a hard, malleable and ductile metal with a silvery white appearance and can be polished to a lustrous finish. Nickel, together with iron, cobalt and gadolinium, are ferromagnetic elements existing at about room temperature. Nickel has a high melting point of 1,453 °C and boiling point of 2,732 °C.

Nickel ores fall into two generic types: sulphide and laterite ores. Nickel is currently refined from both types of ores. The geological and mineralogical characteristics of these two types of ore are very different, and consequently they are exploited by different methods of mineral processing and metallurgical treatment.

Sulphide ores occur in numerous locations. The major sulphide nickel mines are located in Canada, Australia, Russia, South Africa, Zimbabwe and Botswana. Ore compositions can vary substantially from one deposit to another, and processing flowsheets can therefore also vary. However, in principle these ores are treated by flotation, smelting and refining. By-products, such as copper, cobalt and platinum group metals, can be very substantial contributors to the economic value of sulphide deposits.

Lateritic nickel ores consist of a variety of tropical and sub-tropical soil profiles enriched in iron, nickel and cobalt and developed over peridotite bedrock. Major laterite deposits are located in Cuba, the Dominican Republic, Guatemala, Brazil, Australia, the Philippines, Indonesia, New Caledonia, Russia, the PRC, Serbia and Macedonia. Laterite ores are commonly exploited through a smelting process to produce ferro-nickel, a product containing 25%-30% nickel that is used in the production of stainless steel. Laterite ores are also processed by leaching methods to produce refined nickel.

The following diagram depicts the process of exploitation and production of nickel:



The valuable properties of nickel are its hardness and resistance to oxidation. It is used in many industrial and consumer products, including stainless steel, magnets, coinage, rechargeable batteries, electric guitar strings and special alloys. It is also used for plating and as a green tint in glass. Nickel is pre-eminently an alloy metal, and its chief use is in the nickel steels and nickel cast irons, of which there are many varieties. It is also widely used in many other alloys, such as nickel brasses and bronzes, and alloys with copper, chromium, aluminum, lead, cobalt, silver, and gold.

(B) **Demand and Consumption**

(i) ***Global consumption of refined nickel***

As per 2010 Yearbook, the global consumption of refined nickel was approximately 1.23 million metric tonnes in 2009 decreased by a cumulative annual decreasing rate of 4.87% from 2007 due to the global financial crisis and economic recession incurred in 2008 and the first quarter of 2009. In 2009, the top five consuming countries and/or regions, namely the PRC, Japan, Korea, the United States and Taiwan, took up 68.35% of the global consumption for refined nickel.

The following table shows the global annual consumption volume of refined nickel by major consuming countries from 2007 to 2009 (thousand metric tonne ("kt")):

	2007	2008		2009	
	Annual consumption volume *(kt)*	Annual consumption volume *(kt)*	Annual change *(%)*	Annual consumption volume *(kt)*	Annual change *(%)*
The PRC	327.8	333.0	1.6%	442.0	32.7%
Japan	196.0	185.3	-5.5%	147.6	-20.3%
Korea	71.1	75.8	6.6%	93.0	22.7%
The United States	118.5	117.0	-1.3%	91.7	-21.6%
Taiwan	75.6	68.9	-8.9%	64.2	-6.8%
Other countries	566.5	540.9	-4.5%	388.2	-28.2%
Total global consumptions	1,355.5	1,320.9	-2.6%	1,226.7	-7.1%

Data source: The 2010 Yearbook

With reference to *Nickel Outlook July 2011* issued by AME, nickel demand is expected to continue to be held up as the latest GDP numbers show a broad based recovery continuing around the world. The U.S. economy grew 2.8% year-on-year in 2010 and the Latin American economies marked turnarounds in economic performance. The GDPs of Argentina and Peru, Chile and Brazil advanced by 9.2%, 5.8% and 5.0% respectively. Not to mention Chinese growth reached 9.8% in 2010, the other Asian markets e.g. South Korea is running 4.7%, 6.8% in Vietnam, 6.9% in Indonesia and 2.5% in Japan, representing the strongest growth experience in almost 20 years. The European growth is lagging behind that Germany and France are holding the continent up 3.8% and 1.4% respectively whereas the eastern and southern Europe markets are yet to fully emerge from recession.

AME also expects a stronger growth in nickel demand in the next decade as a result of increased construction and investment around the world and improved consumer sentiment in the developed world. Countries such as the PRC and India are still in the process of economical development and demand an adequate portion of metal volume. AME expects global GDP to grow 4.4% in 2011 and 4.5% in 2012 and hence the global demand of nickel to increase by 4.3% to 1.58 million metric tonne in 2011. European economies will continue to recover from the financial crisis and grow by 1.2% in 2011. Asia's economy will increase by 5.6% in 2011 and 5.7% in 2012.

(ii) ***The PRC consumption of refined nickel***

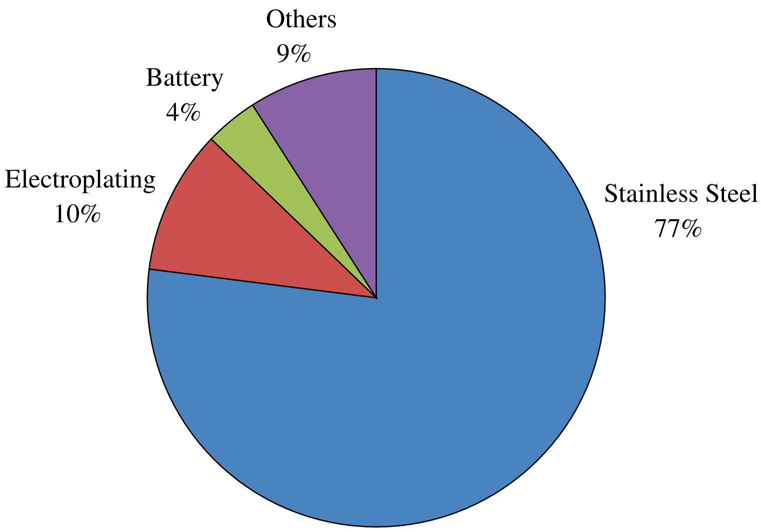
As shown in the previous table, the PRC has been the largest refined nickel consumption countries around the world during 2007 to 2009 with gaining share among the global consumptions. The share of consumption by the PRC increased from 24.18% in 2007 to 25.21% in 2008 and further reached 36.03% in 2009. While there is a decline in the global refined nickel consumption, the PRC has an increasing rate of consumption volume across the years of 2007 to 2009 from 327.8 thousand metric tonnes in 2007 to 442.0 thousand metric tonnes in 2009 representing a CAGR of 16.12%.

As per AME, the PRC's nickel demand had a spectacular growth at CAGR of 21.25% over the last decade. While it expects the nickel demand growth of the PRC will become moderate in 2011 and 2012, the demand will accelerate again towards the middle of the decade. The PRC will remain as the largest single source of global demand but growth rates will be lower as the economy continues to mature and growth occurs from a considerably higher base. The expectation is reasonably supported by the growth in the PRC's construction industry. In 2009, the PRC construction industry increased by 6.2% in 2009 and AME expects it will further grow again by 9.6%. By 2021, the PRC is expected to account for 42% of global demand.

(iii) ***Growth drivers for nickel industry in the PRC***

As previously mentioned, one of the major usages of nickel is for manufacture of steel. From the data sourced from the ISSF, steel related usages represented 83% of the world total nickel consumptions, in which stainless steel contributed to 65% and other alloy steel contributed to the other 23%. According to the 2010 Yearbook, the PRC's stainless steel production in 2009 accounted for 77% of the country' total nickel consumption, largely ahead of the next most consuming usage of electroplating which only took up 10% of the country's total.

The following diagram shows the application and usage of nickel in the PRC in 2009:



Data source: The 2010 Yearbook

(1) *Sustainable demand from the PRC for stainless steel production*

Consistent with the nickel consumption, the PRC is the single largest stainless steel production country globally. With reference to the data of ISSF, the PRC accounted for 26.77%, 35.85% and 36.68% of the global stainless steel production during 2008 to 2010. It also appeared with a rising trend of production volume increased from 6.94 million metric tonnes in 2008 to 11.26 million metric tonnes in 2010 representing a CAGR of 27.33%. In fact, it was the stimulus programs and infrastructure projects which were funded by PRC government in 2009 in order to support the domestic consumption that leaded the increased production of stainless steel.

The following table shows the global stainless and heat-resisting steel production from 2008 to 2010:

	2008	**2009**	**2010**
		(thousand metric tonnes)	
The PRC	6,943	8,805	11,256
Asia exclude the PRC	8,068	7,130	8,611
The Americas	2,315	1,942	2,609
Central and Eastern Europe	333	237	340
Western Europe and Africa	8,272	6,449	7,871
Total global production	25,931	24,563	30,687

Data source: The ISSF

As the domestic economy of the PRC has been blooming during 2010 and the first half of 2011, the production of stainless steel, is expected to continue its long term growth trend. As per the ISSF, the Chinese cumulated steel consumption per capita is only 15% of that of industrialised countries in 2008. As cumulated steel consumption is an indicator of the development of modern infrastructure , while the PRC is developing at a fast pace, and is focused on overtaking developed countries, a high consumption of raw materials including steel is expected to keep rising. Therefore, it creates a favourable business environment for nickel industry in the PRC.

(2) *New demand from emerging industries*

The Nickel Metal Hydride (NiMH) battery has become pervasive in today's technology climate, powering everything from cellular phones to hybrid electric vehicles.

As the development of hybrid car and electric car, the use of rechargeable batteries will become more and more common in our daily life. The most important types of rechargeable batteries contain nickel, such as nickel cadmium battery and nickel-metal hydride battery.

As estimated by the INSG, approximately 38,900 tonnes of nickel was used in rechargeable batteries in 2007, and the amount slightly decrease in 2008 due to the financial crisis. The usage of nickel for the production rechargeable batteries accounted approximately 5% of total nickel consumption in the PRC.

On June 1, 2010, the Ministry of Finance of the PRC announced the long-expected Electric Vehicle ("EV") and Plug-in Hybrid Electric Vehicle ("PHEV") subsidy policy: (1) Shanghai, Changchun, Shenzhen, Hangzhou, and Hefei are 5 trial cities where the city governments will support construction of EV infrastructure; (2) Qualified EV/PHEV should have battery capacities not less than 15 kwh /10 kwh, respectively; (3) Subsidy is RMB 3,000 per kwh of battery capacity with caps of RMB 60,000/ RMB 50,000 per unit for EV/PHEV, respectively; (4) The central government will pay subsidies to car makers that sell the vehicles, which will then charge individual buyers or leasing companies at a reduced price deducted for the subsidy; (5) The subsidy will phase out after the accumulated sales volume per maker per vehicle type (EV/PHEV) reaches 50,000 units. Separately, the central government will provide subsidy of RMB 3,000 per vehicle for cars (including gasoline, hybrid, diesel, and other alternative energy cars) with engine size not more than 1.6 liter and fuel consumption that is 20% lower than the current standard (not limited to the 5 trial cities). It is expected that such subsidy policy will support the long-term and sustainable development of EV and PHEV, which will indirectly boost the demand for rechargeable batteries in the PRC.

(C) Reserve and Production

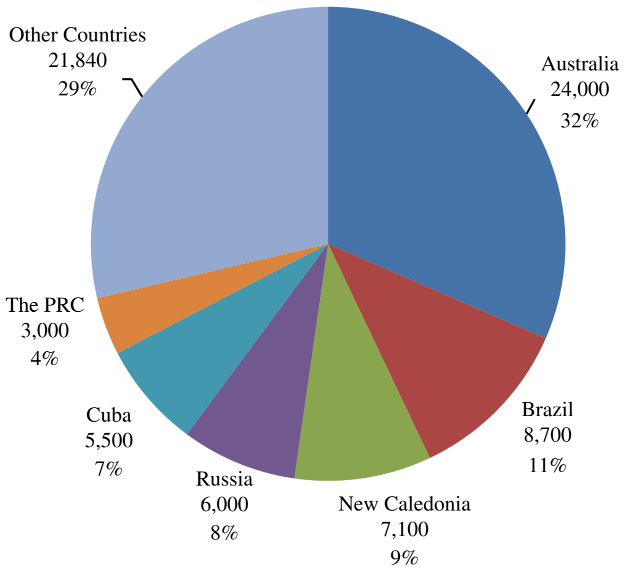
(i) *Global nickel reserve*

According to the JORC code, mineral reserves are defined as resources which have been the subject of technical and economic studies which demonstrate that they can be mined and processed profitably.

According to the "Mineral Commodity Summaries 2011" published by the USGS in January 2011, the world total reserve of nickel at the end of 2010 was approximately 76 million metric tonnes, among which, 60% was in laterites and 40% was in sulfide deposits. The country with the largest reserve was Australia, amounted for approximately 32% of the world's total reserve of nickel. The PRC had 3 million metric tonnes of nickel reserves, representing approximately 3.9% of the global nickel reserve as at the year end of 2010.

The following diagram shows the world nickel reserves as at the year end of 2010 (thousand metric tonnes):

World Nickel Reserves 2010



Data source: Mineral Commodity Summaries 2011, USGS

(ii) ***Nickel content in ore and concentrates***

(a) *Global production of nickel content in ore and concentrates*

According to the 2010 Yearbook, the top 5 production countries of nickel content in ore and concentrates are Russia, Indonesia, Australia, the Philippines and Canada. They contributed to a total of 67.41% of the world's total production in 2009. Both Russia and Australia are nickel reserve rich countries supporting its high production volume. On comparison, the PRC has contributed single-digit percentage on the global production volume ranging from 4.85% in 2007 to 5.81% in 2008 to 6.20% in 2009 largely due to its lower reserve content.

It is noteworthy that the PRC production maintained rising seamlessly across the years from 66.4 thousand metric tonnes in 2007 to 79.5 thousand metric tonnes in 2008 and further up to 84.8 thousand metric tonnes in 2009 with a CAGR of 13.01% to support the domestic consumption. On the other hand, the global production dropped continuously during 2007 to 2009 from 1.57 million metric tonnes to 1.37 million metric tonnes with a cumulative annual decreasing rate of 4.48% due to the financial crisis outbreak in 2008 followed by an economic recession in 2009.

The following table shows the global annual production volume of nickel content in ore and concentrates by major countries and the PRC from 2007 to 2009 (thousand metric tonnes ("kt")):

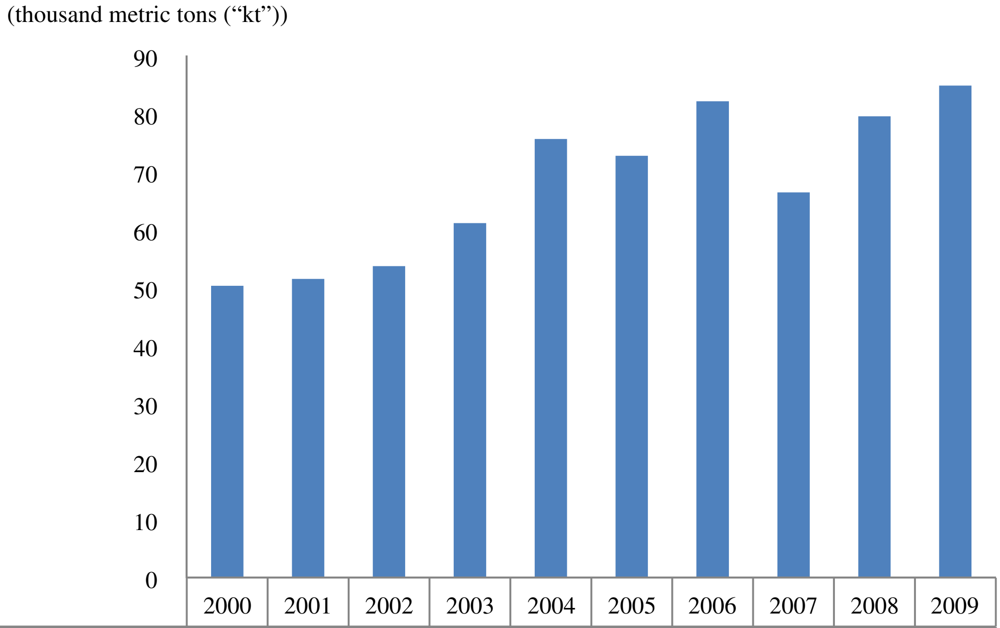
	2007	2008		2009	
	Annual Production volume *(kt)*	Annual Production volume *(kt)*	Annual change *(%)*	Annual Production volume *(kt)*	Annual change *(%)*
Russia	299.6	286.8	-4.3%	274.8	-4.2%
Indonesia	229.2	192.6	-16.0%	190.6	-1.0%
Australia	185.0	200.0	8.1%	165.0	-17.5%
The Philippines	91.4	83.9	-8.2%	155.4	85.2%
Canada	254.9	259.6	1.8%	136.6	-47.4%
The PRC	66.4	79.5	19.7%	84.8	6.7%
Other countries	444.3	388.5	-12.6%	361.2	-7.0%
Total global production	1,570.8	1,490.9	-5.1%	1,368.4	-8.2%

Data source: The 2010 Yearbook

(b) *Production in the PRC of nickel content in ore and concentrates*

As per data sourced from the 2010 Yearbook and the 60 Years of Nonferrous Metals Industry of the PRC, the annual production volume of nickel content in ore and concentrates by the PRC demonstrated a rising trend across 2000 to 2009 with several peaks of 75.6 thousand metric tonnes in 2004, 82.1 thousand metric tonnes in 2006 and 84.8 thousand metric tonnes in 2009. 2009 is of the highest production volume during the decade.

The following diagram shows the annual production volume of nickel content in ore and concentrate in the PRC from 2000 to 2009:



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nickel content in ore and concentrates production (kt)	50.3	51.5	53.7	61.1	75.6	72.7	82.1	66.4	79.5	84.8

Data source: The 2010 Yearbook and The 60 Years of Nonferrous Metals Industry of the PRC

In the 2010 Yearbook, it shows that there are only four provinces in production of nickel content in ore and concentrates. Gansu is the largest producing province as it has largest nickel reserve and nickel processing capacity in the country. In 2009, Gansu produced 74.53 thousand metric tonnes of nickel content in ore and concentrate, representing approximately 88% of the total annual production of the PRC.

Xinjiang was the third largest producing province for nickel content in ore and concentrate in the PRC with an annual production volume of 4.63 thousand metric tonnes, representing approximately 5% of the total annual production of the PRC.

The following table shows the annual production volume for nickel content in ore and concentrate by provinces in the PRC in 2009 (metric tonnes ("t")):

	2009	
	Annual production volume *(t)*	Percentage of total production volume *(%)*
Gansu	74,553	88%
Jilin	4,884	6%
Xinjiang	4,634	5%
Yunnan	717	1%
Total PRC production	84,788	100%

Data source: The 2010 Yearbook

(iii) ***Refined nickel***

(a) *Global production of refined nickel*

As per 2010 Yearbook, the top five refined nickel production countries contributed to 64.48% of the world's total production in 2009. Same as the global production of nickel content in ore and concentrates, Russia remains as the largest refined nickel production country contributing to approximately 20% of the world's total production during 2007 to 2009. The PRC comes to the second, which produced 164.8 thousand metric tonnes of refined nickels in 2009 attributable to 13.24% of the world's total production. The PRC production volume is gaining importance with a rising global contribution proportion of 8.62% in 2007 to 9.82% in 2008 and 13.24% in 2009.

The rising trend of refined nickel production by the PRC is also in contrast with the downward trend of the global production. In 2007, the PRC produced 115.7 thousand tonnes of refined nickel and continuously increased across 2008 and reached 164.8 thousand metric tonnes in 2009, representing a CAGR of 19.35%. However, the global production declined from 1.34 million metric tonnes since 2007 continuously to 1.24 million metric tonnes in 2009 with a cumulative annual decreasing rate of 4.48%.

The following table shows the annual production volume of refined nickel by major production countries from 2007 to 2009 (thousand metric tonne ("kt"));

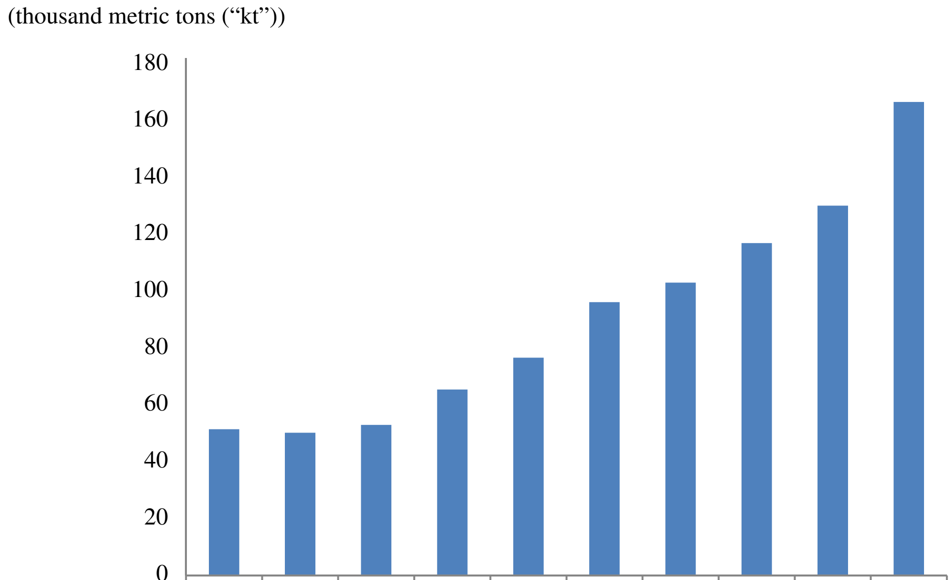
	2007	2008		2009	
	Annual production volume *(kt)*	Annual production volume *(kt)*	Annual change *(%)*	Annual production volume *(kt)*	Annual change *(%)*
Russia	267.0	260.4	-2.5%	246.5	-5.3%
The PRC	115.7	128.7	11.2%	164.8	28.0%
Japan	161.2	156.5	-2.9%	143.5	-8.3%
Australia	114.0	108.0	-5.3%	131.0	21.3%
Canada	153.6	167.7	9.2%	116.9	-30.3%
Other countries	531.0	489.2	-7.9%	442.2	-9.6%
Total global production	1,342.5	1,310.5	-2.4%	1,244.9	-5.0%

Data source: The 2010 Yearbook

(b) *Production in the PRC of refined nickel*

The refined nickel production by the PRC increased from 2000 to 2009 with a CAGR of 13.94%. From 2003 to 2009, the production volume increased consistently and stably whereas among all years, 2009 has the sharpest annual growth at 28.05%.

The following diagram shows the total refined nickel production volume in the PRC from 2000 to 2009:



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Refined nickel production (kt)	50.9	49.7	52.4	64.7	75.8	95.1	101.9	115.7	128.7	164.8

Data source: The 2010 Yearbook

Similar to the PRC production of nickel content in ore and concentrates, as per 2010 Yearbook. Gansu is the largest producing province for refined nickel in the PRC as it has largest nickel smelting & refining capacity in the country. In 2009, Gansu produced 130.05 thousand metric tonnes of refined nickel, representing approximately 79% of the total annual production of the PRC.

Xinjiang was the fourth largest producing province in the PRC with an annual production volume of approximately 5.08 thousand metric tonnes, representing approximately 3% of the total annual production of the PRC.

The following diagram shows the annual production volume of refined nickel by provinces in the PRC in 2009 (metric tonne ("t")):

	2009	
	Annual production volume (t)	Percentage of total production volume (%)
Gansu	130,050	78.92%
Jiangxi	17,242	10.46%
Guangxi	8,894	5.40%
Xinjiang	5,078	3.08%
Yunnan	1,990	1.21%
Chongqing	1,482	0.90%
Zhejiang	60	0.04%
Total	164,796	100.00%

Data source: The 2010 Yearbook

(D) **Supply-Demand Imbalance of Nickel**

Based on the refined nickel production and consumption data, the PRC has domestic shortages during 2007 to 2009 with a CAGR of 14%. In 2009, the production of refined nickel by the PRC was 164.8 thousand metric tonnes whereas the consumption was 442.0 thousand metric tonnes leading to a shortage of 277.2 thousand metric tonnes. Compared the supply and demand balance of the PRC and the world, the PRC and the world have similar pattern during 2007 and 2008 but not 2009 when the world has an oversupply of 18.2 thousand metric tonnes of refined nickel and the PRC has a large shortage of 277.2 thousand metric tonnes.

The following table shows the supply-demand balance of refined nickel in the PRC and the world from 2007 to 2009:

	2007	2008	2009
		(thousand metric tonnes)	
Production of the PRC	115.7	128.7	164.8
Consumption of the PRC	327.8	333.0	442.0
Domestic supply-demand balance of the PRC	-212.1	-176.5	-277.2
World production	1,342.5	1,310.5	1,244.9
World consumption	1,355.5	1,320.9	1,226.7
World supply-demand balance	-13	-10.4	18.2

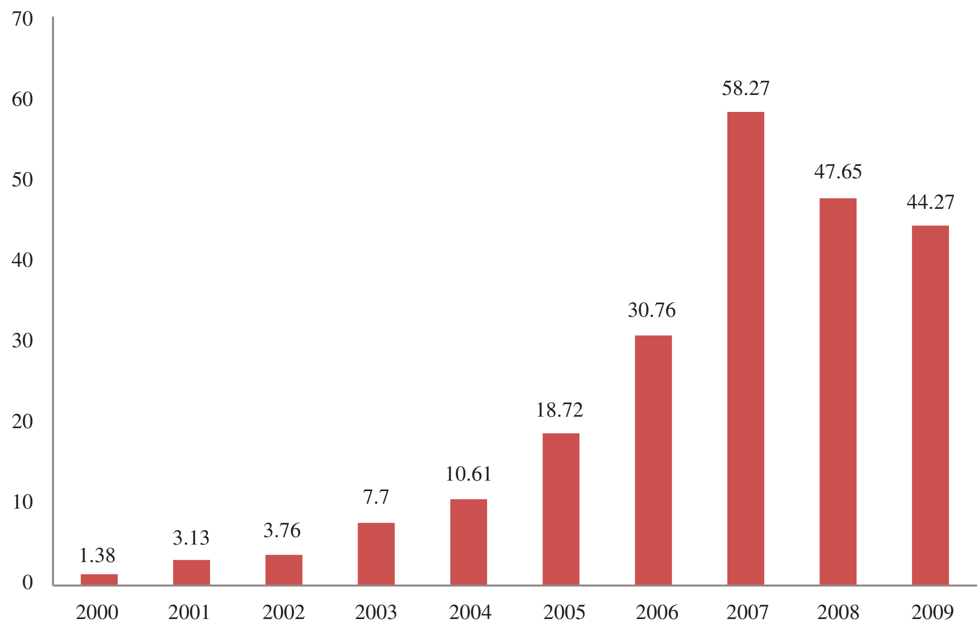
Data source: The 2010 Yearbook

As a result of the insufficient supply of refined nickel from domestic producers, the PRC has imported refined nickel from overseas suppliers to satisfy the unfilled demand.

According to the 2010 Yearbook, the PRC is currently the largest net importer of refined nickel. In 2009, the PRC imported a net amount of USD 4.43 billion nickel with a CAGR of 47.01% from 2000 to 2009.

Within 2009, the PRC imported 207 thousand metric tonnes of nickel metal, 2.4 thousand metric tonnes of nickel powder, and 228.1 thousand metric tonnes of ferro nickel. For nickel powder, the PRC imported 3.6 thousand, 3.7 thousand, and 2.4 thousand metric tonnes in 2007, 2008 and 2009 respectively, and did not export any from 2007 to 2009.

The following diagram shows the net import amount of the PRC of nickel from 2000 to 2009 (USD hundred million):



Data source: The PRC Statistical Yearbook 2002 - 2010

(E) **Historical Price Trend**

(i) ***World nickel price***

The LME cash nickel price reached the maximum price in May 2007 at USD54,050 per metric tonne. Following by the global financial crisis during the fourth quarter of 2008, the LME nickel price fell to the bottom of USD8,934 per metric tonne in December 2008 and maintained to a relatively low level at an average of USD10,739 per metric tonne during the first four months of 2009.

The LME cash nickel price increased steadily since May 2009 with occasional peaks of USD27,227 per metric tonne in April 2010 and USD29,281 in February 2011. The nickel price subsequently dropped to a trough in June 2011 to USD21,568 per metric tonne. As at 31 December 2009 and 2010, the LME cash nickel prices were USD18,452 per metric tonne and USD24,708 per metric tonne respectively, representing an annual growth rate of 59.0% in 2009 and 33.9% in 2010.

The following diagram shows the LME spot cash settlement price of Nickel from January 1, 2007 to September 19, 2011 (USD per metric tonne):

Data source: Bloomberg

(ii) ***The PRC domestic nickel price***

Jinchuan Group is located in Gansu province, which is the largest nickel producer and holds the largest nickel reserve in the PRC. Due to the large demand of nickel concentrates of Jinchuan Group, the nickel price quoted by Jinchuan is the main reference price in the PRC which is also derived from the LME spot cash settlement price of Nickel from time to time.

The Jinchuan price for 9990 electrolytic nickel ("Jinchuan nickel price") peaked in May 2007 at RMB405,000 per metric tonne and fell to the bottom of RMB82,000 per metric tonne during the end of December 2008 to the beginning of January 2009 due to the outbreak of financial crisis. It rests at a relatively low level during the first three months of 2009 with an average of RMB87,067 per metric tonne.

Thanks to the strong economic rebound and domestic consumption, the Jinchuan nickel price then rose steadily with several troughs and plateaus since the second quarter of 2009 to July 2011. It reached a peak level at RMB218,000 per metric tonnes in February 2011 after the outbreak of the financial crisis. Followed by a decline, the Jinchuan nickel price touched the trough of RMB164,000 per metric tonnes in June 2011 afterwards.

The following diagram shows the daily price of 9990 electrolytic nickel quoted by Jinchuan Group from January 1, 2007 to September 19, 2011 (RMB per metric tonne):

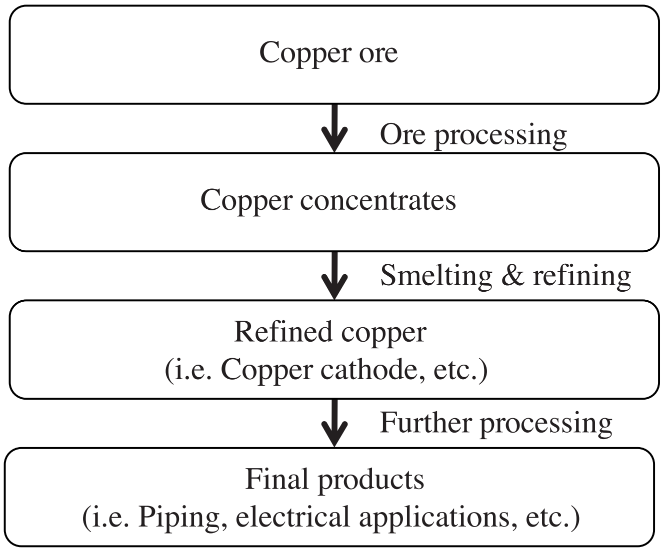
Data source: Jinchuan Group

(IV). COPPER

(A). Introduction

Copper is a chemical element with the symbol Cu and atomic number 29. It is commonly described as a reddish-brown, malleable, and ductile metal that is one of the best conductors of heat and electricity. The melting point and boiling point for copper are also very high, which are 1083 °C and 2567 °C respectively. Pure copper is rather soft and malleable and a freshly-exposed surface has a pinkish or peachy color. It is used as a thermal conductor, an electrical conductor, a building material, and a constituent of various metal alloys.

The following diagram depicts the exploitation and production of copper:



Copper is malleable and ductile and is a good conductor of both heat and electricity.

The purity of copper is expressed as 4N for 99.99% pure or 7N for 99.99999% pure. The numeral gives the number of nines after the decimal point when expressed as a decimal (e.g. 4N means 0.9999, or 99.99%). Copper is often too soft for its applications, so it is incorporated in numerous alloys. For example, brass is a copper-zinc alloy, and bronze is a copper-tin alloy.

There are numerous copper alloys, many with important historical and contemporary uses. Speculum metal and bronze are alloys of copper and tin. Brass is an alloy of copper and zinc. Monel metal, also called cupronickel, is an alloy of copper and nickel. While the metal "bronze" usually refers to copper-tin alloys, it is also a generic term for any alloy of copper, such as aluminium bronze, silicon bronze, and manganese bronze. Copper is one of the most important constituents of carat silver and gold alloys and carat solders used in the jewelry industry, modifying the color, hardness and melting point of the resulting alloys.

Copper is used extensively, in products such as: piping, electrical applications, various kinds of household products, coinage and so on. The applications of copper also include in architecture and industry, biomedical, and chemical.

(B). **Demand and Consumption**

(i). ***Global consumption of refined copper***

Referring to the 2010 Yearbook, the global consumption of refined copper was 16.87 million metric tonnes in 2009 decreased by 6.8% from 18.10 million tonne in 2008, which is roughly the same as that in 2007. The top 5 countries in refined copper production are the PRC, the United States, Germany, Korea, and Japan, taking up 61.2% of the global consumption in 2009.

The following table shows the annual consumption of refined copper by major consumption countries from 2007 to 2009 (thousand metric tonne ("kt")):

	2007	2008		2009	
	Annual consumption volume *(kt)*	Annual consumption volume *(kt)*	Annual change *(%)*	Annual consumption volume *(kt)*	Annual change *(%)*
The PRC	4,863.4	5,148.9	5.9%	5,750.0	11.7%
The United States	2,123.0	2,020.0	-4.9%	1,630.0	-19.3%
Germany	1,391.8	1,398.1	-0.1%	1,137.7	-18.2%
Korea	855.6	815.1	-4.7%	936.1	14.8%
Japan	1,251.9	1,184.4	-5.4%	875.4	-26.1%
Other countries	7,621.9	7,535.9	-1.1%	6,536.5	-13.3%
World total consumption	18,107.6	18,094.4	-0.1%	16,865.7	-6.8%

Data source: The 2010 Yearbook

Copper Outlook July 2011 issued by AME indicated that it expects the copper demand will continue to improve when the growth in refined copper demand in 2009 was constrained by slow growth in supply in 2009. It forecasts refined copper demand to grow at a CAGR of 4.0% to reach 29.4 million tonne by 2021 over the next decade. For a longer-term forecast period, AME expects refined copper demand to increase at a CAGR of 2.5% between 2022 and 2026.

(ii). ***The PRC consumption of refined copper***

The PRC has been the top refined copper consumption country in the world with gaining contribution in terms of both volume and proportion. In 2007, the PRC consumed 26.86% of the world's total refined copper production and this amount increased slightly to 28.26% in 2008 and further leaped to 34.09% in 2009.

The copper consumption proportion of the PRC increased along with the increasing volume. In 2007, the PRC used up 4.86 million metric tonnes and this amount increased to 5.15 million metric tonnes in 2008 and further grew to 5.75 million metric tonnes representing a CAGR of 8.73%. In contrast, the global copper consumption reported a declining trend over 2007 to 2009 by a cumulative annual decreasing rate of 3.49% due to the outbreak of financial crisis in 2008 and economic recession in the first half of 2009. The strong growth of copper demand by the PRC has netted off the dropping needs of the other countries.

AME estimates the PRC copper demand to accelerate towards the middle of the decade. Over the longer term, the PRC will remain the largest single source of global demand but growth rates will be lower as the economy continues to mature and grow from a considerably higher base. By 2021, the PRC is expected to account for 42% of the global demand.

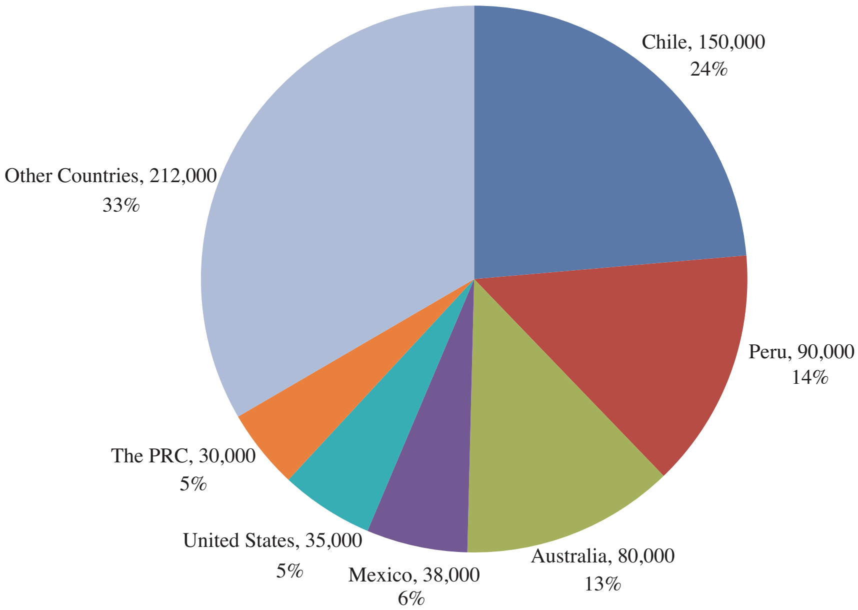
(C). **Reserve and Production**

(i). ***Global copper reserve***

As per Mineral Commodity Summaries 2011 by the UGSG, the world copper reserve was estimated to be 630 million tonnes as at the year end of 2010. Chile is the richest country with a reserve of 150 million tonnes, accounting for 24% of the world total. The reserve of the PRC was 30 million tonnes, took up to only 5% of the world total.

The following diagram shows the world copper reserves as at the year end of 2010 (thousand metric tonnes):

World Copper Reserves 2010



Data source: Mineral Commodity Summaries 2011, the USGS, January 21, 2011

(ii). ***Copper content in ore and concentrates***

(a). *Global production of copper in ore and concentrates*

The 2010 Yearbook shows the top 5 production countries of copper content in ore and concentrates are Chile, Peru, The United States, the PRC and Indonesia. They contributed a total of 62.35% of the world's total production in 2009. According to Mineral Commodity Summaries 2011, all the said 5 countries are copper reserve rich countries which result in their high production volumes.

Although the PRC is the fourth largest production country of copper content in ore and concentrates, it only contributed to 1.04 million metric tonnes or 6.59% of the world's total production in 2009. Chile being the largest producer contributed approximately 34% of the world's total production, which has a dominant impact on the global production volume. The average production volume of Chile during the three years is over five times of that of the PRC.

The following table shows the annual production volume of copper contents in ore and concentrates by the major production countries from 2007 to 2009 (thousand metric tonne ("kt")):

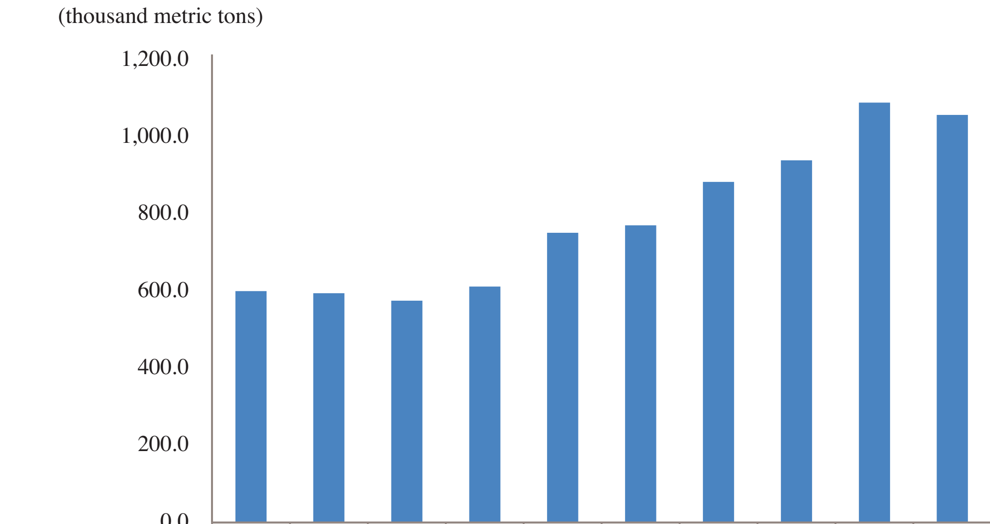
	2007	2008		2009	
	Annual production volume	**Annual production volume**	**Annual change**	**Annual production volume**	**Annual change**
	(kt)	*(kt)*	*(%)*	*(kt)*	*(%)*
Chile	5,557.0	5,330.3	-4.1%	5,389.6	1.1%
Peru	1,190.3	1,267.9	6.5%	1,274.7	0.5%
The United States	1,168.0	1,334.0	14.2%	1,200.4	-10.0%
The PRC	928.0	1,076.0	15.9%	1,044.5	-2.9%
Indonesia	788.9	650.5	-17.5%	970.2	49.1%
Other countries	5,878.3	5,986.1	1.8%	5,964.9	-0.4%
Total global production	15,510.5	15,644.8	0.9%	15,844.3	1.3%

Note: The data include the copper metals content in ore and concentrates.
Data Source: The 2010 Yearbook

(b). *Production in the PRC of copper content in ore and concentrates*

According to the data provided by the 2010 Yearbook and the 60 Years of Nonferrous Metals Industry of the PRC, the production of copper content in ore and concentrates by the PRC demonstrated an increasing trend during 2000 to 2009 with a CAGR of 6.50%. After a mild drop in 2002, the production volume showed an obvious rising pattern until 2008 at 1.08 million metric tonnes and fell to 1.04 million metric tonnes in 2009 from 1.08 million metric tonnes representing a decrease rate of 2.97% due to a decrease in copper price in 2009. The average copper LME spot cash settlement price in 2008 was USD6,959 per metric tonne while that of 2009 was USD5,178 per metric tonne. The average settlement price of copper on SHFE also decreased from RMB54,766 per metric tonne in 2008 to RMB42,181 per metric tonne in 2009. However, the 2009 production volume is the second largest during the decade.

The following diagram shows the annual production volume of copper content in ore and concentrates by the PRC from 2000 to 2009:



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Copper content in ore and concentrates production (kt)	592.6	587.4	568.1	604.4	742.2	761.6	872.9	928.0	1,076	1,044

Data source: The 2010 Yearbook and The 60 Years of Nonferrous Metals Industry of the PRC

As per the 2010 Yearbook, Jiangxi was in the first place in term of copper content in ore and concentrates production due to its largest copper reserve and the largest copper processing company of the PRC, the amount was 202.7 thousand metric tonnes in 2009, which contributed 19% of the total production of the PRC. Total production of Xinjiang was in the sixth place with a volume of 57,000 metric tonnes, which took up 6% of the total production of the PRC.

The following diagram shows the annual production volume of copper contents in ore and concentrates of the top 5 provinces and Xinjiang of the PRC in 2009 (thousand metric tonnes):

	2009	
	Annual production volume *(kt)*	Percentage of total PRC production volume *(%)*
Jiangxi	202.7	19.4%
Yunnan	155.4	14.9%
Neimeng	136.1	13.0%
Anhui	117.0	11.2%
Sichuan	67.3	6.4%
Xinjiang	57.7	5.5%
Others	308.3	29.5%
Total PRC production	1,044.5	100.0%

Data source: The 2010 Yearbook

(iii). ***Refined copper***

(a) *Global production of refined copper*

According to the 2010 Yearbook, the five largest refined copper production countries are the PRC, Chile, Japan, the United States and Russia. Having been the top producer during the years, the PRC is attributable to 21.85% of the global total production volume in 2009 increased slightly from 19.41% in 2007 to 20.51% in 2008. Together with the second largest producer, Chile, the two countries together contributed to an average of 37.42% of the world's total production throughout the three years and therefore, have a pre-dominant impact on the global supply.

The global supply increased slightly from 18.03 million metric tonnes in 2007 to 18.50 metric tonnes in 2008 to 18.54 million metric tonnes in 2009 with a CAGR of 1.40%. It is largely driven by the production output of the PRC and Chile, in which the two countries demonstrated similar growth pattern across the years. The PRC produced 3.50 million metric tonnes in 2007, 3.79 million metric tonnes in 2008 and 4.05 million metric tonnes in 2009 representing a CAGR of 7.60%. However, the growth in production by the PRC is offset by a decrease in production by other countries except Chile.

The following table shows the annual production volume of refined copper by major production countries from 2007 to 2009 (thousand metric tonne ("kt")):

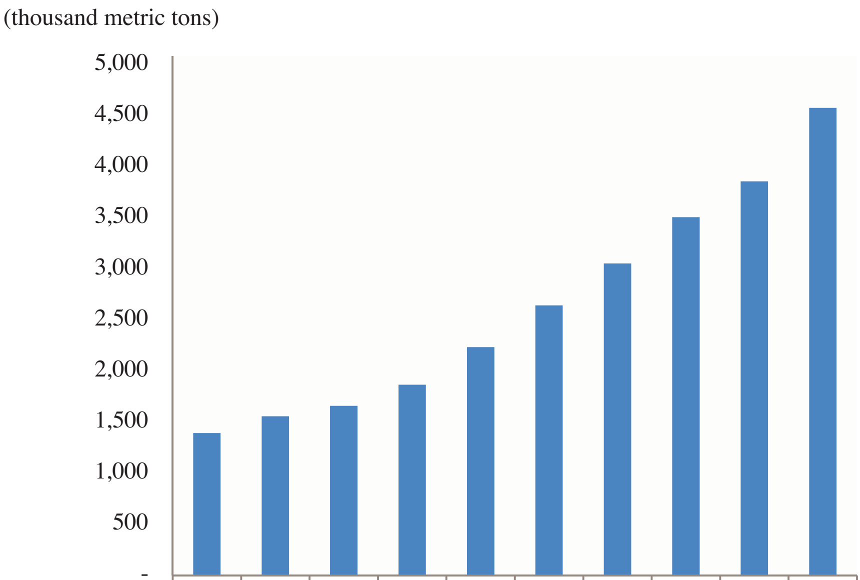
	2007	2008		2009	
	Annual production volume *(kt)*	**Annual production volume** *(kt)*	**Annual change** *(%)*	**Annual production volume** *(kt)*	**Annual change** *(%)*
The PRC	3,499.4	3,794.6	8.4%	4,051.3	6.8%
Chile	2,936.5	3,060.3	4.2%	3,271.8	6.9%
Japan	1,576.8	1,539.8	-2.3%	1,439.8	-6.5%
The United States	1,326.0	1,280.0	-3.5%	1,185.2	-7.4%
Russia	923.3	913.0	-1.1%	926.4	1.5%
Other countries	7,767.3	7,909.6	1.8%	7,664.2	-3.1%
Total global production	18,029.3	18,497.3	2.6%	18,538.7	0.2%

Data source: The 2010 Yearbook

(b) *Production in the PRC of refined copper*

As data provided by the 2010 Yearbook and the 60 Years of Nonferrous Metals Industry of the PRC, the production volume of refined copper by the PRC demonstrated an increasing trend with accelerating growth rates during 2000 to 2009 with a CAGR of 14.12%. The growth rate in 2009 is the sharpest being 18.63%.

The following diagram shows the annual production volume of refined copper by the PRC from 2000 to 2009:



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Refined copper production (kt)	1,371	1,532	1,632	1,836	2,198	2,600	3,003	3,499	3,794	4,501

Data source: The 2010 Yearbook and The 60 Years of Nonferrous Metals Industry of the PRC

Same as production of copper content in ore and concentrates, Jiangxi was in the first place in term of refined copper production due to its largest copper smelting & refining company of the PRC, the amount was 816.2 thousand metric tonnes in 2009, which contributed 20% of the total production of the PRC. Because of the lack of copper smelting & refining company, the refined copper production in Xinjiang was only 5 thousand metric tonnes in 2009.

The following diagram shows the annual production volume of refined copper of the top 5 provinces and Xinjiang of the PRC in 2009 (thousand metric tonnes ("kt")):

	2009	
	Production volume *(kt)*	Percentage of total production volume *(%)*
Jiangxi	816.2	20.1%
Shangdong	563.6	13.9%
Anhui	539.2	13.3%
Gansu	418.9	10.3%
Yunnan	299.5	7.4%
Xinjiang	5.0	0.1%
Others	1,413.9	34.9%
Total PRC production	4,056.3	100.0%

Data source: The 2010 Yearbook

(D). **Supply-Demand Imbalance of Copper**

Based on the refined copper production and consumption data, there was a slightly shortage of 78.3 thousand metric tonnes of refined copper over the global market in 2007. However, the shortage became oversupply in 2008 and 2009 of 402.9 thousand metric tonnes and 1.67 million tonnes respectively, as a result of global financial crisis and economic recession.

For the PRC, the aggregate domestic refined copper production could not satisfy the aggregate domestic demand during the three years ended 31 December 2009 due to the faster growth in the consumption rate over production rate. There was a shortage of 1.36 million metric tonnes in 2007, a shortage of 1.35 million metric tonnes in 2008 and a shortage of 1.70 million metric tonnes in 2009.

The following table shows the supply-demand balance of refined copper of the PRC and the world from 2007 to 2009:

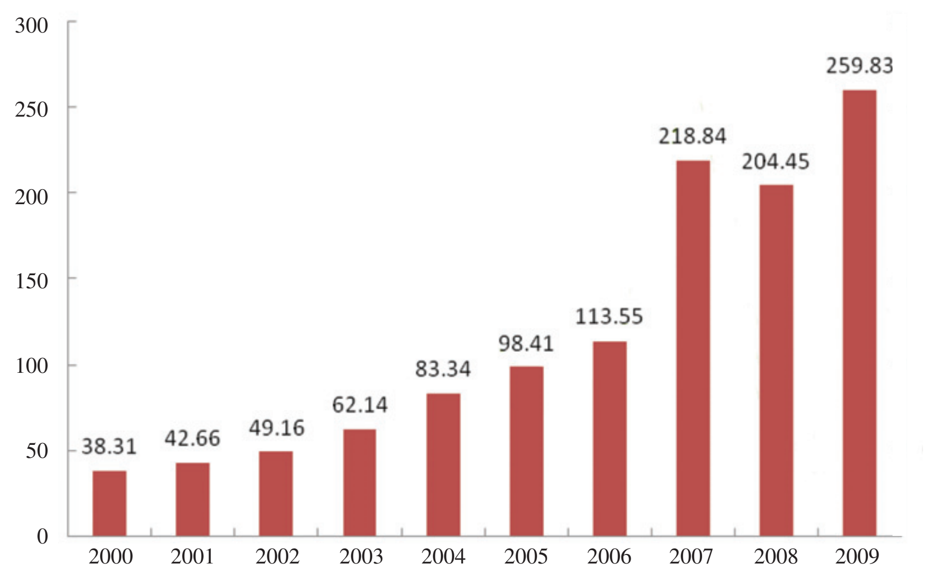
	2007	2008	2009
	(thousand metric tonnes)		
Production of the PRC	3,499.4	3,794.6	4,051.3
Consumption of the PRC	4,863.4	5,148.9	5,750.0
Domestic supply-demand balance of the PRC	-1,364.0	-1,354.3	-1,698.7
World production	18,029.3	18,497.3	18,538.7
World consumption	18,107.6	18,094.4	16,865.7
World supply-demand balance	-119.0	395.7	1,673.0

Data source: The 2010 Yearbook

As a result of the insufficient supply of refined copper from domestic producers, the PRC has imported refined copper from overseas suppliers to satisfy the unfilled demand.

Currently, the PRC is the largest net importer of refined copper. With the expansion of refining capacity in the PRC and the high price of copper on the international market during the first half of 2008, the volume of copper imports was expected to decrease for the year. According to the 2010 Yearbook, the PRC imported 3.19 million metric tonnes of refined copper, which is 4.84 times over the import amount of the second largest importer Germany.

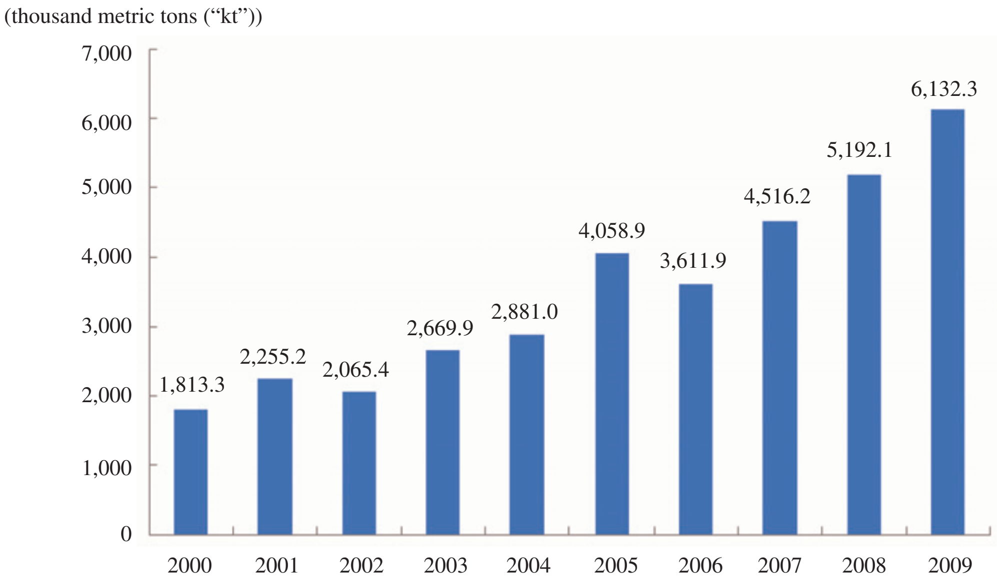
The following diagram shows the value of the net import of copper to the PRC from 2000 to 2009 (USD hundred million):



Data source: The PRC Statistical Yearbook 2002 - 2010

For the copper contents in ore and concentrates, the PRC is one of the largest importer without any export in the last 10 years from 2000 to 2009. The amount of copper concentrates imports was 6.13 million metric tonnes in 2009, with a CAGR of 14.5% from 2000 to 2009.

The following diagram shows the volume of import of copper concentrates to the PRC from 2000 to 2009:



Data source: The 2010 Yearbook and The 60 Years of Nonferrous Metals Industry of the PRC, Sep. 2009

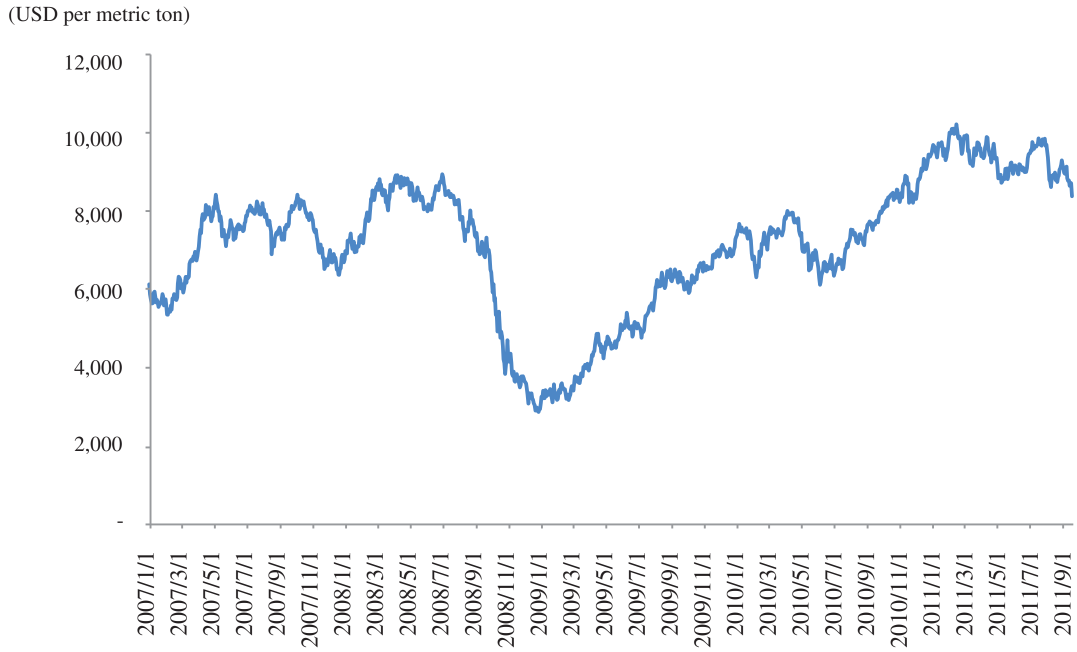
(E). **Historical Price Trend**

(i). ***World copper price***

During 2007 to the third quarter of 2008, the price of copper fluctuated within a high range from USD5,300 per metric tonne to USD8,900 per metric tonne. Amid the outbreak of financial crisis in the fourth quarter of 2008, the price dropped to the lowest as USD2,810 per metric tonne in December 2008. Thanks to the introduction of the economy stimulating policies by various nation governments in 2009 and 2010, the price of copper gradually climbed up along with the economy recovery though with a moderate drop to USD6,068 per metric tonne in June 2010. The increasing trend restored and the price climbed to the peak of USD10,180 per metric tonne in February 2011 followed by a drop to the trough of USD8,680 per metric tonne in May 2011.

The copper price increased from USD3,042 per metric tonne as at 31 December 2008 to USD7,342 per metric tonne as at 31 December 2009. Additionally, the strong economic growth in the PRC and other developing countries with increasing demand in copper, the price was further driven up to USD9,650 per metric tonne as at 31 December 2010, largely surpassed the pre-financial crisis level of USD6,642 per metric tonne as at 31 December 2007 representing a CAGR of 78% for the period of 2009 to 2010.

The following diagram shows the LME spot cash settlement price of copper from 1 January, 2007 to 19 September, 2011 (USD per metric tonne):



Data source: Bloomberg

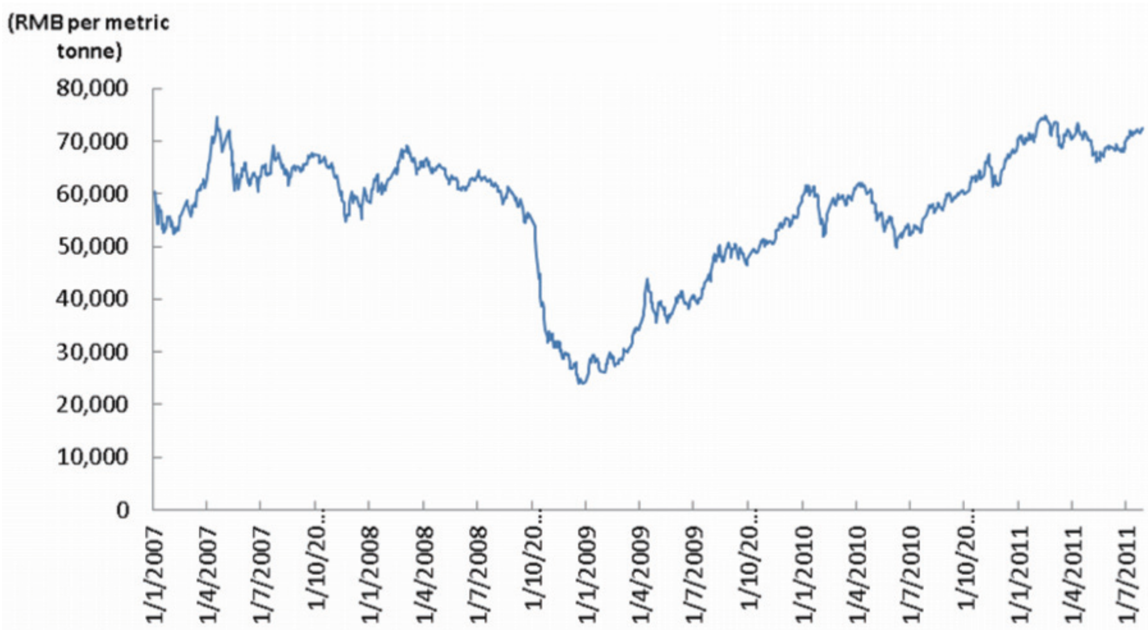
(ii). ***The PRC domestic copper price***

The domestic price as demonstrated by the copper settlement price at SHFE ("SHFE settlement price") follows the same trend of the world copper price as the LME price, but a little delay.

Similar to the international copper price on LME, the SHFE settlement price fluctuated between RMB75,000 per metric tonne to RMB52,000 per metric tonne from 2007 to the third quarter of the 2008.

During the financial crisis in the fourth quarter of 2008, the SHFE settlement price fell to as low as RMB24,000 per metric tonne. Following the same trend as the international copper price with an upward trend after the sharp decline, the domestic copper price moved up with a drop in June 2010 to RMB49,730 per metric tonne and continued to climb until RMB74,830 per metric tonne in February 2011 surpassing the peak of RMB74,660 per metric tonne in April 2007 . The price then fell to RMB66,100 in May 2011 and resumed to RMB72,480 per metric tonne as at 29 July 2011 representing a 9.65% growth rate across the period.

The following diagram shows the settlement price on the last trading day of the current month futures contract for standard copper cathode quoted on Shanghai Futures Exchange from January 1, 2007 to July 29, 2011 (RMB per metric tonne):



Data source: SHFE

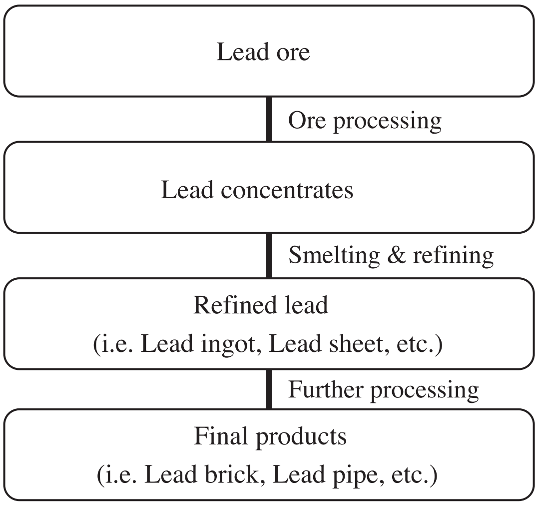
(V). LEAD

(A). Introduction

Lead is a chemical element with the symbol Pb and atomic number 82. Lead is a soft, malleable poor metal. It is also counted as one of the heavy metals. The melting point and boiling point for lead are 327.46℃ and 1,749℃ respectively. Metallic lead has a bluish-white color after being freshly cut, but it soon tarnishes to a dull grayish color when exposed to air. Lead has a shiny chrome-silver luster when it is melted into a liquid.

Metallic lead does occur in nature, but it is rare. Lead is usually found in ore with zinc, silver and copper, and is extracted together with these metals. The main lead mineral is galena (PbS), which contains 86.6% lead. Other common varieties are cerussite (PbCO3) and anglesite (PbSO4).

The following diagram depicts the exploitation and production of lead:



Lead is used in building construction, lead-acid batteries, bullets and shots, weights, as part of solders, pewters, fusible alloys and as a radiation shield. Lead has the highest atomic number of all of the stable elements, although the next higher element, bismuth, has a half-life that is so long that it can be considered stable.

(B). **Demand and Consumption**

(i). ***Global consumption of refined lead***

Referring to the 2010 Yearbook, the global consumption volume maintained largely stable with an average of 8.63 million metric tonnes throughout 2007 to 2009. Under the influence of financial crisis, except the PRC and Spain, other countries showed a general decline in refined lead consumption comparing 2008 to 2009. The top 5 countries in refined lead consumption are PRC, the United States, Germany, Korea and Spain, taking up 68.6%, of the global consumption in 2009.

The following table shows the annual consumption of refined lead by major consumption countries from 2007 to 2009 (thousand metric tonne ("kt")):

	2007	2008		2009	
	Annual production volume *(kt)*	Annual production volume *(kt)*	Annual change *(%)*	Annual production volume *(kt)*	Annual change *(%)*
The PRC	2,573.8	3,456.3	34.3%	3,650.0	5.6%
The United States	1,570.0	1,470.0	-6.4%	1,436.1	-2.3%
Germany	349.7	374.7	7.1%	316.8	-15.5%
Korea	343.6	315.1	-8.3%	308.5	-2.1%
Spain	258.9	228.2	-11.9%	236.7	3.7%
Other countries	3,199.9	3,075.9	-3.9%	2,721.2	-11.5%
Total global consumption	8,295.9	8,920.2	7.5%	8,669.3	-2.8%

Data Source: The 2010 Yearbook

(ii). ***The PRC consumption of refined lead***

The PRC has been the top refined lead consumption country in the world with gaining contribution in terms of both volume and proportion. In 2007, the PRC consumed 31.0% of the world's total refined lead production and the amount increased to 38.7% in 2008 and a further leaped to 42.1% in 2009.

Despite the global consumptions demonstrated slight fluctuations, the refined lead consumptions of the PRC increased continuously throughout 2007 to 2009. It is noteworthy that the PRC had a further increase of 5.6% in refined lead consumption in 2009 after a robust growth of 34.3% in 2008 whereas the general global consumption showed a decline from 2008 to 2009. One of the main drivers to support the PRC refined lead consumption growth was the increase in vehicles purchase and in turn increased the demand of the lead acid batteries.

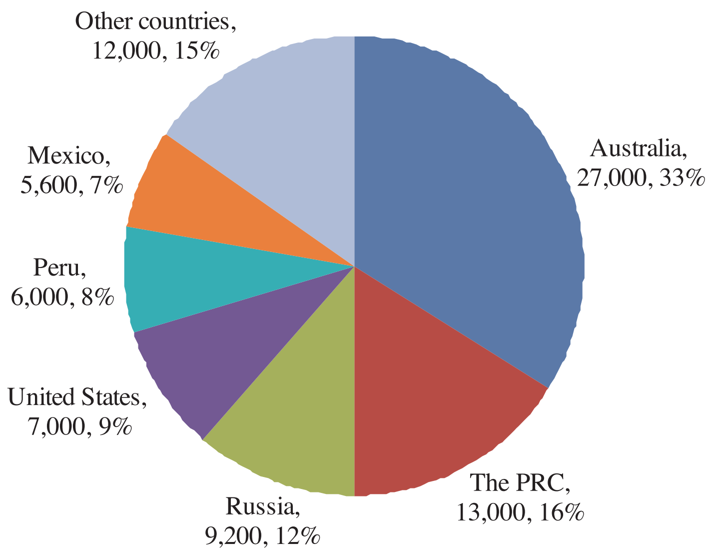
(C). **Reserve and Production**

(i). ***Global lead reserve***

As per Mineral Commodity Summaries 2011 by the USGS, the world lead reserve was estimated to be 80 million metric tonnes as at the year end of 2010. Australia is the richest country with a reserve of 27 million metric tonnes, accounting for 33% of the world total. The reserve of the PRC was 13 million metric tonnes, taking up 16% of the world total.

The following diagram shows the world lead reserves as at the year end of 2010 (thousand metric tonnes):

World Lead Reserve 2010



Data Source: Mineral Commodity Summaries 2011, the USGS, January 21, 2011

(ii). ***Lead content in ore and concentrates***

(a). *Global production of lead in ore and concentrates*

The 2010 Yearbook shows the top 5 production countries of lead content in ore and concentrates are the PRC, Australia, the United States, Peru, and Mexico. They contributed a total of 78.72% of the world's total production in 2009. These five countries are lead reserve rich countries which result in their high production volumes. The global production of lead content in ore and concentrates increased from 3.69 million metric tonnes in 2007 to 3.82 million metric tonnes in 2008 with a mild growth to 3.84 million metric tonnes in 2009.

During 2007 to 2009, the PRC maintained to be the largest and dominant production country of lead content in ore and concentrates contributing over 35% of the world's total production. In 2009, such a contribution further increased to 41.73%. Similar to the global consumption pattern, the PRC showed a continuous growth in lead content in ore and concentrates throughout 2007 to 2009 and a particular strong growth in 2009 by 14.4% when the global production growth was only 0.7% amid the economic recession after the outbreak financial crisis in the second half of 2008.

The following table shows the annual production volume of lead contents in ore and concentrates by the major production countries from 2007 to 2009 (thousand metric tonne ("kt")):

	2007	2008		2009	
	Annual production volume *(kt)*	Annual production volume *(kt)*	Annual change *(%)*	Annual production volume *(kt)*	Annual change *(%)*
The PRC	1,402.1	1,402.7	0.0%	1,604.1	14.4%
Australia	641.0	650.0	1.4%	566.0	-12.9%
The United States	409.2	413.0	0.9%	413.7	0.2%
Peru	329.2	345.1	4.8%	302.4	-12.4%
Mexico	137.1	141.2	3.0%	139.8	-1.0%
Other countries	766.8	865.7	12.9%	818.0	-5.5%
Total global production	3,685.4	3,817.7	3.6%	3,844.0	0.7%

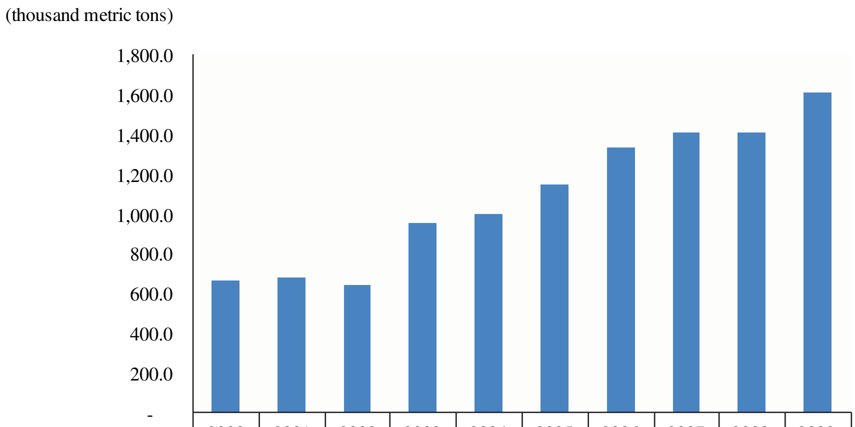
Note: The data include the lead metals content in ore and concentrates.

Data Source: The 2010 Yearbook

(b). *Production in the PRC of lead content in ore and concentrates*

According to the data provided by the 2010 Yearbook and the 60 Years of Nonferrous Metal Industry of the PRC, the production of lead content in ore and concentrates by the PRC demonstrated an increasing trend during 2000 to 2009 with a CAGR of 10.38%.

The following diagram shows the annual production volume of lead content in ore and concentrates by the PRC from 2000 to 2009:



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Lead content in ore and concentrates production (kt)	659.5	675.8	640.7	954.6	997.2	1,142.0	1,330.6	1,402.1	1,402.7	1,604.1

Data source: The 2010 Yearbook and The 60 Years of Nonferrous Metals Industry of the PRC

According to the 2010 Yearbook, Neimeng was in the first place in term of lead content in ore and concentrates production due to its largest reserve in the PRC. The amount was 276.5 thousand metric tonnes in 2009, which contributed 17.2% of the PRC total. Total production volume of Xinjiang was 3,700 metric tonnes in 2009, which only took up 0.2% of the total production of the PRC.

The following diagram shows the annual production volume of lead contents in ore and concentrates of the top 5 provinces and Xinjiang provinces of the PRC in 2009 (thousand metric tonnes):

	Annual production volume	**% of total PRC production**
	(kt)	*(%)*
Neimeng	276.5	17.2%
Sichuan	165.6	10.3%
Hunan	160.2	10.0%
Guangxi	129.6	8.1%
Guangdong	125.1	7.8%
Xinjiang	3.7	0.2%
Others	743.4	46.3%
Total PRC Production	1,604.1	100.0%

Data source: The 2010 Yearbook

(iii). ***Refined Lead***

(a). *Global production of refined lead*

According to the 2010 Yearbook, the five largest refined lead production countries are the PRC, the United States, Germany, England, and Korea. Having been the top producer during the years, the PRC accounted for 42.47% of the global total production volume in 2009 which increased slightly from 34.28% in 2007 to 38.86% in 2008. Together with the second largest producer, the United States, the two countries together contributed to an average of 53.53% of the world's total production throughout the three years and therefore, have a pre-dominant impact on the global supply.

The global supply increased slightly from 8.135 million metric tonnes in 2007 to 8.882 million metric tonnes in 2008 and to 8.885 million metric tonnes in 2009 with a CAGR of 4.51%. It is largely driven by the production output of the PRC and the United States. The PRC produced 2.79 million metric tonnes in 2007, 3.45 million metric tonnes in 2008 and 3.77 million metric tonnes in 2009 representing a CAGR of 16.32%. However, the growth in production by PRC is offset by a decrease in production by other countries except England.

The following table shows the annual production volume of refined lead by major production countries from 2007 to 2009 (thousand metric tonne ("kt")):

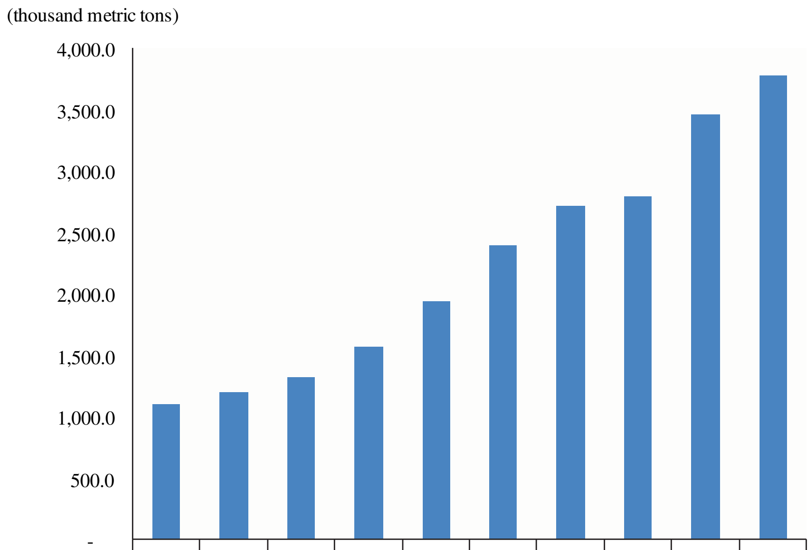
	2007	2008		2009	
	Annual production volume *(kt)*	Annual production volume *(kt)*	Annual change *(%)*	Annual production volume *(kt)*	Annual change *(%)*
The PRC	2,788.3	3,451.8	23.8%	3,772.9	9.3%
The United States	1,303.0	1,285.0	-1.4%	1,288.9	0.3%
Germany	355.0	415.1	16.9%	392.9	-5.3%
England	263.0	283.0	7.6%	301.9	6.7%
Korea	254.0	274.4	8.0%	278.0	1.3%
Other countries	3,171.3	3,173.0	0.1%	2,850.1	-10.2%
Total global production	8,134.6	8,882.3	9.2%	8,884.7	0.0%

Data source: The 2010 Yearbook

(b). *Production in the PRC of refined lead*

As data provided by the 2010 Yearbook and the 60 Years of Nonferrous Metal Industry of the PRC, the production volume of refined lead by the PRC demonstrated an increasing trend with accelerating growth rates during 2000 to 2009 with a CAGR of 14.68%.

The following diagram shows the annual production volume of refined lead by the PRC from 2000 to 2009:



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Refined Lead Production	1,099.9	1,195.4	1,324.7	1,564.1	1,934.5	2,391.4	2,714.9	2,788.3	3,451.8	3,772.9

Data source: The 2010 Yearbook and The 60 Years of Nonferrous Metals Industry of the PRC

Henan was in the first place in term of refined lead production due to its largest lead smelting & refining company of the PRC. The amount was 1.19 million metric tonnes in 2009, which contributed 31.59% of the total production of the PRC. Because of the lack of lead smelting & refining company, the refined lead production in Xinjiang was only 1,400 metric tonnes in 2009.

The following diagram shows the annual production volume of refined lead of the top 5 provinces and Xinjiang of the PRC in 2009 (thousand metric tones ("kt")):

	Annual production volume	Annual change
	(kt)	*(%)*
Henan	1,191.6	31.6%
Anhui	657.6	17.4%
Hunan	635.5	16.9%
Yunnan	318.7	8.4%
Jiangsu	172.8	4.6%
Xinjiang	1.4	0.0%
Others	795.3	21.1%
Total PRC Production	3,771.5	100.0%

Data source: The 2010 Yearbook

(D). **Supply-Demand Imbalance of Lead**

Base on the refined lead production and consumption data, there was slightly a shortage of 161.3 thousand metric tonnes of refined lead over the global market in 2007, and a shortage of 37.9 thousand metric tonnes in 2008. However, the shortage became oversupply in 2009 of 215.4 thousand metric tonnes, as a result of global financial crisis and economic recession.

For the PRC, there was a slightly oversupply of 214.5 thousand metric tonnes in 2007, a shortage of 4,500 metric tonnes in 2008 and a oversupply of 122.9 thousand metric tonnes in 2009.

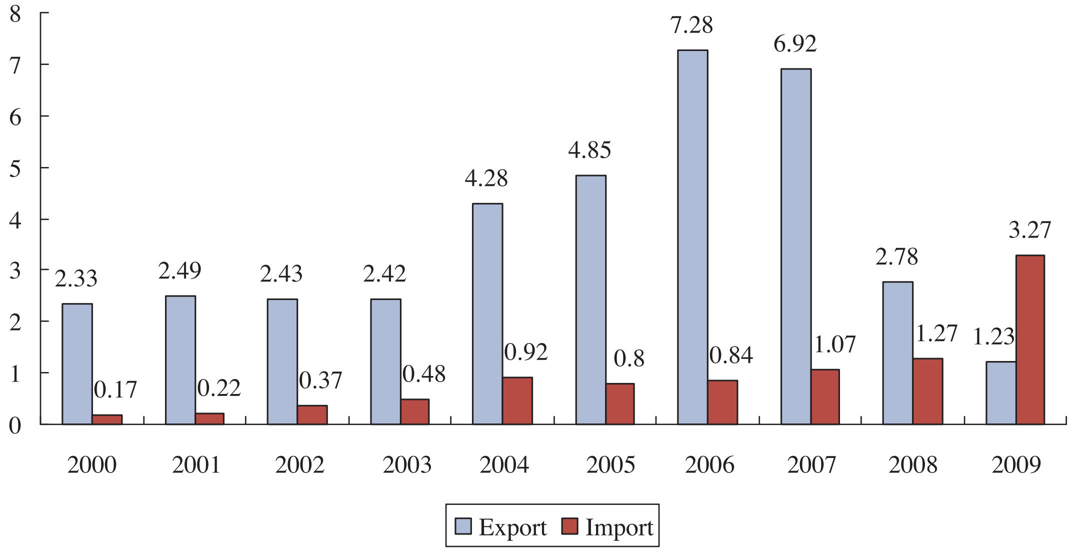
The following table shows the supply-demand balance of refine lead of the PRC and the world from 2007 to 2009:

	2007	2008	2009
		(thousand metric tonnes)	
Production of the PRC	2,788.3	3,451.8	3,772.9
Consumption of the PRC	2,573.8	3,456.3	3,650.0
Domestic Supply-demand balance of the PRC	214.5	-4.5	122.9
World Production	8,134.6	8,882.3	8,884.7
World Consumption	8,295.9	8,920.2	8,669.3
World Supply-demand balance	-161.3	-37.9	215.4

Data source: The 2010 Yearbook

As a result of the oversupply of refined lead from domestic producers, the PRC has a net export position from 2000 to 2008. However, with the fast growth in the refined lead consumption, the PRC has net import of USD 201 million in 2009.

The following diagram shows the value of the export and import of lead of the PRC from 2000 to 2009 (USD hundred million):



Data source: The PRC Statistical Yearbook 2002 - 2010

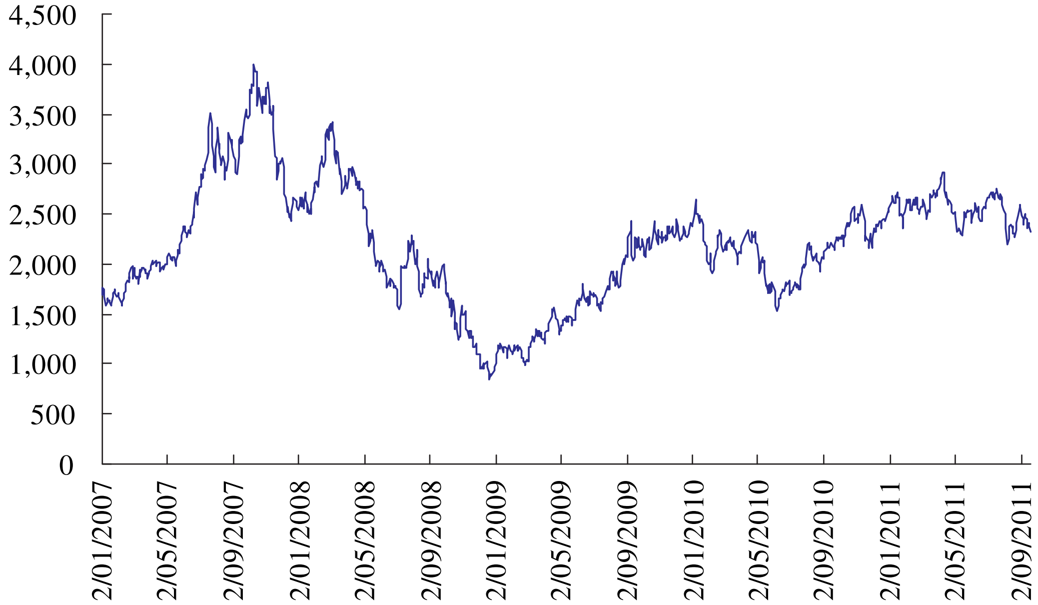
(E). **Historical Price Trend**

(i). ***World lead price***

During 2007 to the third quarter of 2008, the price of lead fluctuated at a high range from USD 1,590 per metric tonne to USD 3,989 per metric tonne. Amid the outbreak of financial crisis in the fourth quarter of 2008, the price dropped to the lowest as USD 845 per metric tonne in December 2008. Thanks to the introduction of the economy stimulating policies by various nation governments in 2009 and 2010, the price of lead gradually climbed up along with the economy recovery though with a moderate drop to USD2,653 per metric tonne in January 2010. The increasing trend restored and climbed to the peak of USD2,925 per metric tonne in April 2011 followed by a drop to the trough of USD 2,301 per metric tonne in May 2011. The lead price remained stable afterwards and was USD 2,320 per metric tonne as at 19 September 2011.

The lead price increased from USD 1,012 per metric tonne as at 31 December 2008 to USD 2,402 per metric tonne as at 31 December 2009. Additionally, due to the strong economic growth in the PRC and other developing countries with increasing demand in lead, the price was further driven up to USD 2,564 per metric tonne as at 31 December 2010.

The following diagram shows the LME spot cash settlement price of lead from 1 January, 2007 to 19 September, 2011 (USD per metric tonne):



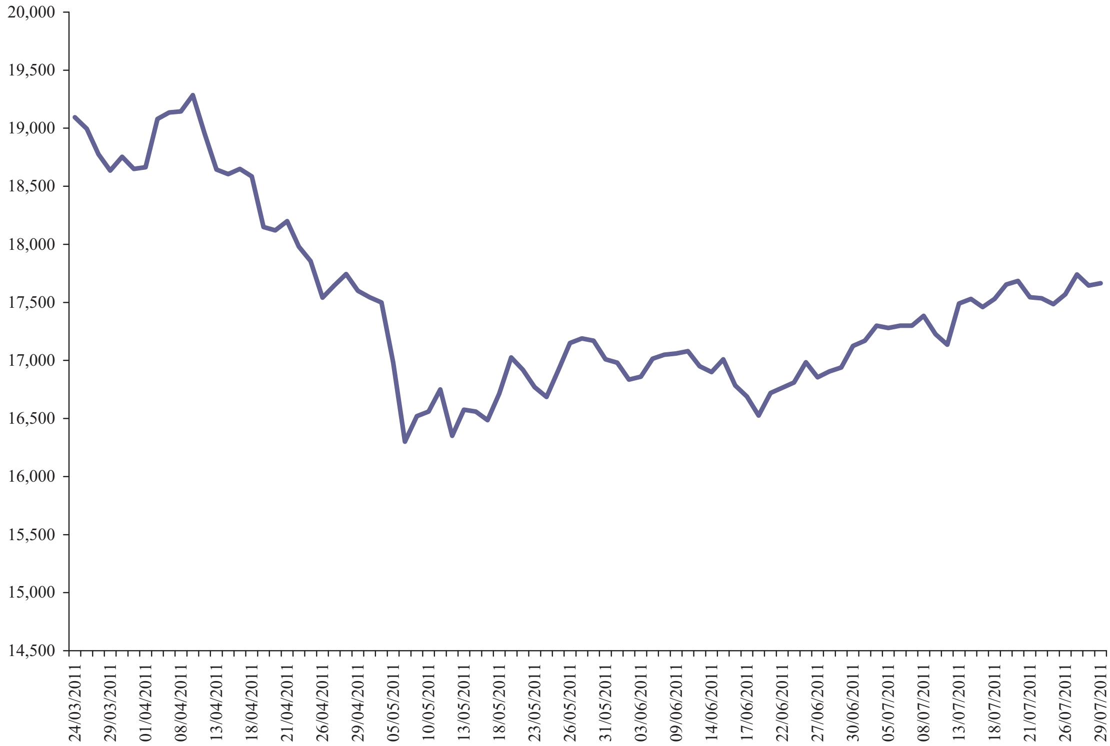
Data source: Bloomberg

(ii). ***The PRC domestic lead price***

The domestic price as demonstrated by the lead settlement price at SHFE ("SHFE settlement price") follows the same trend of the world lead price as the LME price, but a little delay.

Since the Lead Future Contract was launched for trading on the SHFE on 24 March 2011, the domestic lead price of the PRC was only available after 24 March 2011.

The following diagram shows the settlement price on the last trading day of the current month futures contract for standard lead ingot quoted on Shanghai Futures Exchange from 24 March, 2011 to 29 July, 2011 (RMB per metric tonne):



Data source: SHFE

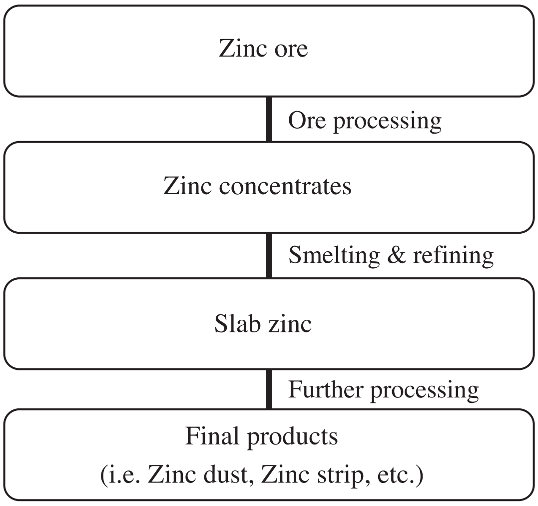
(VI). ZINC

(A). **Introduction**

Zinc is a metallic chemical element; it has the symbol Zn and atomic number 30. Zinc makes up about 75 ppm (0.0075%) of the Earth's crust, making it the 24th most abundant element. Soil contains 5-770 ppm of zinc with an average of 64 ppm. Seawater has only 30 ppb zinc and the atmosphere contains 0.1-4 µg/m zinc. The melting point and boiling point for zinc are 419.53°C and 907°C respectively.

Zinc is normally found in association with other base metals such as copper and lead in ores. It is a chalcophile, meaning the element has a low affinity for oxides and prefers to bond with sulfides. Chalcophiles formed as the crust solidified under the reducing conditions of the early Earth's atmosphere. Sphalerite, which is a form of zinc sulfide, is the most heavily mined zinc-containing ore because its concentrate contains 60-62% zinc.

The following diagram depicts the exploitation and production of zinc:



Zinc is most commonly used as an anti-corrosion agent. Galvanization, which is the coating of iron or steel to protect the metals against corrosion, is the most familiar form of using zinc in this way. The relative reactivity of zinc and its ability to attract oxidation to itself makes it an efficient sacrificial anode in cathodic protection.

It is also an essential mineral of "exceptional biologic and public health importance". Zinc deficiency affects about two billion people in the developing world and is associated with many diseases.

(B). **Demand and Consumption**

(i). ***Global consumption of slab zinc***

Referring to the 2010 Yearbook, the global consumption of slab zinc was 10.71 million metric tonnes in 2009 decreased by 7.5% from 11.58 million tonne in 2008. The top 5 countries in slab zinc consumption are the PRC, the United States, India, Japan, and Korea, taking up 62.56% of the global consumption in 2009.

The following table shows the annual consumption of slab zinc by major consumption countries from 2007 to 2009 (thousand metric tonne ("kt")):

	2007	2008		2009	
	Annual production volume *(kt)*	Annual production volume *(kt)*	Annual change *(%)*	Annual production volume *(kt)*	Annual change *(%)*
The PRC	3,592.1	4,145.2	15.4%	4,350.0	4.9%
The United States	1,000.0	1,000.0	0.0%	991.4	-0.9%
India	480.0	439.0	-8.5%	531.7	21.1%
Japan	588.4	563.9	-4.2%	433.1	-23.2%
Korea	486.2	488.0	0.4%	391.8	-19.7%
Other countries	5,143.4	4,943.1	-3.9%	4,008.0	-18.9%
World total consumption	11,290.1	11,579.2	2.6%	10,706.0	-7.5%

Data source: The 2010 Yearbook

(ii). ***The PRC consumption of slab zinc***

The PRC has been the top slab zinc consumption country in the world with gaining contribution in terms of both volume and proportion. In 2007, the PRC consumed 31.82% of the world's total slab zinc production and the amount slightly increased to 35.80% in 2008 and further leaped to 40.63% in 2009.

The zinc consumption proportion of the PRC increased along with the increasing volume. In 2007, the PRC used up 3.59 million metric tonnes and the amount increased to 4.15 million metric tonnes in 2008 and further grew to 4.35 million metric tonnes in 2009, representing a CAGR of 10.05%. On contrast, the global zinc consumption increased from 11.29 million metric tonnes in 2007 to 11.58 million metric tonnes in 2008 and then decreased to 10.71 million metric tonnes in 2009 due to the outbreak of financial crisis in 2008 and economic recession in the first half of 2009. The strong growth of zinc demand by the PRC has netted off the dropping needs of the other countries.

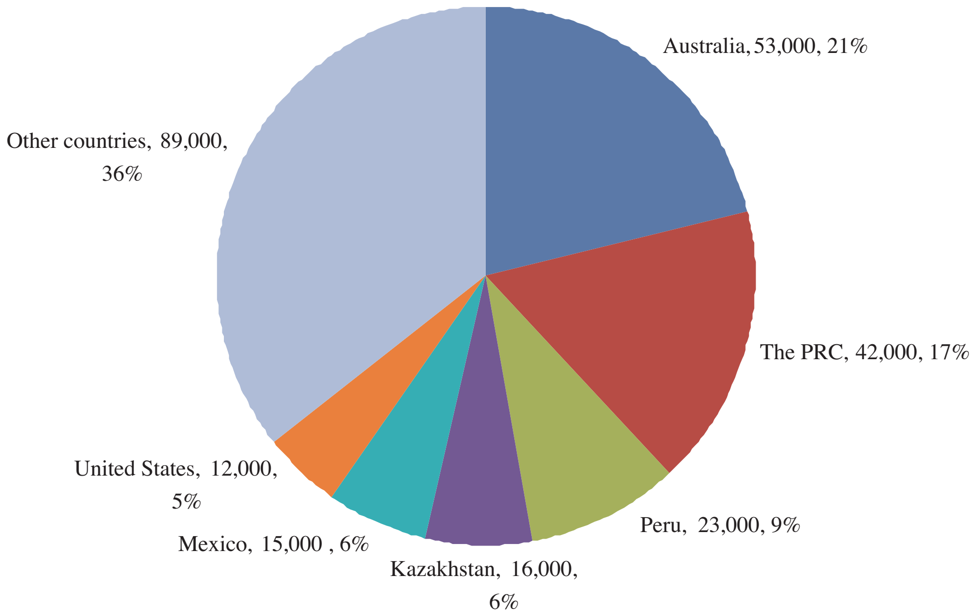
(C). **Reserve and Production**

(i). ***Global zinc reserve***

As per Mineral Commodity Summaries 2011 by the USGS, the world zinc reserve was estimated to be 250 million metric tonnes as at the year end of 2010. Australia is the richest country with a reserve of 53 million metric tonnes, accounting for 21.2% of the world total. The reserve of the PRC was 42 million metric tonnes, taking up 16.8% of the world total.

The following diagram shows the world zinc reserves as at the year end of 2010 (thousand metric tonnes):

World Zinc Reserve 2010



Data source: Mineral Commodity Summaries 2011, the USGS, January 21, 2011

(ii). ***Zinc content in ore and concentrates***

(a). *Global production of zinc in ore and concentrates*

The 2010 Yearbook shows the top 5 production countries of zinc content in ore and concentrates are the PRC, Peru, Australia, the United States, and Canada. They contributed a total of 65.76% of the world's total production in 2009. The five countries are zinc reserve rich countries which result in their high production volumes.

The PRC is the largest production country of zinc content in ore and concentrates, which contributed approximately 28.74% of the world's total production and has a important impact on the global production volume.

The following table shows the annual production volume of zinc contents in ore and concentrates by the major production countries from 2007 to 2009 (thousand metric tonne ("kt")):

	2007	2008		2009	
	Annual production volume *(kt)*	Annual production volume *(kt)*	Annual change *(%)*	Annual production volume *(kt)*	Annual change *(%)*
The PRC	3,047.7	3,342.6	9.7%	3,324.4	-0.5%
Peru	1,444.4	1,581.3	9.5%	1,509.1	-4.6%
Australia	1,518.0	1,519.0	0.1%	1,290.0	-15.1%
The United States	803.0	778.0	-3.1%	785.1	0.9%
Canada	630.5	716.1	13.6%	698.9	-2.4%
Other countries	3,625.8	3,826.5	5.5%	3,960.9	3.5%
Total global production	11,069.4	11,763.5	6.3%	11,568.4	-1.7%

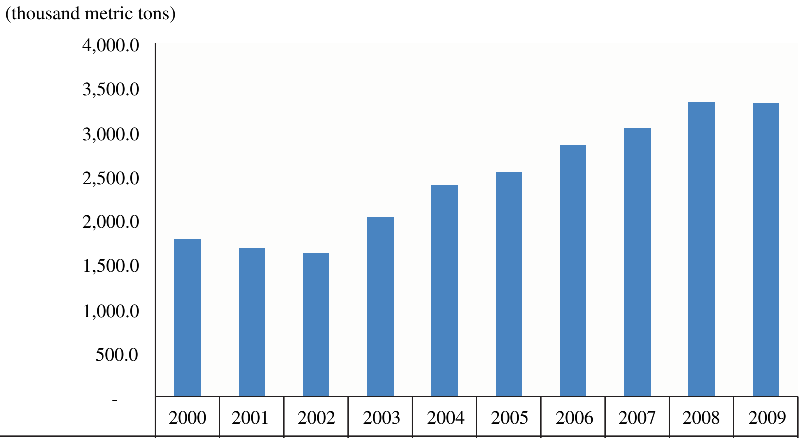
Note: The data include the zinc metals content in ore and concentrates.

Data source: The 2010 Yearbook

(b). *Production in the PRC of zinc content in ore and concentrates*

According to the data provided by the 2010 Yearbook and the 60 Years of Nonferrous Metal Industry of the PRC, the production of zinc content in ore and concentrates by the PRC demonstrated an increasing trend during 2000 to 2009 with a CAGR of 7.19%.

The following diagram shows the annual production volume of zinc content in ore and concentrates by the PRC from 2000 to 2009:



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Zinc content in ore and concentrates production (kt)	1,780.3	1,693.2	1,624.1	2,029.1	2,391.2	2,547.8	2,844.2	3,047.7	3,342.6	3,324.4

Data source: The 2010 Yearbook and The 60 Years of Nonferrous Metal Industry of the PRC

According to the 2010 Yearbook, Neimeng was in the first place in term of zinc content in ore and concentrates production due to its largest reserve in the PRC, the amount was 604.4 thousand metric tonnes in 2009, which contributed 18.2% of the PRC total. Total production volume of Xinjiang was 12.8 thousand metric tonnes in 2009, which only took up 0.4% of the total production of the PRC.

The following diagram shows the annual production volume of zinc contents in ore and concentrates of the top 5 provinces and Xinjiang of the PRC in 2009 (thousand metric tonnes):

	Annual production volume	**% of total PRC production**
	(kt)	*(%)*
Neimeng	604.4	18.2%
Yunnan	576.9	17.4%
Hunan	446.7	13.4%
Sichuan	284.5	8.6%
Guangxi	211.1	6.4%
Xinjiang	12.8	0.4%
Others	1,188.0	35.7%
Total PRC Production	3,324.4	100.0%

Data source: The 2010 Yearbook

(iii). ***Refined Zinc***

(a). *Global production of slab zinc*

According to the 2010 Yearbook, the five largest slab zinc production countries are the PRC, Canada, Korea, India, and Japan. Having been the top producer during the years, the PRC accounted for 37.51% of the global total production volume in 2009 which increased slightly from 32.77% in 2007 to 34.40% in 2008.

The global supply increased slightly from 11.42 million metric tonnes in 2007 to 11.75 million metric tonnes in 2008, however, the amount decreased to 11.43 million metric tonnes in 2009. It is largely driven by the production output of the PRC. The PRC produced 3.74 million metric tonnes in 2007, 4.04 million metric tonnes in 2008 and 4.29 million metric tonnes in 2009, representing a CAGR of 7.02%. However, the growth in production by PRC is offset by a decrease in production by other countries.

The following table shows the annual production volume of slab zinc by major production countries from 2007 to 2009 (thousand metric tonne ("kt")):

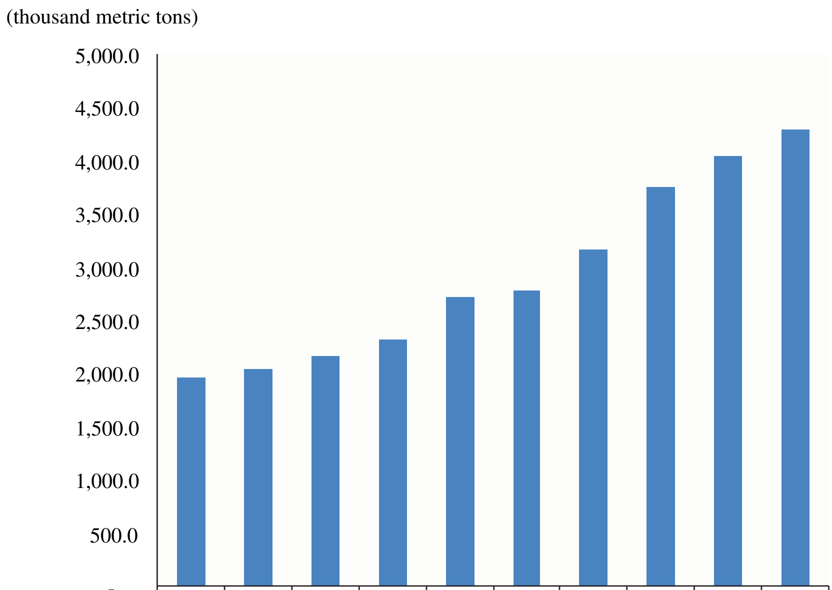
	2007	2008		2009	
	Annual production volume *(kt)*	Annual production volume *(kt)*	Annual change *(%)*	Annual production volume *(kt)*	Annual change *(%)*
The PRC	3,742.6	4,042.3	8.0%	4,286.3	6.0%
Canada	802.1	764.3	-4.7%	685.5	-10.3%
Korea	691.0	739.0	6.9%	660.0	-10.7%
India	430.8	545.8	26.7%	615.5	12.8%
Japan	597.7	615.5	3.0%	542.6	-11.8%
Other countries	5,155.3	5,042.7	-2.2%	4,636.9	-8.0%
Total global production	11,419.5	11,749.6	2.9%	11,426.8	-2.7%

Data source: The 2010 Yearbook

(b). *Production in the PRC of slab zinc*

As data provided by the 2010 Yearbook and the 60 Years of Nonferrous Metal Industry of the PRC, the production volume of slab zinc by the PRC demonstrated an increasing trend with accelerating growth rates during 2000 to 2009 with a CAGR of 9.10%.

The following diagram shows the annual production volume of slab zinc by the PRC from 2000 to 2009:



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Slab Zinc Production	1,957.0	2,037.6	2,155.1	2,318.5	2,719.5	2,776.1	3,162.7	3,742.6	4,042.3	4,286.3

Data source: The 2010 Yearbook and The 60 Years of Nonferrous Metals Industry of the PRC

Hunan was in the first place in term of slab zinc production due to its largest zinc smelting & refining company of the PRC. The amount was 980.7 thousand metric tonnes in 2009, which contributed 22.88% of the total production of the PRC. Because of the lack of zinc smelting & refining company, the refined zinc production in Xinjiang was nil in 2009.

The following diagram shows the annual production volume of slab zinc of the top 5 provinces and Xinjiang the PRC in 2009 (thousand metric tones ("kt")):

	Annual production volume	**Annual change**
	(kt)	*(%)*
Hunan	980.7	22.9%
Yunan	761.4	17.8%
Shanxi	382.2	8.9%
Guangxi	365.6	8.5%
Liaoning	352.9	8.2%
Xinjiang	0.0	0.0%
Others	1,443.5	33.7%
Total PRC Production	4,286.3	100.0%

Data source: The 2010 Yearbook

(D). **Supply-Demand Imbalance of Zinc**

Base on the slab zinc production and consumption data, there was a slightly oversupply of 129.4 thousand metric tonnes in 2007, an oversupply of 170.4 thousand metric tonnes in 2008, and an oversupply of 720.8 thousand metric tonnes in 2009 of slab zinc over the global market.

For the PRC, there was slightly oversupply of 150.5 thousand metric tonnes in 2007, and then the oversupply turned to a shortage of 102.9 thousand metric tonnes and a shortage of 63.7 thousand metric tonnes in 2008 and 2009 respectively.

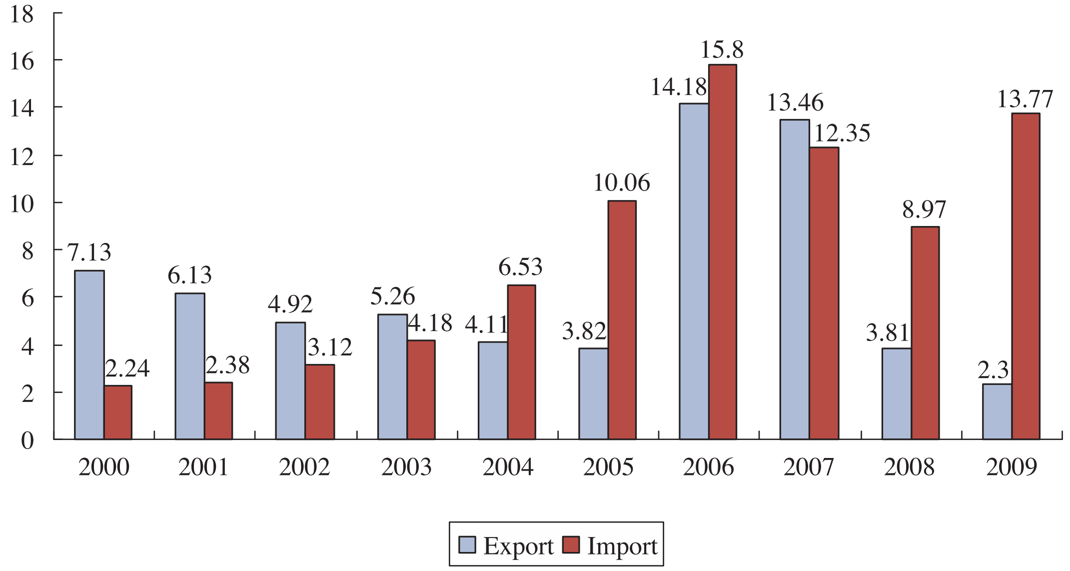
The following table shows the supply-demand balance of slab zinc of the PRC and the world from 2007 to 2009:

	2007	2008	2009
	(thousand metric tonnes)		
Production of the PRC	3,742.6	4,042.3	4,286.3
Consumption of the PRC	3,592.1	4,145.2	4,350.0
Domestic Supply-demand balance of the PRC	150.5	-102.9	-63.7
World Production	11,419.5	11,749.6	11,426.8
World Consumption	11,290.1	11,579.2	10,706.0
World Supply-demand balance	129.4	170.4	720.8

Data source: The 2010 Yearbook

As a result of the shortage of slab zinc from domestic producers, the PRC has a net import position from 2008 to 2009 due the fast growth in the slab zinc consumption.

The following diagram shows the volume of export and import of zinc of the PRC from 2000 to 2009 (USD hundred million):



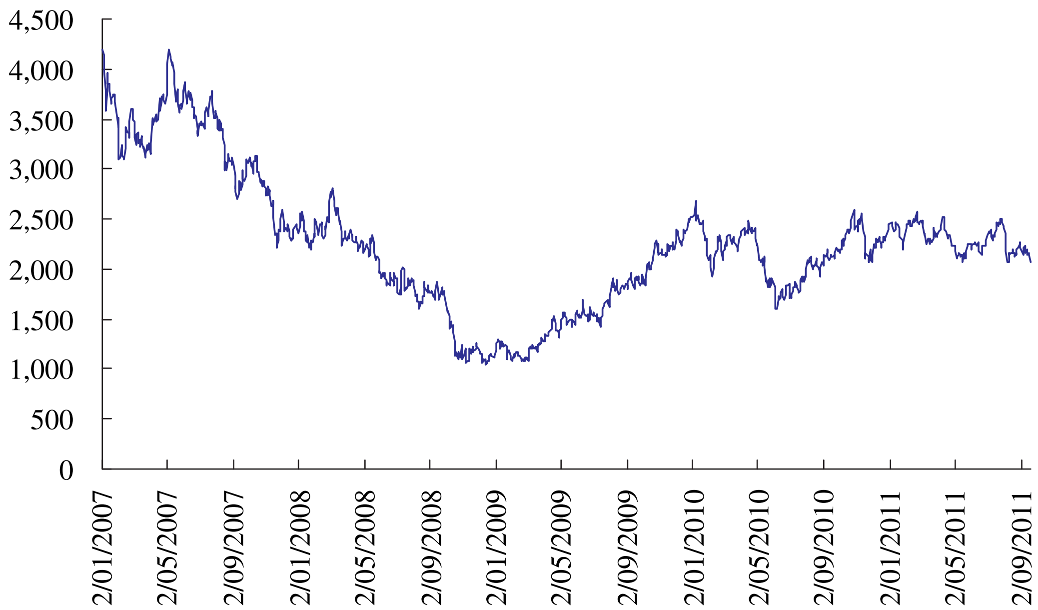
Data source: The PRC Statistical Yearbook 2002 - 2010

(E). **Historical Price Trend**

(i). ***World zinc price***

During 2007 to the third quarter of 2008, the price of zinc fluctuated at a high range from USD 4,202 per metric tonne to USD 1,664 per metric tonne. Amid the outbreak of financial crisis in the fourth quarter of 2008, the price dropped to the lowest as USD 1,047 per metric tonne in December 2008. Thanks to the introduction of the economy stimulating policies by various nation governments in 2009 and 2010, the price of zinc gradually climbed to the peak of USD 2,542 per metric tonne in January 2010 followed by a drop to the trough of USD 1,689 per metric tonne in June 2010. The zinc price resumed to grow again afterwards and was USD 2,077 per metric tonne as at 19 September 2011 representing an increasing rate of 22.97% from the lower price in June 2010.

The following diagram shows the LME spot cash settlement price of zinc from 1 January, 2007 to 19 September, 2011 (USD per metric tonne):



Date source: Bloomberg

(ii). ***The PRC domestic zinc price***

The domestic price as demonstrated by the zinc settlement price at SHFE ("SHFE settlement price") follows the same trend of the world zinc price as the LME price, but a little delay.

Similar to the international zinc price on LME, the SHFE settlement price fluctuated between RMB 34,800 per metric tonne to RMB 8,710 per metric tonne from 2007 to the third quarter of the 2008. Following the same trend as the international zinc price with an upward trend after the sharp decline, the domestic zinc price moved up with a drop in June 2010 to RMB 13,335 per metric tonne and continued to climb until RMB 20,970 per metric tonne in October 2010. The price then fell to RMB 16,175 in May 2011 and resumed to RMB 18,540 per metric tonne as at 29 July 2011.

The following diagram shows the settlement price on the last trading day of the current month futures contract for standard slab zinc quoted on Shanghai Futures Exchange from 26 March, 2007 to 29 July, 2011 (RMB per metric tonne):

Data source: SHFE

REGULATIONS RELATING TO THE INDUSTRY

Overview of the Governmental Supervisions

Engagement in the exploration and mining of mineral resources in the PRC is subject to extensive supervisions from the PRC government. The governmental supervisions include, among others, supervisions in the areas of investment, exploration, mining, production safety, environmental protection, land use and taxes. Where the operation entities are invested by foreign investors, supervisions from the PRC Ministry of Commerce and Safe Administration of Foreign Exchange will be involved in. At present, the governmental authorities responsible for supervisions on the exploration and mining of mineral resources in the PRC include, among others, the following:

1. ***State Council***

The State Council (國務院) centrally plans the national geology work, oversees the healthy and steady development of the mineral resources exploration and mining industry and provides relevant guiding opinions and suggestions.

2. ***National Development and Reform Commission***

The National Development and Reform Commission (國家發展和改革委員會) formulates and implements industry policies and investment directions for the mineral resources exploration and mining industry. The National Development and Reform Commission and its local authorities are responsible for examining and approving investment projects exceeding a certain scale and in specified sectors of the economy in accordance with applicable laws.

3. ***Ministry of Land and Resources***

The Ministry of Land and Resources (國土資源部) and its local authorities are the competent authorities in charge of geology and mineral resources, have the authority to grant Exploration Permits (勘查許可證) and Mining Permits (採礦許可證) required for engagement in the exploration and mining of mineral resources, approve transfers and leases of mining rights, and review mining right fees and reserve evaluations. They are also the competent authorities in charge of land and have the authority to grant land use rights.

4. ***State Administration of Work Safety***

The State Administration of Work Safety (國家安全生產監督管理總局) and its local authorities are responsible for monitoring and inspecting the safe production and operation of mines, have the authority to grant Safety Production Permits (安全生產許可證), which is requisite for the operation of mine enterprises.

5. ***Ministry of Environmental Protection of the PRC***

The Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) and its local authorities are responsible for monitoring and inspecting the environmental protection work. They are in charge of carrying out environmental impact assessment of production and construction projects, supervising and controlling the pollutants discharged by mine enterprises. They also have the authority to grant Discharge Permits (排污許可證) which is necessary for most construction projects.

6. ***Ministry of Commerce of the PRC***

The Ministry of Commerce of the PRC (中華人民共和國商務部) and its local authorities are responsible for approving and monitoring the relevant issues relating to foreign investment in mine enterprises.

Overview of Major Laws and Regulations

1. ***The Mineral Resources Law of the PRC and its implementation rules***

The Mineral Resources Law of the PRC ("**Mineral Resources Law**", 中華人民共和國礦產資源法) was adopted by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會), became effective on 1 October 1986, and was amended on 29 August 1996 and 27 August 2009 respectively. The Implementation Rules to The Mineral Resources Law of the PRC ("**Implementation Rules to Mineral Resources Law**", 中華人民共和國礦產資源法實施細則) promulgated by the State Council pursuant to Mineral Resources Law was effective since 26 March 1994. In addition, the Xinjiang Uygur Autonomous Region Regulation on Mineral Resources (新疆維吾爾自治區礦產資源管理條例) promulgated by the Standing Committee of Xinjiang Uygur Autonomous Region People's Congress (新疆維吾爾自治區人民代表大會常務委員會) which came into force on 13 January 1995 and was amended on 11 October 1997 and 28 July 2010, respectively, is applicable to the exploration and mining of the mineral resources within Xinjiang Uygur Autonomous Region.

Mineral Resources Law and its implementation rules provide: (i) all mineral resources of the PRC (including both the resources on the earth's surface and those underground) are owned by the State; (ii) the geology and mineral resource department of the State Council, at present, that is Ministry of Land and Resources, is responsible for the supervision and administration of the exploration and mining of mineral resources national-wide. The geology and mineral resources departments of the PRC government at the provincial level are responsible for the supervision and administration of the exploration and mining of mineral resources within their respective jurisdictions; (iii) a licensing system in the exploration and mining of mineral resources has been adopted in the PRC, which demands that enterprises engaged in the exploration shall obtain Exploration Permits while enterprises engaged in the mining of mineral resources shall obtain Mining Permits; (iv) Exploration Permits and Mining Permits are transferable only in certain circumstances as provided under PRC laws, subject to approval by relevant administrative authorities; and (v) the State implements the system wherein the exploration right and mining right shall be obtained with compensation. Anyone who mines the mineral resources must pay resources tax and resources compensation levy in accordance with relevant regulations of the State.

2. ***The Environmental Protection Law of the PRC***

The Environmental Protection Law of the PRC ("**Environmental Protection Law**", 中華人民共和國環境保護法) was adopted by the Standing Committee of the National People's Congress and became effective on 26 December 1989. The Law is aimed at protecting and improving the living environment and the ecological environment, preventing and controlling pollution and other public hazards, protecting people's health, and facilitating the development of socialist modernization.

3. ***The PRC Law on Mine Safety and its implementation rules***

The PRC Law on Mine Safety ("**Mine Safety Law**", 中華人民共和國礦山安全法) was adopted by the Standing Committee of the National People's Congress on 7 November 1992, became effective on 1 May 1993 and was amended on 27 August 2009. The law is aimed at securing mines safety during their production, preventing mine accidents, protecting mine workers' personal safety and improving the development of the mineral resources mining industry. The Labor Department of the PRC (中華人民共和國勞動部) promulgated the Regulation on the Implementation of the Mine Safety Law of the PRC ("**Regulation on Implementation of Mine Safety Law**", 中華人民共和國礦山安全法實施條例) pursuant to Mine Safety Law on 30 October 1996, which became effective on the day it was promulgated.

4. ***Regulations on the Safety Production Permit***

Regulations on the Safety Production Permit (安全生產許可證條例) was promulgated by the State Council on 13 January 2004 and became effective since promulgated. Pursuant to Regulations on the Safety Production Permit, no mine enterprise may engage in production activities without holding a Safety Production Permit (安全生產許可證).

5. ***Decision of the State Council on Reform of the Investment System***

Pursuant to Decision of the State Council on Reform of the Investment System ("**Decision of Reform of Investment**", 國務院關於投資體制改革的決定) which was promulgated and came into force on 16 July 2004, the requirement of government approval only applies to the investment projects which utilise government funds. With respect to non-government funded projects, verification would only be required for major or restricted projects that are specified in the relevant catalogue promulgated by government while other projects are only subject to a filing requirement.

6. ***Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey***

Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey ("**Measures on Registration of Exploration Tenement**", 礦產資源勘查區塊登記管理辦法) was promulgated by the State Council and came into force on 12 February 1998. It is aimed at regulating the granting and administration of the exploration right.

7. ***Administrative Measures on Registration of Mineral Resources Mining***

Administrative Measures on Registration of Mineral Resources Mining ("**Measures on Registration of Mining**", 礦產資源開採登記管理辦法), promulgated and came into force on 12 February 1998. It is aimed at regulating the granting and administration of mining right.

8. ***Provisional Regulations on Resources Tax of the PRC***

Provisional Regulations on Resources Tax of the PRC ("**Provisional Regulations on Resources Tax**", 中華人民共和國資源稅暫行條例) was promulgated by the State Council on 25 December 1993, became effective on 1 January 1994 and was amended on 30 September 2011. Enterprises or individuals engaged in the mining of mineral resources within the territory of the PRC are resources tax payers and must pay resources taxes.

9. ***Administrative Rules on the Levy of Mineral Resources Compensation***

Administrative Rules on the Levy of Mineral Resources Compensation ("**Rules on Mineral Resources Compensation Levy**", 礦產資源補償費徵收管理規定) was promulgated by the State Council on 27 February 1994 and came into force on 1 April 1994. On 3 July 1997, the State Council amended the Rules. Pursuant to the amended Rules on Mineral Resources Compensation Levy, unless otherwise provided in relevant regulations, anyone who engaged in the mining of mineral resources within the territory of the PRC or other marine areas under the PRC's jurisdictions shall pay mineral resources compensation levy.

10. ***Notice on Regulations regarding the Registration of Exploration and Mining of Mineral Resources***

Notice on Regulations Regarding the Registration of Exploration and Mining of Mineral Resources (關於礦產資源勘查登記、開採登記有關規定的通知) which was issued by Ministry of Land and Resources and became effective on 10 April 1998, is aimed at further regulating and guiding the administration of the exploration and mining registration.

Regulations relating to Investment System and Industry Policy

According to the Catalogue of Investment Projects Requiring Government Verification and Approval (2004 Version) (政府核准的投資項目目錄(2004年本)), the appendix to the Decision on Reform of Investment (投資改革決定),

with respect to the non-ferrous metals mine development projects, any mine development project with a total investment of RMB500 million or above is subject to the approval of the investment department of the State Council while others are subject to the approval of the investment department of the provincial government;

with respect to the gold mine development projects, projects with the daily mining and selection of gold ore of 500 tonnes or above are subject to the approval of the investment department of the State Council while others are subject to the approval of the investment department of the provincial government. Currently the PRC Ministry of Industry and Information Technology (中華人民共和國工業和信息化部, "**MIIT**") and its counterparts in the local government are the investment departments responsible for granting such approvals according to the Notice of the General Office of the State Council Regarding Issuing the Regulation of Main Responsibilities, Internal Organs and Staffing of the Ministry of Industry and Information Technology (國務院辦公廳關於印發工業和信息化部主要職責內設機構和人員編制規定的通知)(國辦發[2008]72號).

As advised by our PRC Legal Advisers, in respect of Hami Jiatai's investment in Project Baiganhu Gold and Shaanxi Jiahe's investment in Project Huangjinmei, each of Hami Jiatai and Shaanxi Jiahe will be required to obtain approval from the MIIT if the mining and selection capacity is or exceeds 500 tonnes per day as required by the Decision on Reform of Investment and its appendix. Such approval shall be obtained before commencement of the construction of gold mines and concentrators. Given as at the Latest Practicable Date, the construction of gold mines and concentrators are yet to commence, our PRC Legal Advisers confirm that no approval from the MIIT is required to be obtained at this stage.

In addition, according to a procedure guide for Verification of Fit Asset Investment Projects in the Rare-earth and Gold Industry (稀土、黃金行業固定資產投資項目核准) published on the government website of the MIIT, a proposed gold mining or selection project will be approved if the following conditions are satisfied: (1) complying with laws and regulations; (2) complying with the national economy and social development plan, the industry plan and policy, land utility plan and such other plans of the state; (3) complying with the national micro control policy; (4) the regional distribution being reasonable; (5) no interference in the national economy safety; (6) that resources will be reasonably developed and efficiently utilized; (7) that the ecological environment and natural and cultural heritage will be efficiently protected; and (8) that no material adverse impact will be brought to the public interest. Based on the foregoing, our PRC Legal Advisers consider that there will be no legal impediment for Hami Jiatai or Shaanxi Jiahe to obtain the approval from the MIIT in respect of its investment in the relevant gold mining and selection project if the conditions stipulated above have been satisfied. However, if Hami Jiatai or Shaanxi Jiahe fails to meet any of such conditions set by the MIIT, it may not obtain the approval from the MIIT and consequently it may not be able to engage in the relevant gold mining or selection activities.

According to Decisions of the State Council on Enhancing Geological Works (國務院關於加強地質工作的決定) issued on 20 January 2006, the state will focus on enhancing the exploration of mineral resources such as iron, copper, aluminium, lead, zinc, nickel, tungsten, tin, sylvite and gold. According to the Outline of the Twelfth Five-Year Plan for the National Economic and Social Development of Xinjiang Uygur Autonomous Region (2011-2015) (新疆維吾爾自治區國民經濟和社會發展第十二個五年規劃綱要), Xinjiang Uygur Autonomous Region will further enhance the exploration and development of the mineral resources of non-ferrous metals such as copper, nickel, lead and zinc, and precious metals such as gold and silver.

Regulations relating to Mineral Resources Exploration

Application for an Exploration Permit

According to Measures on Registration of Exploration Tenement (礦產資源勘查區塊登記管理辦法) and other relevant rules and regulations,

(i) Ministry of Land and Resources and the provincial geology and mineral resources departments are responsible for granting and registering for the exploration right and issuing the Exploration Permits (勘查許可證). With respect to the exploration of such mineral resources as copper, lead, zinc, nickel, cobalt and gold, according to the Notice from Ministry of Land and Resources on Relevant Issues Regarding Authorities over Issuing the Exploration Permits and the Mining Permits ("**Notice on Authorities**", 國土資源部關於規範勘查許可證采礦許可證權限有關問題的通知) issued by Ministry of Land and Resources, which became effective on 30 September 2005, the provincial geology and mineral resources departments are authorized by Ministry of Land and Resources to issue the Exploration Permits for the mine exploration projects each with an investment less than RMB5 million;

(ii) the investors of the mine exploration projects, as the applicants for exploration rights (探礦權申請人), shall submit relevant documents and materials required to the registration authorities for approval of registration for the exploration rights;

(iii) according to Notice on Regulations Regarding the Registration of Exploration and Mining of Mineral Resources (關於礦產資源勘查登記、開採登記有關規定的通知), the relevant registration authorities shall focus on the following issues in the examination of an application for an Exploration Permit:

- whether the exploration areas applied for have already been applied for by other parties;

- whether the application form is properly filed, the exhibits are complete and the required materials are correctly submitted;

- whether the exploration areas applied for are out of the permitted registered areas and are classified as continuous areas;

- whether exploration or mining rights have already been granted in respect of the exploration areas applied for;

- in relation to exploration areas where exploration activities were funded by the State, whether the value of the relevant exploration right is properly assessed, whether the assessment result has been confirmed by relevant government authorities and the payment method of consideration for such exploration right has been ratified by the relevant government authorities;

- within the 90 days prior to the making of the application, whether the exploration right of the exploration areas applied for has been revoked; and

- within the 6 months prior to the making of the application, whether an Exploration Permit held by the applicant was revoked;

(iv) after the application is approved, the applicant shall pay the exploration right usage fees (探礦權使用費) and the exploration right purchase price (探礦權價款)(depending on whether the exploration areas applied for are those where exploration activities were funded by the State) within 30 days since approved.

Validity Period, Renewal and Annual Verification of an Exploration Permit

According to Measures on Registration of Exploration Tenement (礦產資源勘查區塊登記管理辦法), the maximum validity period of the initial term of an Exploration Permit is 3 years. Where the exploration period needs to be extended, the holder of the Exploration Permit shall renew the Exploration Permit within 30 days prior to its expiration, upon compliance with the required extension procedure by the registration authority, subject to that each renewal of the Exploration Permit shall not exceed 2 years. Where a holder of an Exploration Permit fails to renew its permit, such Exploration Permit shall be automatically annulled upon expiration.

On 14 December 2010, the Ministry of Land and Resources issued the Notice of the Ministry of Land and Resources on Further Regulating the Annual Verification of Exploration of Mineral Resources (國土資源部關於進一步規範礦產資源勘查年度檢查的通知), which demands that any exploration project having obtained an exploration permit for six months or more must attend the annual verification taken by the land and resources governmental departments. Annual verifications of the exploration projects are carried out from October to December every year. When carrying on the annual verification, the land and resources governmental department shall mainly focus on the validity of the Exploration Permit, the capital expenditure of the project, the payment of exploration right usage fees, the required submission of relevant progress reports. Any entity who has failed to pass the annual verification will be ordered to correct the misbehavior within a granted period. Such entity may finally be deemed to have passed the annual verification if it survives in a second review taken by the land and resources governmental department.

Exploration Right Usage Fees, Exploration Right Purchase Price and Policy on Exemption and Reduction

According to Measures on Registration of Exploration Tenement (礦產資源勘查區塊登記管理辦法), exploration right usage fees (探礦權使用費) shall be calculated according to the term of the Exploration Permit and shall be payable on an annual basis. The rate of exploration right usage fees for the first year through the third year of exploration shall be RMB100 per km^2 of exploration area per year. From the fourth year of exploration onwards, the rate will be increased by RMB100 per km^2 of exploration area per year. However, the maximum rate shall not exceed RMB500 per km^2 of exploration area per year.

The exploration purchase price (探礦權價款) formed by state-funded exploration and survey shall be assessed by the appraisal agencies jointly certified by the geology and mineral resource department of the State Council and the administrative department of state-owned assets under the State Council. The result from assessment shall be confirmed by the geology and mineral resource department of the State Council.

Any entity engaging in exploration of mineral resources in shortage throughout the country in the western regions, outlying and poor areas as defined by the State Council and maritime areas within the PRC territory, may apply for a reduction or exemption of exploration right usage fees pursuant to the Measures of Exemption or Reduction of Exploration and Mining Rights Usage Fees (探礦權採礦權使用費減免辦法) jointly promulgated by the Ministry of Land and Resources and the Ministry of Finance on 6 June 2000. The extent of reduction is as follows: exploration right usage fees may be exempted in the first year of exploration; reduced by 50% in the second to third year; and reduced by 25% in the fourth to seventh year. According to the Notice on Measures of Exemption or Reduction of Exploration and Mining Right Usage Fees in Respect of Mineral Resources in Shortage throughout the Country (關於國家緊缺礦產資源探礦權採礦權使用費減免辦理的通知) issued by the Ministry of Land and Resources on 21 September 2000, copper mines fall within the mineral resources in shortage throughout the country, and exploration right usage fees generated from copper mines exploration may be reduced or exempted. We have not applied for reduction or exemption of exploration right usage fees in the past.

Rights of the Holders of Exploration Permits

The rights exercisable by a holder of an Exploration Permit include, among others, the following:

- to carry out exploration in the granted exploration areas and within the prescribed term;
- to temporarily use the land in accordance with the needs of the exploration project;
- to have priority in obtaining the exploration right of other newly discovered minerals within the designated exploration area and the mining right of the mineral resource as specified in the Exploration Permit;
- to sell the ore products extracted and recycled in the exploration area in accordance with the approved plan of project design, except for those ore products which are required by the State Council to be sold to designated units.

Obligations of the Holders of Exploration Permits

The obligations of a holder of an Exploration Permit include, among others, the following:

- to complete the exploration work within the term of the Exploration Permit;
- to report to the exploration registration authority of its commencement of the exploration work;

- to carry out the construction of the exploration project in accordance with the approved plan of project design, prohibited from mining activities without permission by the competent authorities;
- to carry out integrated exploration and assessment on the paragenetic and associated mineral resources; and
- to submit exploration reports regarding the mineral resources to the relevant governmental authorities for approval.

Regulations relating to Mineral Resources Mining

Application for a Mining Permit

According to Measures on Registration of Mining (礦產資源開採登記管理辦法) and other relevant rules and regulations,

(i) Ministry of Land and Resources, the provincial geology and mineral resources departments or the geology and mineral resources departments above the county level, as the case may be, are competent to grant the mining right and issue the Mining Permits (採礦許可證). With respect to the mining of such mineral resources as copper, lead, zinc, nickel, cobalt and gold, in accordance with the Notice on Authorities, the provincial geology and mineral resources departments are authorized by Ministry of Land and Resources to issue the Mining Permits for the mining projects, whose scales of mineral reserves on the ore bed are below large-scale (not including large-scale). And according to Standard for Classification of the Scales of Mineral Resources Reserves (礦產資源儲量規模劃分標準) issued by Ministry of Land and Resources, which became effective on 24 April 2000, copper mines, lead mines and zinc mines with mineral reserves of 0.5 million tonnes and above, respectively, nickel mines with mineral reserves of 0.1 million tonnes and above, cobalt mines with mineral reserves of 0.02 million tonnes and above, rock gold mines with mineral reserves of 20 tonnes and above, and stream gold mines with mineral reserves of 8 tonnes and above, are classified as large-scale mines;

(ii) applicants shall apply for designation of the range of the mining areas to the registration administrative authorities before they applying for the mining rights and in the former procedure they shall be required to submit several documents and materials, such as the preliminary plan for mining and utilizing the mineral resources and the geological report applicable to the mine construction; In addition, if the mining activities involve certain specific mineral resources prescribed as state protective, such as gold, in accordance with the Provision on the Administration of Obtaining the Letter of Approval for Mining of Gold Minerals (辦理開採黃金礦產批准書管理規定), which became effective as of 1 January 2004, a Gold Operating Permit (開採黃金礦產批准書) issued by the NDRC is required to be obtained. Further according to the reform of government institutions of the PRC in 2008, the administration of the approval for mining of gold minerals has been delegated to Ministry of Industry and Information Technology ("**MIIT**"). Thereafter, MIIT has been the competent authority to grant the Gold Operating Permits. Such Gold Operating Permits are pre-requisites for application of the mining permits and shall be submitted to the governmental department of land and resources along with the other required materials

(iii) according to Notice on Regulations Regarding the Registration of Exploration and Mining of Mineral Resources (關於礦產資源勘查登記、開採登記有關規定的通知), the relevant registration authorities shall focus on the following issues in the examination of an application for an Mining Permit:

- whether the range and acreage of the mining area applied for is the same as those of the approved areas by the registration authority;
- whether the production scale of the mines will change and whether it complies with the devised mineral reserves;
- whether the designed length of service of the mines is reasonable;
- whether the integrated exploration, utilization and recycle of the mineral resources are reasonable;
- whether the applicant for the mining right meets the prescribed qualifications; and
- other aspects required for inspection;

(iv) after the application is approved, the applicant shall pay the mining right usage fees (採礦權使用費) and the mining right purchase price (採礦權價款)(depending upon whether the mining areas applied for are those where exploration activities were funded by the State) within 30 days since approved.

Validity Period, Renewal and Annual Verification of a Mining Permit

According to Measures on Registration of Mining (礦產資源開採登記管理辦法), the validity period of a Mining Permit shall be determined according to the scale of the mine. The maximum validity period of the initial term of a Mining Permit for a large-scale mine, medium-scale mine and small-scale mine shall be 30 years, 20 years and 10 years, respectively. Mining Permits can be renewed within 30 days prior to their expiration, upon compliance with the required extension procedure by the registration authorities. Where a holder of a Mining Permit fails to renew its permit, such Mining Permit shall be automatically annulled upon expiration.

According to the Notice on Certain Issues Relating to Enhancing and Perfecting the Annual Verification of the Exploitation and Utilization of the Mine Resources (關於加強和完善礦產開發利用年度檢查工作有關問題的通知) issued by the Ministry of Land and Resources on 17 March 2004, mining licensees shall be inspected annually. The annual verification shall cover the following aspects: the implementation of the mineral resources exploitation and utilization plan or the annual mining design; whether carrying on the mining activities within the designated term and areas; any alteration of the mining areas, ore variety, mining methods or the company's name and the extension of the mining permits; any transfer of mining permit; re-mining rate and flotation recovery rate; the payment of the mining resources compensation levies, mining right usage fees, mining right purchase price and other mandatory fees; any noncompliance with the laws and regulations relating to mineral resources; and other issues. When the annual verification authorities find any noncompliance with the laws and regulations relating to mineral resources, they shall inform the mining licensees about their failure to pass the annual verification and require them to make necessary rectification within a limited period. If relevant rectification is made within the limited period and the mining licensees accept the administrative punishments and fulfill the requirements of re-verification, then the mining licensee may be deemed to have passed the annual verification.

Mining Right Usage Fees, Mining Right Purchase Price and Policy on Reduction and Exemption

According to Measures on Registration of Mining (礦產資源開採登記管理辦法), mining right usage fees (採礦權使用費) shall be calculated according to the acreages of the Mining Permits and shall be payable on an annual basis. The rate of mining right usage fees shall be RMB1,000 per km^2 of mining area per year.

The mining purchase price (採礦權價款) formed by state-funded exploration and survey shall be assessed by the appraisal agencies jointly certified by the geology and mineral resource department of the State Council and the administrative department of state-owned assets under the State Council. The result from assessment shall be confirmed by the geology and mineral resource department of the State Council.

Pursuant to the Measures of Exemption or Reduction of Exploration and Mining Rights Usage Fees (探礦權採礦權使用費減免辦法), any entity engaging in mining of mineral resources in shortage throughout the country in the western regions, outlying and poor areas as defined by the State Council and maritime areas within the PRC territory, may apply for a reduction or exemption of mining right usage fees. The extent of reduction is as follows: mining right usage fees may be exempted during the mine infrastructure construction period and the first year after its operation; reduced by 50% in the second to third year; reduced by 25% in the fourth to seventh year; and exempted during the year in which the mine closes down. According to the Notice on Measures of Exemption or Reduction of Exploration and Mining Right Usage Fees in Respect of Mineral Resources in Shortage throughout the Country (關于國家緊缺礦產資源探礦權采礦權使用費減免辦理的通知), copper mines fall within the mineral resources in shortage throughout the country, and mining usage fees generated from copper mines mining may be reduced or exempted. We have not applied for reduction or exemption of mining right usage fees in the past.

Rights of the Holders of Mining Permits

The rights exercisable by a holder of a Mining Permit include, among others, the following:

- to engage in mining activities in the designated area and within the term prescribed under the Mining Permit;
- to sell the ore products, except for those which are required by the State Council to be sold to designated units;
- to set up ore processing facilities and amenities within the designated area;

- to acquire the land use rights according to laws; and
- other rights provided under relevant laws and regulations.

Obligations of the Holders of Mining Permits

The obligations of a holder of a Mining Permit include, among others, the following:

- to carry out mining activities in the designated area and within the term of the Mining Permit;
- to effectively protect and reasonably extract the mineral resources and to integrate the use of the mineral resources;
- to pay resources tax and resources compensation levy according to laws;
- to comply with relevant laws and regulations of the State relating to labor, safety, water and soil conservation, soil reclamation and environment protection.
- to subject to the supervision and management by the geology and mineral resources authorities and other relevant government authorities, and to submit forms of mineral resources reserve and reports on the utilization of the mineral resources to the relevant government authorities.

Regulations relating to Gold Administration

Under the Administration Regulations on Gold and Silver of the PRC (中華人民共和國金銀監管條例) promulgated and implemented on 15 June 1983, the State shall pursue a policy of unified control over, and monopoly purchase and distribution of gold and silver, and the People's Bank of China ("**PBOC**") shall be the administrative authority of the Sate responsible for the control of gold and silver. All gold and silver mined and refined by mining enterprises, rural communes, the armed forces and individuals engaged in the production of gold and silver were required to be sold exclusively to PBOC and not allowed to be retained for sale, exchange or use

Regulations relating to Environmental Protection and Land Rehabilitation

Pursuant to Environmental Protection Law and other relevant laws and regulations,

(i) the competent administrative authority for environmental protection under the State Council implements uniform supervision for environmental protection in the PRC, and the competent administrative authorities for environmental protection under the local People's Governments below the provincial level implement uniform supervision of environmental protection within their districts;

(ii) companies causing environmental pollution and other public hazards must include environmental protection measures in their plans and set up a system of environmental protection responsibility;

(iii) when compiling environmental impact reports for construction projects, assessments must be made to the pollution caused by the construction projects and their environmental impact, preventive measures must be made. They must be pre-examined by the competent authorities of the projects and reported to the competent environmental protection administrative authorities for approval in accordance with the procedures set out in the regulations;

(iv) pollution prevention facilities for construction projects must be designed, constructed and launched into production and used at the same time as the main projects;

(v) pollution prevention facilities must pass inspection by the original competent environmental protection administrative authorities which approved the environmental impact reports before the construction projects can be launched into production and use;

(vi) enterprises and institutions discharging pollutants must declare and register according to the regulations of the competent administrative authority for environmental protection of the State Council;

(vii) enterprises and institutions discharging pollutants at levels above the pollutant discharge standards contained in state or local stipulations must pay excessive discharge fees according to the regulations of the state, and are responsible for the treatment of discharged material; and

(viii) the state sets enterprises and institutions deadlines for the treatment of serious pollution problems caused by them.

Violators of the PRC Environmental Protection Law and various environmental regulations may be subject to warnings, payment of damages and fines. Any entity undertaking construction work or manufacturing activities before the pollution and waste control and processing facilities are inspected and approved by the environmental protection department may be ordered to suspend production or operations and may be fined. Violators of relevant environment protection laws and regulations may also be exposed to criminal liability if violations resulted in severe loss of property, personal injuries or death.

PRC has also adopted laws and regulations applicable to land rehabilitation. Under the Land Administration Law of the PRC (中華人民共和國土地管理法), promulgated on 25 June 1986 and amended on 29 December 1988, 29 August 1998 and 28 August 2004, and the Land Rehabilitation Rules (土地複墾規定), issued by the State Council in 1988 and effective from 1 January 1989 until 5 March 2011, if mining activities result in damage to arable land, grassland or forest, the mining operator must take measures to return the land to usable state within a prescribed time frame. The rehabilitated land must meet the rehabilitation standards, as required by law, and may only be used upon examination and approval by the land authority and the relevant industry administration authority.

On 5 March 2011, Regulation on Land Rehabilitation (土地複墾條例) was issued by the State Council and replaced the Land Rehabilitation Rules (土地複墾規定). Regulation on Land Rehabilitation has strengthened governmental administration on land rehabilitation and imposed stricter obligation on the mining operators whose mining activities result in damage to the land. For instance, such mining operator is required to prepare and submit a land rehabilitation program by reference to relevant state adopted standards when applying for mining right or land use right. For those mining operators who have obtained land use rights or mining permits before the effectiveness of the Regulation on Land Rehabilitation (土地複墾條例), namely 5 March 2011, and continue operation of mining business which may cause damage to land, they are also required to submit such land rehabilitation program upon requirement of the government authority of land and resources. Any entity that fails to submit such land rehabilitation program or fails to discharge the land rehabilitation obligation in accordance with requirements may be fined, required to pay rehabilitation fees and/or refused to be granted of land use right and mining permit.

As confirmed by our PRC Legal Advisers, except as disclosed under the section headed "BUSINESS — COMPLIANCE — Regulatory non-compliance" of this prospectus, we have been in compliance with the Land Administration Law of the PRC in all material respects.

Regulations relating to Safety Production and Labor Force

The PRC Labor Contract Law (中華人民共和國勞動合同法) and the PRC Labor Contract Law Implementation Rules (中華人民共和國勞動合同法實施細則) took effect on 1 January 2008 and 18 September 2008, respectively. These labor laws and rules impose additional stringent requirements on employers in relation to entering into fixed term employment contracts, hiring of part-time employees and dismissing employees.

Pursuant to the PRC Labor Contract Law, since 1 January 2008, any PRC enterprise has been required to enter into non-fixed term employment contracts with employees who have been concluded for two consecutive times, unless other wise provided in the PRC Labor Contract Law. Enterprises are also required to make severance payments to fixed term contract employees when the term of their employment contracts expire, except for certain circumstances prescribed in the PRC Labor Contract Law including where an employee voluntarily rejects an offer to renew the contract where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer, except in the circumstances where (i) the term of service is more than six months but less than a year, the amount of severance payment shall be calculated the same as a full year of service;(ii) the term of service is less than six months, the employer shall pay half a month's wage to the employee as severance payment; and (iii) the employee's monthly wage is more than three times the local average monthly wage of the proceeding year announced by the local relevant PRC government, the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by the number of years of service which cannot exceed a maximum of 12. A minimum wage requirement has also been incorporated into the PRC Labor Contract Law. Liability for damages or fines may be imposed for any material breach of the PRC Labor Contract Law. As confirmed by our PRC Legal Advisers, we have been in compliance with the PRC Labor Contract Law in all material respects.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have continuously worked for more than one year are entitled to paid holidays ranging from 5 days to15 days, depending on their length of service. Employees who agree to waive their holiday time at the request of their employers must be compensated with three times their normal daily salary for each holiday waived.

Pursuant to Mine Safety Law (礦山安全法), Regulation on Implementation of Mine Safety Law (礦山安全法實施條例), Regulations on the Safety Production Permit (安全生產許可證條例), Measures on the Implementation of the Safety Production Permits of Non-coal Mine Enterprises (非煤礦礦山企業安全生產許可證實施辦法) and other relevant laws and regulations,

(i) safety facilities for mine construction projects must be designed, constructed and launched into production and used at the same time as the main projects;

(ii) safety facilities for mine construction projects must pass inspection by the competent safety production supervision and administrative authorities before the construction projects can be launched into production and used;

(iii) mine enterprises must provide education and training on production safety to their workers, and shall not employ minors or women engaging in any underground production activities;

(iv) mine enterprises who apply for the Safety Production Permits shall be subject to relevant qualifications such as safety production management departments being set up and relevant staffs in charge of safety production being appointed in the mine enterprises, the managers and the other staffs in charge of safety production of the mine enterprises holding safety qualification certificates, and etc.;

(v) the maximum validity period of a Safety Production Permit is 3 years. The Safety Production Permits can be renewed within 3 months prior to their expiration, upon compliance with the required extension procedure by the original authorities which have issued the Safety Production Permits; and

(vi) mine enterprises shall give pensions and compensations to the workers who were injured or dead in mine accidents in accordance with the relevant laws and regulations.

On 8 December 2006, the Ministry of Finance and the State Administration of Work Safety promulgated the Provisional Measures on Financial Management of Safety Production Fees of High Risk Enterprises (高危行業企業安全生產費用財務管理暫行辦法). Safety production fees means the funds specifically used for the improvement in production conditions of the enterprise in accordance with the required standard. Enterprises engaging in mining business within the PRC territory shall provide for safety production fees monthly in accordance with the volume of ores production. The standard provision for metal mines is RMB 4 per tonne (surface mines) and RMB 8 per tonne (underground mines).

Regulations relating to Taxes and Fees

Resources Tax

According to Provisional Regulations on Resources Tax (中華人民共和國資源稅暫行條例), which was promulgated by the State Council on 25 December 1993 and became effective on 1 January 1994, the tax payable for resources tax shall be calculated in accordance with the assessable volume of the taxable products and the prescribed unit tax amounts. The formula for computing the tax payable is as follows:

$$\text{Tax payable} = \text{Assessable volume} \times \text{Unit tax amount}$$

In the above formula, the assessable volume means, (i) whereas the taxable products are exploited or produced for sale, the sales volume; and (ii) whereas the taxable products are exploited or produced for own use, the self-used volume. On the other hand, the unit tax amount, with respect to the non-ferrous metals, ranges from RMB0.4 per tonne to RMB30 per tonne.

On 30 September 2011, Decision of the State Council on Amending the Provisional Regulation of the People's Republic of China on Resource Tax (國務院關於修改《中華人民共和國資源稅暫行條例》的決定, "**Decision on Amending Resource Tax**") was issued by the State Council, which came into effect on 1 November 2011. The Decision on Amending Resource Tax changes the method for computing the tax payable applicable to oil and natural gases. It also provides new tax rates applicable to oil, natural gases, coking coal and rare-earth metal. The rules with respect to the other non-ferrous metals are kept unchanged.

According to the Implementing Rules for the Provisional Regulations on Resources Tax of the PRC (中華人民共和國資源稅暫行條例實施細則) issued by the Ministry of Finance of the PRC (中華人民共和國財政部) on 28 October 2011 which became effective on 1 November 2011, resources tax is levied according to the grade of mines and the applicable tax amount per tonne of ore produced as provided in the schedule attached to these implementation rules. The tax amount for resources tax applicable: (i) to copper ore, ranges from RMB5 per tonne to RMB7 per tonne; (ii) to lead and zinc ore, ranges from RMB10 per tonne to RMB20 per tonne; (iii) to nickel ore, ranges from RMB9.0 per tonne to RMB12 per tonne; (iv) to cobalt ore, ranges from RMB0.4 per tonne to RMB30 per tonne; (v) to rock gold ore, ranges from RMB1.5 per tonne to RMB7 per tonne; and (vi) to stream gold ore, ranges from RMB1.2 per tonne to RMB2 per tonne.

The Ministry of Finance of the PRC and the State Administration of Taxation (國家稅務總局) jointly issued Notice on Adjusting Polices with Respect to Resources Tax of Rock Gold Ore (關於調整岩金礦產資源稅有關政策的通知) on 19 May 2006, which came into force on 1 May 2006. After the adjustment, the tax amount for resources tax applicable to rock gold ore ranges from RMB1.5 per tonne to RMB7.0 per tonne.

On 5 July 2007, the Ministry of Finance and the State Administration of Taxation jointly issued Notice on Adjusting the Tax Rate Standard of Resources Tax of Lead, Zinc and Other Tax Items (關於調整鉛鋅礦石等稅目資源稅適用稅額標準的通知), which came into force on 1 August 2007. After the adjustment, the tax amount for resources tax applicable to copper ore ranges from RMB5.0 per tonne to RMB7.0 per tonne, and the tax amount for resources tax applicable to lead and zinc ore ranges from RMB10.0 per tonne to RMB20.0 per tonne.

Mineral Resources Compensation Levy

Pursuant to Rules on Mineral Resources Compensation Levy (礦產資源補償費規定), the payable amount of the mineral resources compensation levy shall be calculated according to certain ratios of the sales revenue of the ore products. The formula for computing the payable amount of the mineral resources compensation levy is:

$$\text{the payable amount of the mineral resources compensation levy} = \text{sales revenue of the ore products} \times \text{rate for the mineral resources compensation levy} \times \text{rate for the recovery efficiency}$$

$$\text{rate for the recovery efficiency} = \frac{\text{the verified rate for the recovery efficiency}}{\text{the actual rate for the recovery efficiency}}$$

Pursuant to the appendix to Rules on Mineral Resources Compensation Levy (礦產資源補償費規定), the rates for the mineral resources compensation levy applicable to copper, lead, zinc, nickel and cobalt are 2%, and those applicable to rock and stream gold are 4%.

Other Taxes and Fees

Apart from the above mentioned resources tax and mineral resources compensation levy, the material taxes and fees set forth below may also be imposed upon mine enterprises in the PRC, according to relevant PRC laws and regulations on taxation such as Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), Provisional Regulations on Valued-Added Tax of the PRC (中華人民共和國增值稅暫行條例), Provisional Regulations on Business Tax of the PRC (中華人民共和國營業稅暫行條例), Provisional Regulations on City Maintenance and Construction Tax of the PRC (中華人民共和國城市維護建設稅暫行條例) and Provisional Rules on Education Surcharge Levy (徵收教育費附加的暫行規定):

Tax Item	**Tax Base**	**Tax Rate**
Enterprises income tax	Production income, operation income and other income, net of the related cost, expenses and losses incurred	25%[note 1]

Tax Item	Tax Base	Tax Rate
Value-added tax	Revenue from sales of metal ore products	17%[note 2]
Business tax	Revenue from service	3%, 5%
City Maintenance and construction tax[note 3]	total sum of the payable value-added tax and business tax	5% (county, municipality and town); 7% (urban)
Education surcharge[note 4]	total sum of the payable value-added tax and business tax	3%

note 1: According to Enterprises Income Tax Law of the PRC which became effective as of 1 January 2008, enterprises income tax has been adjusted from 33% to 25% since 1 January 2008.

note 2: According to Notice on Adjusting the Value-added Tax Rates of the Mining Products with Respect to Metal and Non-metal Ore (財務部、國家稅務總局關於金屬礦、非金屬礦採選產品增值稅稅率的通知) issued by the Ministry of Finance and the State Administration of Taxation on 19 December 2008, the value-added tax rate of metal ore mining products has been adjusted from 13% back to 17% commencing from 1 January 2009.

note 3: City maintenance and construction tax is not applicable to a foreign invested enterprise.

note 4: Education surcharge is not applicable to a foreign invested enterprise.

Regulations relating to Foreign Investment

The Provisions on Guiding Foreign Investment

On 20 June 1995, the State Planning Commission (國家計劃委員會), the State Economic and Trade Commission (國家經濟貿易委員會) (the missions of the State Planning Commission and the State Economic and Trade Commission have been taken over by the National Development and Reform Commission (國家發展和改革委員會)) and the Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部) (the predecessor of Ministry of Commerce of the PRC (商務部)) jointly promulgated the Interim Provisions on Guiding Foreign Investment (指導外商投資方向暫行規定), classifying all foreign investment projects into four categories: encouraged projects, permitted projects, restricted projects and prohibited projects.

On 11 February 2002, the State Council promulgated the Provisions on Guiding Foreign Investment ("**Foreign Investment Provisions**", 指導外商投資方向規定), re-stating the four classifications of foreign investment projects. The purpose of the Foreign Investment Provisions is to direct foreign investment into certain priority industry sectors while restricting or prohibiting investment in some other sectors. The Foreign Investment Provisions came into force on 1 April 2002 and replaced the Interim Provisions on Guiding Foreign Investment.

Foreign investors are prohibited to invest in any prohibited projects but are permitted to invest in the restricted projects upon obtaining appropriate approvals from relevant governmental authority.

The Catalogue for the Guidance of Foreign Investment

The Catalogue for the Guidance of Foreign Investment ("**Foreign Investment Catalogue**", 外商投資產業指導目錄) lists out specific industries and economic activities in which foreign investment in the PRC is encouraged, restricted or prohibited.

The State Planning Commission (國家計劃委員會), the State Economic and Trade Commission (國家經濟貿易委員會) and the Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部) jointly promulgated the Foreign Investment Catalogue in 1995. Since then, the Foreign Investment Catalogue has been amended in 2002, 2004 and 2007. The version of the Foreign Investment Catalogue currently in effect was jointly promulgated by the National Development and Reform Commission (國家發展和改革委員會) and the Ministry of Commerce (商務部) on 31 October 2007 and came into force on 1 December 2007, the Foreign Investment Catalogue (as amended in 2004) was repealed on the same day .

Pursuant to Foreign Investment Provisions and Foreign Investment Catalogue (2007 edition), foreign investors engaging in the exploration and mining of gold ore shall be restricted, while the exploration and mining of copper, lead, zinc, nickel and cobalt ore are all permitted projects.

The Interim Provisions on the Domestic Investment of Foreign-invested Enterprises

On 25 July 2000, the Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部) and the State Administration for Industry and Commerce (國家工商行政管理局) jointly issued the Interim Provisions on the Domestic Investment of Foreign-invested Enterprises (關於外商投資企業境內投資的暫行規定), which was effective commencing from 1 September 2000. According to such Provisions, "Domestic Investment of Foreign-invested Enterprises" is defined as the establishment of a subsidiary or the acquisition of the equity interest of another enterprise by a joint venture company, a joint venture cooperation enterprise, a whole foreign-owned enterprise or a foreign-invested corporation (collectively called "the foreign-invested enterprise") which is incorporated in the PRC pursuant to PRC law.

The Interim Provisions on the Domestic Investment of Foreign-invested Enterprises requires, among others, that any foreign-invested enterprise, before acquiring the target company which was engaged in restricted projects, shall obtain approval from the department of foreign economic and trade at the provincial level of the province where the target company is located. It further requires that, if the target company commences to be engaged in restricted projects after it is acquired by the foreign-invested enterprise, the foreign-invested enterprise is also required to obtain such approval thereafter.

According to Foreign Investment Provisions (指導外商投資方向規定) and the Catalogue of Investment Projects Requiring Government Verification and Approval (2004 Version) (政府核准的投資項目目錄(2004年本)), foreign investors are permitted to invest in the restricted projects upon obtaining appropriate approvals from relevant governmental authority. As Hami Jiatai has been granted of valid exploration permits with regard to its exploration activity in Project Baiganhu Gold by Xinjiang Uygur Autonomous Regional Bureau of Land and Resources (新疆維吾爾自治區國土資源廳) and our Hami Jinhua has been duly approved by Department of Commerce of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區商務廳), which was reformed from Department of Foreign Trade and Economic Cooperation of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區對外貿易經濟合作廳) in 2009, to engage in gold exploration through Hami Jiatai as required by the Interim Provisions on the Domestic Investment of Foreign-invested Enterprises (關於外商投資企業境內投資的暫行規定), our PRC Legal Advisers considers that we, through Hami Jiatai, have the legal right to engage in gold exploration in Project Baiganhu Gold. In addition, as Shaanxi Jiahe will be granted valid mining permit for Project Huangjinmei and Hami Jiatai will be approved by Department of Commerce of Shaanxi Province (陝西省商務廳) to engage in gold mining as required by the Interim Provisions on the Domestic Investment of Foreign-invested Enterprises (關於外商投資企業境內投資的暫行規定) before the completion of the relevant acquisition agreement, our PRC Legal Advisers consider that we shall have legal right to engage in gold mining in Project Huangjinmei upon the completion of the acquisition of Shaanxi Jiahe. As confirmed by our PRC Legal Advisers, no approval from the MIIT is required either for the takeover of Hami Jiatai by Hami Jinhua or for the proposed takeover of Shaanxi Jiahe by Hami Jiatai.

After (i) reviewing the copy of the approval issued by Department of Commerce of Xinjiang Uygur Autonomous Region, pursuant of which Hami Jinhua is approved to engage in gold exploration through Hami Jiatai; (ii) discussing with the PRC Legal Advisers in relation to the relevant rules and regulations in the PRC, including the Interim Provisions on the Domestic Investment of Foreign-invested Enterprises; and (iii) discussing with the PRC Legal Advisers to ascertain whether Department of Commerce of Xinjiang Uygur Autonomous Region is the competent governmental department with requisite authority to issue the above approval letter to Hami Jinhua, we do not aware of any finding to doubt the legality of the Group's involvement in gold exploration activity in Hami.

Similarly, subject to the facts that (i) Shaanxi Jiahe will be granted valid mining permit for Project Huangjinmei and our group will be approved by Department of Commerce of Shaanxi Province to engage in gold mining as required by the Interim Provisions on the Domestic Investment of Foreign-invested Enterprises before the completion of the relevant acquisition agreement, we concur with the PRC' Legal Advisers' view that the Group shall have legal right to engage in gold mining in Project Huangjinmei upon completion of the acquisition of Shaanxi Jiahe.

REGULATIONS RELATING TO FOREIGN EXCHANGE

Regulation of the People's Republic of China on Foreign Exchange Administration Rules (中華人民共和國外匯管理條例), issued by the State Council on 29 January 1996 and amended in 1997 and 2008, is the principal regulation on foreign exchange in the PRC. Pursuant to this regulation, RMB is freely convertible for payments of current account items (including trade and service related foreign exchange transactions and payments of dividend), but not for capital account expenses (including direct investment, loan and investment in securities outside of the PRC). RMB may only be converted for capital account expenses once a prior approval from the State Administration of Foreign Exchange ("SAFE", 國家外匯管理局) has been obtained.

On 21 October 2005, the SAFE issued the Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies ("SAFE Circular No.75", 關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知). According to the SAFE Circular No.75, (i) any PRC resident shall register with the local branch of the SAFE before establishing or controlling an overseas special purpose company for the purpose of overseas equity financing (including convertible debt financing); (ii) whereas the PRC resident contributes the assets of or its equity interests in a domestic enterprise into the overseas special purpose company, or engaging in overseas financing after such contribution, the PRC resident shall register his/her interest in the overseas special purpose company and any change thereof with the local branch of the SAFE; and (iii) whereas the overseas special purpose company undergoes any material event outside of the PRC (such as change in share capital, or merger and acquisition), the PRC resident shall register with the local branch of the SAFE within 30 days from the occurrence of such material event.

As at the Latest Practicable Date, as the ultimate beneficial owners of the Group are not PRC residents, the SAFE Circular No.75 is not applicable to the Group and its beneficial owners.

REGULATIONS RELATING TO OVERSEAS LISTING

On 8 August 2006, six PRC regulatory agencies jointly promulgated the Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors ("M&A Rules", 關於外國投資者併購境內企業的規定) which was further amended on 22 June 2009, purporting to require that an offshore special purpose vehicle ("SPV") formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the China Securities Regulatory Commission ("CSRC", 中國證券監督委員會) prior to the listing and trading of the securities of the SPV on an overseas stock exchange, especially in the event that the SPV acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies. The application of the M&A Rules is subject to interpretation.

As at the Latest Practicable Date, our Company is neither directly nor indirectly controlled by PRC companies or individuals. Therefore, the Group does not require the CSRC approval for the Listing.

Incorporation of our Company

On 19 February 2010, our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law. Our Company holds the entire issued share capital of Right Source and Fortune In.

Incorporation of Right Source

Right Source, a wholly-owned subsidiary of our Company, was incorporated in the BVI on 11 December 2007 by a company incorporation service provider. On 10 January 2008, 100 shares of US$1.00 each in the issued share capital of Right Source (representing 100% of its issued share capital) was allotted to Mr. JIA Tieyan (賈鐵硯), who held such shares as bare trustee for and on behalf of Mr. LU for administrative convenience purpose as Mr. LU then spent most of his time in Canada. Mr. JIA Tieyan also served as the sole director of Right Source since 10 January 2008. On 15 April 2009, 100 shares of US$1.00 each in the issued share capital of Right Source (representing 100% of its issued share capital) was transferred back from Mr. JIA Tieyan to Mr. LU and Mr. LU also replaced Mr. JIA Tieyan to act as the sole director of Right Source. Since its establishment, Right Source has been mainly acting as an investment holding company.

Incorporation of Fortune In

Fortune In, a wholly-owned subsidiary of our Company, was incorporated in the BVI on 17 December 2007 by a company incorporation service provider. On 10 January 2008, 100 shares of US$1.00 each in the issued share capital of Fortune In (representing 100% of its issued share capital) was allotted and issued to Sino Tongjiang Clean Coal Holding Limited (中國通江潔淨煤業控股有限公司). Sino Tongjiang Clean Coal Holding Limited was then wholly-owned by Sino Bridge Investments Limited with Mr. WANG as the ultimate sole shareholder. On 11 January 2008, Sino Tongjiang Clean Coal Holding Limited transferred 65 shares held by it in Fortune In (representing 65% of its issued share capital) to Sky Circle. Mr. SONG Qiangan (宋乾罡) was the legal owner of Sky Circle who held the shares in Sky Circle as bare trustee for and on behalf of Mr. WANG before 18 January 2010 because Mr. WANG travelled to PRC and overseas very often. Mr. SONG is the personal assistant to Mr. WANG and has been assisting Mr. WANG in organising and attending to various administrative and procedural formalities. In preparation for the Listing and the corporate reorganisation of the Group, the above trust arrangement was terminated in January 2010 and Mr. SONG transferred the shares in Sky Circle to Mr. WANG on 18 January 2010. On 24 November 2008, Sino Tongjiang Clean Coal Holding Limited transferred 35 shares held by it in Fortune In (representing 35% of its issued share capital) to First Arrival, a company which is wholly-owned by Mr. WANG. Mr. WANG have been serving as a director of Fortune In since 10 January 2008. Since its establishment Fortune In has been mainly acting as an investment holding company.

Incorporation of Realty Investment

Realty Investment, an indirect wholly-owned subsidiary of our Company, was incorporated in Hong Kong on 4 January 2008 by a company incorporation service provider. On 10 January 2008, one share of HK$1.00 each in the issued share capital of Realty Investment was transferred by the company incorporation service provider to Right Source and 74 shares of HK$1.00 each in the issued share capital of Realty Investment (representing a total of 75% of its issued share capital) was allotted and issued to Right Source. One the same day, 25 shares of HK$1.00 each in the issued share capital of Realty Investment (representing 25% of its issued share capital) was allotted and issued to Fortune In. On 19 June 2009, 20 shares of HK$1.00 each in the issued share capital of Realty Investment (representing 20% of its issued share capital) was transferred from Right Source to Fortune In at HK$20.00 consideration. When Realty Investment first invested in Hami Jinhua, it was agreed between Mr. LU and Mr. WANG that in the event that the net profit of Realty Investment for the year ended 31 December 2008 was less than RMB 67.5 million, Mr. LU (through Right Source) would transfer up to 20% of its shareholding in Realty Investment to Mr. WANG (holding the same through Fortune In). Since the net profit of Realty Investment for the year ended 31 December 2008 was less than RMB67.5 million, Right Source transferred 20% of its shareholding in Realty Investment to Fortune In. Since its establishment, Realty Investment has been mainly acting as an investment holding company.

Acquisition of Hami Jinhua

On 25 March 2008, Realty Investment entered into an equity transfer agreement with Jiahua Enterprise which stipulated that Jiahua Enterprise transferred its entire equity interest in Hami Jinhua, representing 90% equity interests in Hami Jinhua, to Realty Investment at a consideration of RMB90 million. Jiahua Enterprise is owned as to 98.04% by Mr. WANG Dianyun, 0.98% and 0.98% by Mr. ZHAO Guangsheng and Mr. SUN Deguang, respectively. Other than Mr. Zhao, who is one of our executive Directors, Jiahua Enterprise and its shareholders are Independent Third Parties. The consideration was determined with reference to the appraised net assets value of 90% equity interest of Hami Jinhua of approximately RMB82.40 million as at 29 February 2008 prepared by an independent valuer, representing a premium of approximately 9.22%. On 10 April 2008, the acquisition of 90% equity interest in Hami Jinhua by Realty Investment at a consideration of RMB90 million was approved by Department of Foreign Trade and Economic Cooperation of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區對外貿易經濟合作廳), the competent authority to approve such acquisition for the purpose of the M&A Rules as confirmed by our PRC Legal Advisers. After the acquisition, Hami Jinhua became a subsidiary of Realty Investment and changed from a domestic funded enterprise to a foreign invested enterprise.

Upon the completion of the above equity transfer agreement, Hami Jinhua was owned as to 90% by Realty Investment, 6% as to Mr. WANG Dianyun and 4% as to Ms. XIE Lin, an Independent Third Party, respectively.

As confirmed by our PRC Legal Advisers, given the consideration for the acquisition of 90% equity interest of Hami Jinhua was determined with reference to the appraised net assets value of such equity interest, which complied with the requirement under the M&A Rules, the acquisition of Hami Jinhua was approved by the Department of Foreign Trade and Economic Cooperation of Xinjiang Uygur Autonomous Region, the competent authority to approve such acquisition for the purpose of the M&A Rules, Realty Investment has paid off the consideration for such acquisition in the prescribed period as required under the M&A Rules, and the other procedure requirements under M&A Rules were also met during the acquisition of Hami Jinhua such as renewal of business license of and application for foreign exchange registration for Hami Jinhua, the acquisition of Hami Jinhua by Realty Investment has complied with the requirements under the M&A Rules. Our PRC Legal Advisers have also confirmed that apart from the acquisition of Hami Jinhua by Realty Investment, the M&A Rules are not applicable to the other steps involved in our Reorganisation and thus our Reorganisation does not breach any requirements set out in the M&A Rules.

Acquisition of Hami Jiatai

On 15 May 2008, Hami Jinhua entered into an equity transfer agreement with Jiahua Enterprise which stipulated that Jiahua Enterprise transferred its 100% equity interest in Hami Jiatai to Hami Jinhua at a consideration of RMB53.775 million. The consideration was determined by mutual agreement between Hami Jinhua and Jiahua Enterprise with reference to (i) the audited net assets value of Hami Jiatai, which amounted to approximately RMB119 million as at 31 December 2007; (ii) pre-acquisition dividend to the then shareholders of Hami Jiatai amounted to RMB92 million which was declared by Hami Jiatai on 13 April 2008; and (iii) the operation status and future prospect of the operating mines and concentrator owned by Hami Jiatai. Based on our reviews on (i) several technical reports provided by Jiahua Enterprise or independent experts, including independent technical reports issued by SRK in April 2008, and mineral reserves reports prepared by 新疆維吾爾自治區礦產資源儲量評審中心 (Xinjiang Uygur Autonomous Region Mineral Reserves Evaluation Center) in the fourth quarter of 2007; (ii) legal due diligence reports prepared by our PRC Legal Advisers on Hami Jiatai; and (iii) historical financial statements of Hami Jiatai, together with our judgments on the future prospects and price trends of ore reserves and mineral resources of Hami Jiatai's mining and exploration projects, we consider that we have reviewed sufficient information to make our decision on the acquisition of Hami Jiatai, even though both parties to the equity transfer agreement agreed not to appoint an independent valuer to perform business or assets valuation of Hami Jiatai. As (i) Hami Jiatai's then shareholders are entitled to receive the pre-acquisition dividend of approximately RMB92 million; and (ii) it was not mandatory requirement under the relevant laws and regulations of the PRC, both parties to the equity transfer agreement agreed not to appoint independent valuer to perform valuation on the net asset value of Hami Jiatai.

On 21 May 2008, a new business license was issued to Hami Jiatai by Hami Administration for Industry and Commerce (哈密市工商行政管理局). After the acquisition, Hami Jiatai became a wholly-owned subsidiary of Hami Jinhua.

On 28 April 2010, Hami Jiatai and its then shareholders, namely Mr. Wei Xing, Ms. Wei Xuedan and Mr. Xie Weidong, entered into an agreement pursuant to which Hami Jiatai will pay pre-acquisition dividends of RMB92.0 million due to its previous shareholders in instalments up to 31 December 2014 and the amount to be paid in each year will not be less than RMB15.0 million. On 9 March 2011 and 11 July 2011, Hami Jiatai and its then shareholders further entered into two supplementary agreements, pursuant to which (i) Hami Jiatai will pay the dividends in instalments during the period from 31 December 2011 to 31 December 2015, and the amount to be paid in each year will not be less than RMB15,000,000; and (ii) Hami Jiatai will pay the first instalment within six months from the Listing Date or on 31 December 2012, whichever is earlier. The settlement of the above dividends will be financed by our internal resources.

Operating history of Hami Jinhua and Hami Jiatai

Before our acquisitions of Hami Jinhua and Hami Jiatai in April and May 2008, respectively, Hami Jinhua and Hami Jiatai have been in operation for several years.

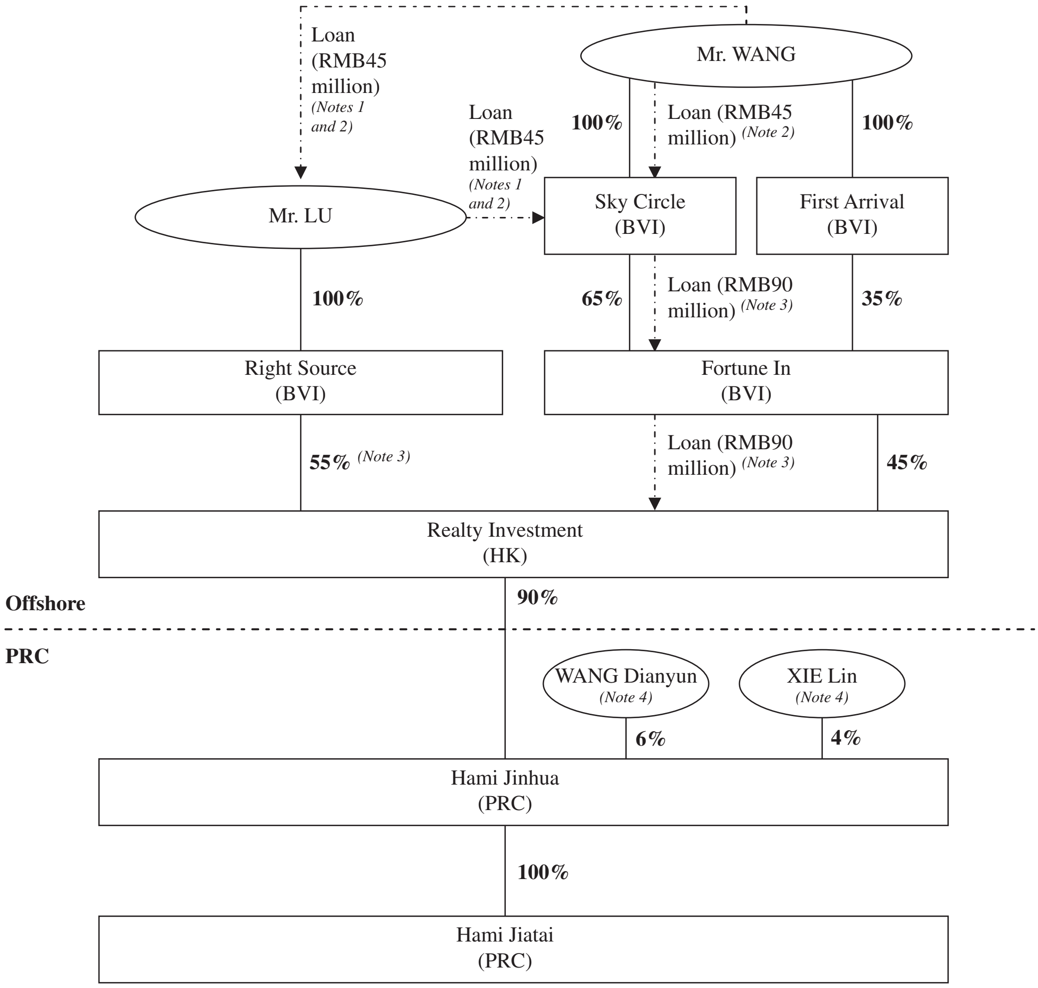
Hami Jiatai was established in the PRC in November 2001. It obtained its first mining permits of Project No. 20 in September 2002 and Project No. 2 in November 2004. With a view to expand the mining business into ore processing, the then equity shareholders of Hami Jiatai first constructed the Hami Jiatai Concentrator in 2002 with initial daily capacity of 150 tonne for the processing of copper-nickel ore. As the copper-nickel ore supply was sufficient, predecessors of Hami Jiatai further completed a two-phase expansion of the Hami Jiatai Concentrator in June 2004 and November 2005 respectively and accomplished a total daily processing capacity of 1,500 tonnes for 300 days a year. Apart from mining and ore processing, Hami Jiatai also devoted to exploration activities in Xinjiang area aiming at enlarging its Mineral Resources and Ore Reserves. The following table sets forth the first exploration permits of each project granted to Hami Jiatai:

Project	Deposit Style	Grant date of first exploration permits
Project Baiganhu	Lead-zinc	March 2004
Project H-989	Copper-nickel	June 2004
Project Huangshan	Copper-nickel	June 2008
Project Hongshanpo	Lead-zinc	November 2008
Project Xidagou	Lead-zinc	November 2008
Project Yinaoxia	Copper-gold	November 2008
Project Baiganhu Gold	Gold	January 2009
Project Heishan	Copper-nickel	December 2009

Hami Jinhua was established in the PRC on 4 April 2006. In April 2006, Hami Jinhua and Hami Jiatai entered into an exploration agreement which stipulated that Hami Jinhua would finance all exploration activities in Project Baiganhu while Hami Jiatai hold the exploration permit of Project Baiganhu. It was further agreed in the exploration agreement that Hami Jinhua would apply for the mining permits of Project Baiganhu and bear all the subsequent cost. In October 2008, the first mining permit of three-year term was granted to the Hami Jinhua. In June 2006, the then equity shareholders of Hami Jinhua planned the construction of Hami Jinhua Concentrator for the processing of lead-zinc ore extracted from Project Baiganhu. In 2007 and 2008, the Hami Jinhua Concentrator conducted trial production for lead concentrates and zinc concentrates.

OUR CORPORATE STRUCTURE

Prior to the Reorganisation, the shareholding and corporate structure of our Group was as follows:



Notes:

1. Mr. LU borrowed this RMB45 million loan from Mr. WANG for the purpose of financing Realty Investment's acquisition of its then 90% interest in Hami Jinhua for RMB90 million.

2. These loans are not interest bearing.

3. These loans were initially interest bearing, and they ceased to bear interest as from, and all previously accrued interest were waived on, 20 May 2008.

4. WANG Dianyun is a former non-executive director of Hami Jinhua and he resigned in April 2010. XIE Lin is an Independent Third Party.

The companies comprising our Group underwent a reorganisation to rationalise our corporate structure in preparation for the Listing, and as a result, our Company became the holding company of our Group. The Reorganisation involved the following steps:

(i) on 4 January 2010, King Award was established in the BVI and one share of US$1.00 in the share capital of King Award was allotted and issued to Mr. LU on 3 February 2010;

(ii) on 23 March 2010, First Arrival transferred its 35% shareholding in Fortune In to Sky Circle;

(iii) on 19 February 2010, our Company was incorporated in the Cayman Islands with one subscriber share of HK$0.10 in the share capital of our Company, which was transferred to Sky Circle on the same date;

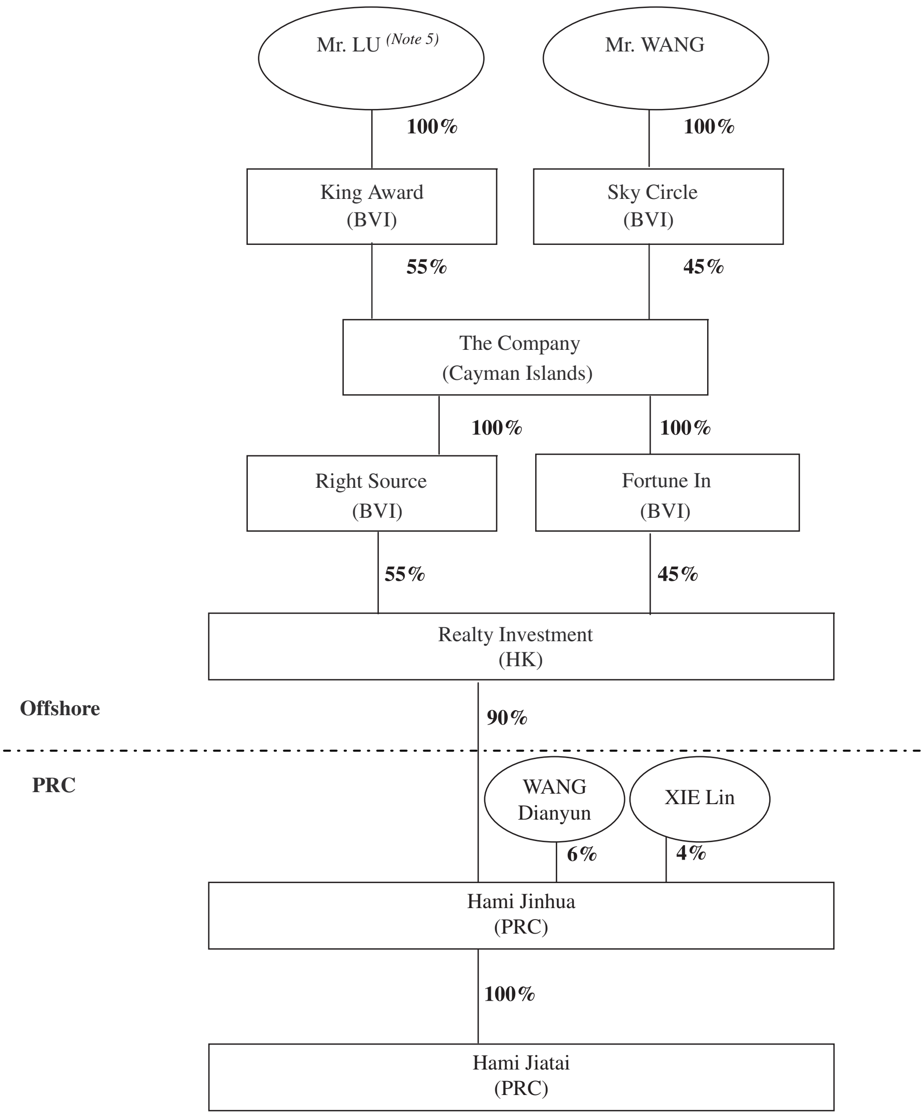
(iv) on 24 March 2010, Mr. LU transferred the entire issued share capital of Right Source to our Company and released Sky Circle from its obligation to repay a RMB 45 million loan, and against Sky Circle assigning the benefit of the loan (due to it from Fortune In) in the amount of RMB 45 million (in the manner as outlined in paragraph (v) below), our Company issued 5,500 Shares to King Award for the amount of HK$50,329,753 ("Right Source Consideration", being the amount of HK$50.35 million (representing the HK$ equivalent of RMB 45 million) plus the unaudited net asset value of Right Source of HK$(20,247)) and King Award issued one new share at an amount equal to the Right Source Consideration to Mr. LU;

(v) on 24 March 2010, Sky Circle transferred the entire issued share capital of Fortune In and assigned a RMB 90 million loan due from Fortune In (a part of it was the RMB 45 million loan assigned for the purpose referred to in paragraph (iv) above) to our Company and, in consideration therefor, our Company issued 4,499 Shares for the amount of HK$50,333,118 (being the amount of HK$50.35 million (representing the HK$ equivalent of RMB 45 million) plus the unaudited net asset value of Fortune In of HK$(16,882)) to Sky Circle (and such 4,499 Shares, together with the one Share that Sky Circle already held (as referred to in paragraph (iii) above), represented 45% of our then enlarged share capital); and

(vi) on 18 May 2010, our Company increased its authorised share capital to HK$500,000,000 divided into 5,000,000,000 ordinary shares of HK$0.10 each. Our Company capitalised an amount of HK$71,249,000 of its reserves and issued, on a pro rata basis, 391,869,500 Shares to King Award and 320,620,500 Shares to Sky Circle on the same day.

After the Reorganisation, the CCBIAM Exchangeable Bonds were issued by King Award and Sky Circle on 30 August 2010, pursuant to which, on 30 August 2010 King Award subscribed for 20,625,000 Shares for a consideration of HK$42.735 million and Sky Circle subscribed for 16,875,000 Shares for a consideration of HK$34.965 million, with such subscription moneys being applied for production and corporate purposes. Further details of the CCBIAM Exchangeable Bonds are set out in the section headed "Financial investor" of this prospectus.

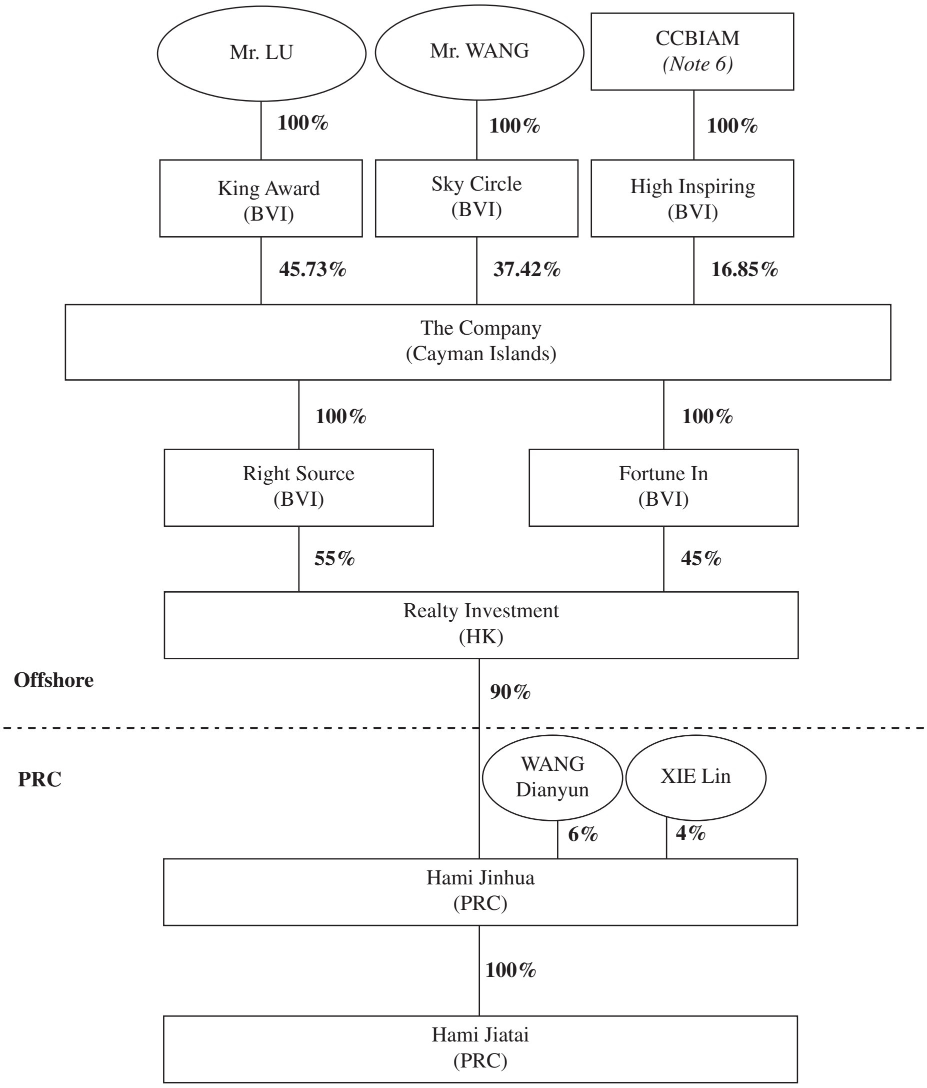
The following chart summarises our Group's structure after the Reorganisation:



Note:

5. The RMB45 million loan owed by Mr. LU to Mr. WANG referred to in Note 1 above was fully repaid to Mr. WANG on 25 March 2011.

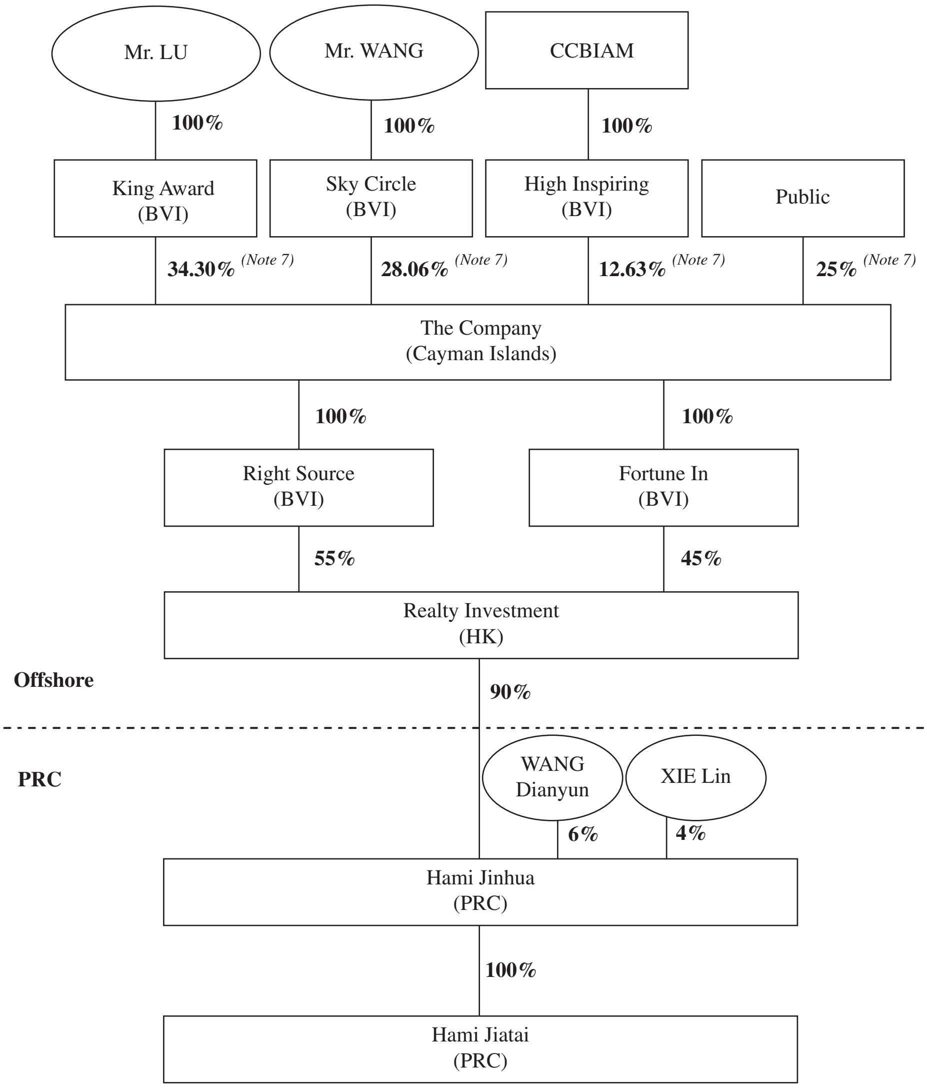
The following chart summaries our Group's structure after the Reorganisation and the CCBIAM Exchangeable Bonds being exchanged in full (further details of the related arrangements are set out in the section headed "Financial investor" of this prospectus):



Note:

6. High Inspiring is wholly owned by CCBIAM. CCBIAM is a limited liability company incorporated in Hong Kong and is principally engaged in asset management and investment businesses. The ultimate beneficial owner of CCBIAM is China Construction Bank Corporation, a company listed on the Main Board of the Stock Exchange (stock code: 0939) and the Shanghai Stock Exchange (stock code: 601939). CCBIAM is a licensed investment management company in Hong Kong and regulated by the SFC. Pursuant to the Exchangeable Bonds Subscription Agreement, CCBIAM (through its wholly owned subsidiary, namely High Inspiring) subscribed for HK$85.47 million in principal amount of the redeemable exchangeable bond issued by King Award and HK$69.93 million in principal amount of the redeemable exchangeable bond issued by Sky Circle. Subscription of the CCBIAM Exchangeable Bonds was completed on 30 August 2010. CCBIAM is a financial investor of the Company.

Immediately following the completion of the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme), the shareholding structure of the Group will be as follows:



Note:

7. Certain percentages are arrived at after rounding, and the underlying Shares constitute the entire issued share capital of our Company.

Overview

We are a nickel-oriented diversified metal mining company principally engaged in mining and ore processing of nickel and copper in Hami, Xinjiang. Our overall strategic objective is to exploit our competitive advantages to become one of the leading diversified metal mining companies in the PRC.

Nickel is a chemical element with the chemical symbol Ni. The valuable properties of nickel are its hardness and resistance to oxidation. According to the 2010 Yearbook, the global consumption of refined nickel in 2009 was approximately 1.23 million metric tonnes, and the PRC was the largest refined nickel consumption country in the world during 2007 to 2009. Although the annual production volume of (i) nickel content in ore and concentrates; and (ii) refined nickel products in the PRC have been increasing during the past decade, its domestic production still cannot satisfy its fast-growing demand. In 2009, the annual production volume of refined nickel amounted to approximately 164.8 thousand metric tonnes in the PRC, which was well behind its domestic consumption of approximately 442.0 thousand metric tonnes, thus, resulting in a shortage of 277.2 thousand metric tonnes and, according to the 2010 Yearbook, the PRC imported a net amount of USD 4.43 billion worth of nickel in 2009, with a CAGR of 47.01% from 2000 to 2009. We believe that (i) the sustainable growth in the demand for nickel in the PRC, and (ii) the demand-supply imbalance in the nickel market have created a favourable business environment for suppliers of nickel concentrates and refined nickel.

Our Xinjiang mining and exploration projects are located within close proximity to the regional city of Hami, Xinjiang, which is approximately 400 km south east of Urumqi, the capital of Xinjiang Uygur Autonomous Region. Urumqi and Hami are connected via a national highway, a railway and also by air services.

During the period from late 2008 to the first half of 2009, the price of nickel and copper plummeted significantly following the global financial crisis. For example, the LME cash nickel price and the LME cash copper price, which peaked in May 2007 and July 2007 respectively, decreased by approximately 84% to USD8,934 per metric tonne in December 2008, and by approximately 68% to USD2,810 per metric tonne in December 2008, respectively. Although both the LME cash nickel price and the LME cash copper price gradually increased to approximately USD15,700 per metric tonne and approximately USD5,000 per metric tonne in June 2009 respectively, demand for nickel and copper was dampened as a result of the economic slowdown after the global financial crisis.

Taking into account that (i) Mineral Resources and Ore Reserves are non-renewable resource in nature; (ii) the collapse in market prices of nickel and copper was temporary in nature, our Directors consider that it was not in the interest of our Company to sell any metal concentrates in the then prevailing market conditions in late 2008 and 2009, and we strategically suspended our sales for the period from October 2008 to December 2009.

We still carried out small-scale mining and ore processing activities in November and December 2008 after we suspended our sales from October 2008. In 2009, we continued to scale down our operations in mining and ore processing. Therefore the total amount of ores extracted from Project No. 2 and No. 20 was significantly decreased from approximately 121,420 tonnes in 2008 to approximately 48,803 tonnes in 2009. In addition to the production scale, we also postponed our proposed investment on capital expenditure of Project No. 2 and No. 20 during the 18 months ended 31 December 2009 to the first half of 2010. As a result, the total amount of ores extracted from Project No. 2 and No. 20 further decreased to approximately 29,926 tonnes in 2010 as the normal operation of Project No. 2 and No. 20 was negatively affected by the delay of our capital expenditure investment on Project No. 2 and No. 20.

We have resumed our sales of metal concentrates in January 2010 and recorded a gross profit of RMB4.5 million for the year. Upon the Listing, our management will continue to review our sales strategies by taking into account factors including (i) the prevailing market prices of metal products; (ii) the trend of market prices of non-ferrous metal products; and (iii) the liquidity position and capital expenditure need of our Company.

To monitor the implementation of the above sales strategies, a review committee, comprising all of our independent non-executive Directors, has been formed to review our sale strategies periodically. If there is any material change in our sale strategies or suspension of our sale activity, we will seek approval from the review committee in advance.

Currently, our Group has three mining projects with valid mining and safety production permits, namely Project No.2, Project No. 20 and Project Baiganhu. However, Project No. 20 and Project Baiganhu are only expected to recommence/ commence commercial operation in the third quarter of 2012. Regarding Project No.2, we received verbal notification from the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in January 2011 to suspend our production in Project No.2 as a result of the implementation of the Consolidation Program. We were informed by the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in October 2011 that 新疆新鑫礦業股份有限公司 (Xinjiang Xinxin Mining Industry Co., Ltd.) (Stock Code: 3833) has been selected as the main integration entity (整合主體). As at the Latest Practicable Date, no concrete plan, including the pricing terms and timetable of the Consolidation Program, was formulated, so it is not feasible for our Directors to predict the completion date of the Consolidation Program. Our Directors consider that it is unlikely for us to resume mining activities on Project No.2. For the background and details of the Consolidation Program, please refer to the paragraph headed "The Impact of Mine Consolidation Policy of the PRC on Our Mining Projects" of this section.

Set out below is a summary of our concentrators and mining and exploration projects:

(i) **Concentrators**

Name of concentrators	Type of metal concentrate produced	Source of ores	Designed annual production capacity	Notes
Hami Jiatai Concentrator	Nickel concentrate and copper concentrate	Copper-nickel ores from Project No.2 and Project No.20	450,000 tonnes	1, 2 and 3

Name of concentrators	Type of metal concentrate produced	Source of ores	Designed annual production capacity	Notes
Hami Jinhua Concentrator	Lead concentrate and zinc concentrate	Lead-zinc ores from Project Baiganhu	450,000 tonnes	1 and 4

Notes:

1. *Our attributable share of the above concentrators is 90% as we only hold a 90% equity interest in Hami Jinhua.*

2. *Upon the commencement of commercial production of Project H-989 , which is expected to be in the first half of 2013, it will supply copper-nickel ores to the Hami Jiatai Concentrator for processing. In addition, we also plan to purchase copper-nickel ores from independent suppliers in Hami for processing at the Hami Jiatai Concentrator.*

3. *The Hami Jiatai Concentrator commenced commercial operation in 2002. However, the scale production of the Hami Jiatai Concentrator has been suspended since January 2011 as we received verbal notification from the Hami Municipal Bureau of Land and Resources in January 2011 to suspend our production in Project No.2 as a result of the implementation of the Consolidation Program and is expected to resume in the third quarter of 2012.*

4. *Certain requisite approvals from the relevant authorities are pending before commencement of commercial production, which is expected in the second quarter of 2012.*

In order to restore and further expand the production scale and improve the efficiency of the Hami Jiatai Concentrator, we plan to purchase copper-nickel ores from independent suppliers in Hami for the production of nickel concentrate and copper concentrate. With copper-nickel ores supplied by independent suppliers, Project H-989 and Project No. 20, the production scale and efficiency of the Hami Jiatai Concentrator will be enhanced. As at the Latest Practicable Date, no legal-binding agreement has been signed by us in relation to the procurement of copper-nickel ores.

Further, it is our strategy to broaden our revenue base and expand our product portfolio by producing lead and zinc concentrates at the Hami Jinhua Concentrator which will process the lead-zinc ores exploited from Project Baiganhu. The Hami Jinhua Concentrator is expected to commence commercial production at around the second quarter of 2012. To achieve the above business objective, we plan to invest approximately RMB35.7 million and approximately RMB9.8 million as capital expenditure for Project Baiganhu during the two years ending 31 December 2013. Of the total capital expenditure, approximately RMB4 million will be incurred during the year ending 31 December 2011. In addition, we will invest approximately RMB10 million for technical modification on the tailing storage facilities of the Hami Jinhua Concentrator which will be completed in April 2012.

(ii) Mining and exploration projects

Project name	Type of ore under exploration/ mining	Type of permit obtained	Permit expiry date (month/ year)	Exploration area (km^2)	Annual operation scale	Whether covered by the Independent Technical Report	Notes
Project No. 2	Copper-nickel ore	Mining permit and safety production permit	June 2013 (Mining permit) and August 2013 (safety production permit)	0.32	30,000 tonnes	Yes	5, 6 and 7
Project No. 20	Copper-nickel ore	Mining permit and safety production permit	June 2018 (Mining permit) and January 2012 (safety production permit)	0.22	150,000 tonnes	Yes	5, 7 and 8
Project Baiganhu	Lead-zinc ore	Mining permit and safety production permit	November 2013 (Mining permit) and March 2014 (safety production permit)	0.96	300,000 tonnes	Yes	5, 7 and 9
Project Baiganhu Gold	Gold ore	Exploration permit	May 2014	1.28	Not applicable	No	5 and 10
Project H-989	Copper-nickel ore	Exploration permit	May 2014	1.91	Not applicable	Yes	5, 7 and 11
Project Heishan	Copper-nickel ore	Exploration permit	January 2014	20.26	Not applicable	No	5 and 10
Project Hongshanpo	Lead-zinc ore	Exploration permit	December 2013	3.98	Not applicable	No	5 and 10
Project Huangshan	Copper-nickel ore	Exploration permit	December 2012	3.49	Not applicable	No	5 and 10
Project Xidagou	Lead-zinc ore	Exploration permit	January 2014	4.78	Not applicable	No	5 and 10
Project Yinaoxia	Copper-gold ore	Exploration permit	January 2014	8.93	Not applicable	No	5 and 10

Notes:

5. *Our attributable share of the above mining and exploration projects is 90% as we only hold a 90% equity interest in Hami Jinhua.*

6. *In January 2011, we received verbal notification from the Hami Municipal Bureau of Land and Resources to suspend our production in Project No.2 as a result of the implementation of the Consolidation Program. For the background and details of the Consolidation Program, please refer to the paragraph headed "The Impact of Mine Consolidation Policy of the PRC on Our Mining Projects" of this section.*

7. *The estimation of the Mineral Resources and/or Ore Reserves of the relevant projects is included in the Independent Technical Report.*

8. *The mining activity of Project No.20 has not been active since January 2011 as it is under development to extract ores at a lower part of the ore bodies. We expect the scale production of Project No.20 will resume after the completion of the current mine development in the third quarter of 2012.*

9. *Project Baiganhu has not commenced commercial operation as its mine construction has not yet been completed.*

10. *The Independent Technical Report does not include the estimation of the Mineral Resources and/or Ore Reserves of the relevant projects as these projects are still an early stage of exploration. Therefore, there is not sufficient information available for the Independent Technical Adviser to conduct JORC compliant geological and exploration review on such projects.*

11. *After almost six years of six-year exploration effort, we have applied to the competent authority for a mining permit for Project H-989 in September 2011. It is expected that the valid mining permit for Project H-989 will be granted to us by January 2012.*

The following tables set forth an estimation of our Mineral Resources as of 2 August 2011:

Project name (Notes 1&2)	**Classification**	**Quantity (kt)**	**Ni Grade (%)**	**Cu Grade (%)**	**Ni metal (tonne)**	**Cu metal (tonne)**
Project No. 2	Measured	—	—	—	—	—
	Indicated	910	0.64	0.25	5,790	2,280
	Inferred	570	0.49	0.22	2,820	1,270
Sub-total		1,470	0.58	0.24	8,610	3,550
Project No. 20	Measured	—	—	—	—	—
	Indicated	1,330	0.71	0.24	9,430	3,150
	Inferred	1,260	0.69	0.25	8,660	3,160
Sub-total		2,590	0.70	0.24	18,090	6,310
Project H-989	Measured	—	—	—	—	—
	Indicated	3,390	0.49	0.23	16,540	7,750
	Inferred	2,370	0.51	0.19	12,100	4,390
Sub-total		5,760	0.50	0.21	28,640	12,140
Grand total	Measured	—	—	—	—	—
	Indicated	5,630	0.57	0.23	31,770	13,180
	Inferred	4,200	0.56	0.21	23,580	8,810
	Total	9,830	0.56	0.22	55,340	21,990

Source: Independent Technical Report (Rounding errors affect the total metal amounts reported above)

Notes:

1. Reported at a 0.2% Ni cut-off grade.

2. Our attributable share of the above Mineral Resources is 90% as we only hold a 90% equity interest in Hami Jinhua.

Project name (Notes 3&4)	Classification	Quantity (kt)	Zn Grade (%)	Pb Grade (%)	Zn metal (tonne)	Pb metal (tonne)
Project Baiganhu	Measured	—	—	—	—	—
	Indicated	1,730	6.57	4.13	113,540	71,440
	Inferred	2,150	6.42	3.96	137,910	85,140
	Total	3,880	6.49	4.03	251,450	156,580

Source: Independent Technical Report (Rounding errors affect the total metal amounts reported above)

Notes:

3. Reported at a 1.0% Zn cut-off grade.

4. Our attributable share of the above Mineral Resources is 90% as we only hold a 90% equity interest in Hami Jinhua.

The following tables sets forth an estimation of our Ore Reserves as of 2 August 2011:

Project name (Notes 5&6)	Reserve classification	Ore Quantity (kt)	Ni Grade (%)	Cu Grade (%)	Ni Tonnes (tonne)	Cu Tonnes (tonne)
Project No. 2	Proved	—	—	—	—	—
	Probable	544	0.64	0.25	3,483	1,337
Project No. 20	Proved	—	—	—	—	—
	Probable	1,099	0.64	0.21	7,071	2,362
Grand total	Proved	—	—	—	—	—
	Probable	1,643	0.64	0.23	10,554	3,699

Project name (Notes 5&6)	Reserve classification	Ore Quantity (kt)	Zn Grade (%)	Pb Grade (%)	Zn Tonnes (tonne)	Pb Tonnes (tonne)
Project Baiganhu	Proved	—	—	—	—	—
	Probable	1,055	5.95	3.73	62,773	39,352

Source: Independent Technical Report (Rounding errors affect the total metal amounts reported above)

Notes:

5. Our attributable share of the above ore reserves is 90% as we only hold a 90% equity interest in Hami Jinhua.

6. The reporting standard for our Mineral Resources and Ore Reserves is the JORC Code, which is in compliance with the requirements under Chapter 18 of the Listing Rules.

As Mineral Resources and Ore Reserves are non-renewable resource in nature, we believe the control of sizable Mineral Resources and Ore Reserves is fundamental to long-term sustainable expansion of our business. We believe that we are well-positioned to expand our Mineral Resources and Ore Reserves.

Currently, our Group holds seven exploration permits in Hami, Xinjiang. As advised by our PRC Legal Advisers, in accordance with the Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey (礦產資源勘查區塊登記管理辦法), the maximum duration of an exploration permit for mineral resources (other than petroleum and natural gas) is three years. When a renewal of exploration permit is needed, an application must be submitted to the competent authority for renewal of such exploration permit at least 30 days prior to the expiration date. According to Xinjiang Uygur Autonomous Region Administration Measures of Exploration Right and Mining Right (新疆維吾爾自治區探礦權采礦權管理辦法), each renewal term cannot exceed three years. There is no specific restriction or limitation on the number of times an exploration permit may be renewed. Upon obtaining satisfactory exploration results and if we consider these mineralisations are economically and commercially viable for mining, we will apply to the PRC government for a mining permit for the relevant area. In September 2011, we have applied to the competent authority for a mining permit for Project H-989. It is expected that the valid mining permit for Project H-989 will be granted to us by January 2012. Save for the above, we have no concrete timetable to apply for mining permits for the remaining exploration projects as the exploration results of these exploration projects do not yet satisfy the requirements for commercial mining activities.

Under PRC law, the holder of an exploration permit has priority in obtaining the mining right of the mineral resources as specified in the exploration permit if ore resources can be successfully found in the area under its exploration. Please refer to the section headed “Regulation - Regulations relating to Mineral Resources Mining - Application for a Mining Permit” of this prospectus for details of the procedure and the materials required to be submitted for application of a mining permit as well as the basic concerns of the governmental authority of land and resources when granting a mining permit. Our PRC Legal Advisers are of the view that, as long as we have fulfilled all the substantive and procedural conditions required by the relevant PRC laws and requests of the relevant authority, there will be no material substantive obstacle in obtaining mining permits for the seven exploration projects. But if we fail to submit the relevant materials as required or otherwise fail to satisfy the concerns of the government authority of land and resources, we may not obtain the mining permit for the relevant exploration projects.

In addition, through the Acquisition Agreements, we have conditionally agreed to acquire the entire equity interest of Shaanxi Jiarun and Shaanxi Jiahe, which will hold the mining permits for Project Huaba and Project Huangjinmei, respectively, before completion of the Acquisition Agreements.

Set out below is a summary of Project Huaba and Project Huangjinmei:

Project name	Type of ore under exploration	Type of permit on hand	Permit expiry date (month/ year)	Exploration area (km^2)	Current operation status
Project Huaba	Vanadium ore	Exploration permit	April 2011	11.41	In the course of applying mining permit (Notes 1 & 3)
Project Huangjinmei	Gold ore	Exploration permit	October 2011	4.29	In the course of applying mining permit (Notes 2 & 3)

Notes:

1. The application for a mining permit for Project Huaba was submitted in October 2011. The approval is expected to be granted in February 2012. As its exploration permit expired in April 2011, we submitted the renewal application to the relevant authorities in January 2011, and expect the renewed permit will be granted in February 2012 if the valid mining permit is not granted to us at that time.

2. The application for a mining permit for Project Huangjinmei was submitted in April 2011. The approval is expected to be granted in January 2012.

3. Upon completion of the Acquisition, our attributable share of the above exploration projects will be 90% as we only hold a 90% equity interest in Hami Jinhua.

The following tables sets forth an estimation of the Mineral Resources of Project Huaba and Project Huangjinmei as of 2 August 2011:

Project name (Notes 4&7)	Classification	Quantity	Au Grade	Au metal
		(kt)	*(g/t)*	*(t)*
Project Huangjinmei	Measured	—	—	—
	Indicated	1,310	2.84	3.7
	Inferred	1,870	3.00	5.6
Sub-total		3,180	2.95	9.4

Project name (Notes 5&7)	Classification	Quantity	V_2O_5 Grade	V_2O_5 metal
		(kt)	*(g/t)*	*(t)*
Project Huaba (Vanadium)	Measured	—	—	—
	Indicated	49,900	0.8	398,410
	Inferred	53,360	0.76	403,660
Sub-total		103,260	0.78	802,080

Project name (Notes 6&7)	Classification	Quantity	Cu Grade	Cu metal
		(kt)	*(g/t)*	*(t)*
Project Huaba (Copper)	Measured	—	—	—
	Indicated	1,330	1.5	19,870
	Inferred	1,210	1.23	14,970
Sub-total		2,540	1.37	34,840

Source: Independent Technical Report (Rounding errors affect the total metal amounts reported above)

Notes:

4. Reported at a 1.0 g/t Au cut-off grade.
5. Reported at a 0.5% V_2O_5 cut-off grade.
6. Reported at a 0.5% Cu cut-off grade.
7. Upon completion of the Acquisition Agreements, our attributable share of the above Mineral Resources will be 90% as we only hold a 90% equity interest in Hami Jinhua.

Set out below is the expected production volume of copper-nickel ores of Project No.20 under different development phases:

Development phase	Period	Production Volume (metric tonnes)
Phase two - underground mine construction process	July 2011 - July 2012	22,000
After completion of phase two	August - December 2012	60,000
Phase three	January - December 2013	120,000(Note 1)
After completion of phase three	January 2014 onwards	150,000 (per annum)

Set out below is the expected production volume of lead-zinc ores of Project Baigunhu under different development phases:

Development phase	Period	Production Volume (metric tonnes)
Phase one - underground mine construction process	October 2011 - August 2012	55,000
After completion of phase one	September - December 2012	80,000
Phase two	January - December 2013	200,000(Note 2)
After completion of phase two	January 2014 onwards	300,000 (per annum)

Notes:

1. Based on the monthly production capacity of 12,000 tonnes and ten months production per year.

2. Based on the monthly production capacity of 20,000 tonnes and ten months production per year.

Competitive Advantages

We believe that we have the following principal competitive advantages which differentiate our business on market competition and assure our sustainable growth:

Sizeable mineral resources and ore reserves

As Mineral Resources and Ore Reserves are non-renewable resources in nature, we believe the control of sizable Mineral Resources and Ore Reserves is fundamental to long-term sustainable expansion of our business.

We believe that we are well-positioned to expand our Mineral Resources and Ore Reserves. Currently, we hold seven exploration permits in Hami, Xinjiang: Project H-989, Project Heishan and Project Huangshan with copper-nickel mineralisation, with a total licence area of 25.66 km^2, Project Hongshanpo and Project Xidagou with lead-zinc mineralisation, with a total licence area of 8.76 km^2, Project Baiganhu Gold with gold mineralisation covering an area of 1.28 km^2, and Project Yinaoxia with copper-gold mineralisation covering an area of 8.93 km^2. Should we evaluate and conclude that these mineralisation are economically and commercially viable for mining, we will immediately proceed to apply for mining permits from the relevant authority and formulate and implement our mining plan. After almost six years of exploration effort, we are preparing to convert the exploration permits of Project H-989 into mining permit, and formally submitted our application to relevant authorities in September 2011. We expect the mining permit for Project H-989 will be granted to us by January 2012.

In addition, through the Acquisition Agreements, we conditionally agreed to acquire entire equity interest in Shaanxi Jiarun and Shaanxi Jiahe, which will hold the mining permits of Project Huaba and Project Huangjinmei, respectively, before completion of the Acquisition Agreements. For the details of the Acquisition Agreements, please refer to the section headed "Acquisition" of this prospectus.

We believe we have the potential to further increase our Mineral Resources and Ore Reserves through potential mining activities vested in our mines under exploration and the mines to be acquired by us pursuant to the Acquisition Agreements, as a result, it will support our long-term business development and increase our scale of operation.

Well-positioned to capitalize on opportunities in Xinjiang

Xinjiang has been recognised as a region rich in mineral resources. Being the largest province in the PRC, Xinjiang possesses abundant mineral resources due to its complicated geological structure near Asia and European mainland. According to the 2010 Yearbook, there are only four provinces in production of nickel content in ore and concentrates. Xinjiang was the third largest producing province for nickel content in ore and concentrate in the PRC with an annual production volume of 4.63 thousand metric tonnes, representing approximately 5% of the total annual production of the PRC.

Before we acquired controlling shareholding in Hami Jinhua and Hami Jiatai in 2008, the management of Hami Jinhua and Hami Jiatai, lead by Mr. ZHAO Guangsheng (趙廣勝) Mr. WU Guangsheng (吳光升) and Mr. ZHAO Bochen (趙波臣), all of whom are executive directors of our Company and have joined Hami Jinhua and Hami Jiatai as senior management since 2002, have established track record in exploration, mining and ore processing activities in Xinjiang, we believe that we are in a strong position to expand our overall operations through acquisitions of nickel and other non-ferrous metal assets in Xinjiang. Our location in the nickel-rich region of Xinjiang provides us with access to the rich natural resources of the surrounding region and a substantial amount of neighboring nickel and other non-ferrous metal assets. We believe that, in addition to our exploration and mining track record in Hami, Xinjiang and solid funding resources, our team of experienced professionals will enable us to carefully evaluate and identify local assets with acquisition potential to grow our ore reserves and mineral resources.

Established expertise in exploration, mining and ore processing

Our executive Directors and senior management comprise a team of experienced professionals with a strong exploration and mining track record, including qualified geologists and engineers, with extensive industry expertise in the areas of exploration, mining, mine construction, processing and mine and production safety and mine management. We believe our executive Directors and senior management possess the skills, foresight and in-depth industry knowledge necessary to capture market opportunities, formulate sound business strategies, assess and manage risks and increase and implement management and production schemes. For the biographical Details of our Directors and senior management, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

Business strategies

Our overall strategic objective is to exploit our competitive advantages to become one of the leading diversified metal mining companies in the PRC. We plan to accomplish this goal by pursuing the following strategies:

Ramp up our mining and ore processing capacities

The production volume and number of operating days of the Hami Jiatai Concentrator has been in decreasing trend during the Track Record Period because of limited supply of copper-nickel ores extracted from Project No. 2 and Project No. 20 during the same period.

In order to restore and further expand the production scale and improve the efficiency of the Hami Jiatai Concentrator, we plan to increase our mining capacities on Project No. 20 and therefore we plan to invest approximately RMB27.8 million and approximately RMB12.9 million as capital expenditure for Project No.20 during the two years ending 31 December 2013. The estimated total capital expenditure for the three-phase development on Project No.20 is approximately RMB45.1 million, of which approximately RMB4.4 million will be incurred during the year ending 31 December 2011. For the details of our development plan on Project No.20, please refer to paragraph headed "Future Plan for Developing Our Mining Projects" of this section.

We plan to invest approximately RMB33.3 million, approximately RMB4.3 million and approximately RMB5.7 million as capital expenditure for Project H-989 during the three years ending 31 December 2014. Through the above investment, we target to commence commercial production of Project H-989 in the first half of 2013.

In addition, we plan to purchase copper-nickel ores from independent suppliers in Hami. Such copper-nickel ore will be processed at the Hami Jiatai Concentrator for the production of nickel concentrate and copper concentrate. As at the Latest Practicable Date, no legal-binding agreement has been signed by us in relation to the procurement of copper-nickel ores.

With copper-nickel ore supplied from Project H-989 and Project No. 20, production scale and efficiency of the Hami Jiatai Concentrator will be enhanced.

As Project Baiganhu and Hami Jinhua Concentrator are expected to commence commercial production at around third quarter and second quarter of 2012, respectively, we will further improve our mining and ore processing capacities. For the details of Hami Jinhua Concentrator and Project Baiganhu, please refer to paragraphs headed " Our Existing Production Operations and Facilities — Processing facilities" and "Future Plan for Developing Our Mining Projects" of this section.

Increase our ore reserves through further exploration and selective acquisitions

We believe control of sizable Mineral Resources and Ore Reserves is fundamental to long-term sustainable expansion of our business and we consider that focused exploration efforts is a way to expand our portfolios of Mineral Resources and Ore Reserves. Currently, we hold seven exploration permits in Hami, Xinjiang. With a view to expanding our portfolios of non-ferrous metal resources, we intend to carry out more in-depth exploration in these areas through subcontracting arrangement with third party professional exploration teams. After almost six years of exploration effort, we have applied to the competent authority for a mining permit for Project H-989 in September 2011. It is expected that the valid mining permit for Project H-989 will be granted to us by January 2012.

Shaanxi Jiatai Hengrun is in the course of applying the mining permits of Project Huaba and Project Huangjinmei. Upon the completion of the Acquisition Agreements, we will commence exploration, mining and ore processing activities on Project Huaba and Project Huangjinmei which possesses (i) copper and vanadium resources; and (ii) gold resources in Shaanxi province, respectively.

Part of our growth strategies is to expand and achieve long-term sustainable growth through acquisition and consolidation of target companies with nickel, copper and mines with other mineral resources. Potential consolidation or acquisition targets will only include mines that satisfy our assessment criteria including, but not limited to, the following attributes:

- compliance with applicable PRC laws and regulations, including having valid mining permits and safety production permits;
- implementation of safe operating conditions and systems;
- adoption of high environmental standards;
- location of deposits;
- expected mining life;
- proved and probable reserves;
- average grade, content and separability of reserves;
- estimated return on investment; and
- our ability to finance such acquisition.

Expand our product portfolio and establish our presence beyond Xinjiang

During the Track Record Period, almost all of our revenue were generated from the sale of nickel concentrate and copper concentrate processed by the Hami Jiatai Concentrator located in Luotuo Quanzi (駱駝圈子), Hami, Xinjiang.

In order to reduce our business risks and broaden our revenue base, we intend to expand our product portfolio and establish our presence beyond Xinjiang. To that end, we target to commence commercial production of zinc concentrate and lead concentrate at Hami Jinhua Concentrator at second quarter of 2012. In addition, upon the completion of the Acquisition Agreements, we will commence exploration, mining and ore processing activities on Project Huaba and Project Huangjinmei which possesses (i) copper and vanadium resources; and (ii) gold resources in Shaanxi province, respectively.

Strengthen our customer relationship and broaden our customer base

Currently, we enter into the sales contract with Nickel City for a term of 5 years expiring in December 2014, pursuant to which Nickel City has agreed to purchase 500 tonnes of nickel in nickel concentrates per annum. Nickel City is a procurement agent appointed by Jinchuan Group for sourcing nickel concentrates. Jinchuan Group is one of the leading integrated non-ferrous metallurgical and chemical engineering enterprises engaged in mining, concentrating, metallurgy and chemical engineering. It produces nickel, copper, cobalt, rare and precious metals as well as chemical engineering in the PRC.

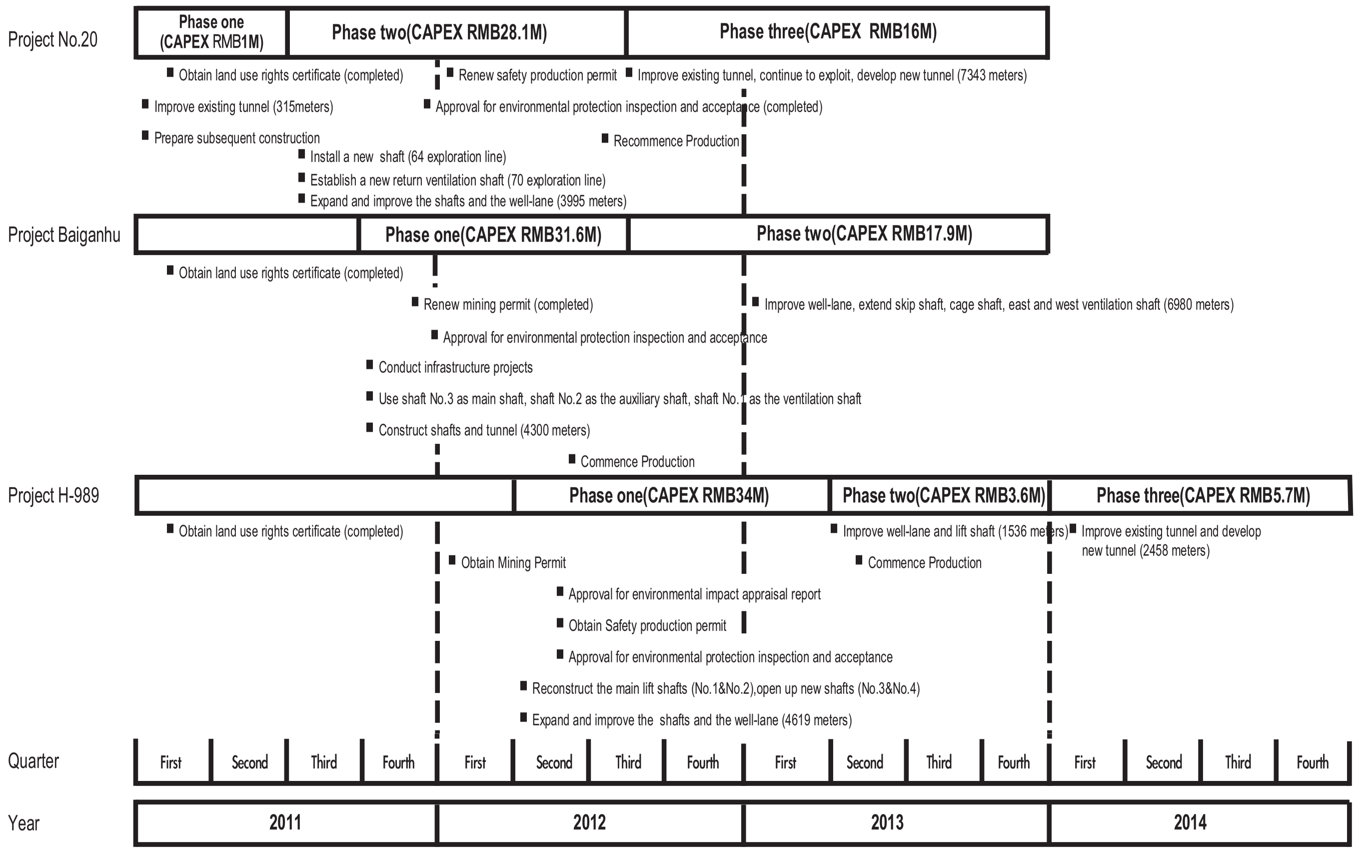
We expect our production volume of nickel concentrate and copper concentrate will gradually increase as (i) the Project H-989 is expected to commence commercial production in the first half of 2013; and (ii) the phase two of technical modification on Project No. 20 will be completed in the third quarter of 2012, which will further increase its mining capacity. In addition, Hami Jinhua Concentrator is expected to commence commercial production of zinc concentrate and lead concentrate at around the second quarter of 2012.

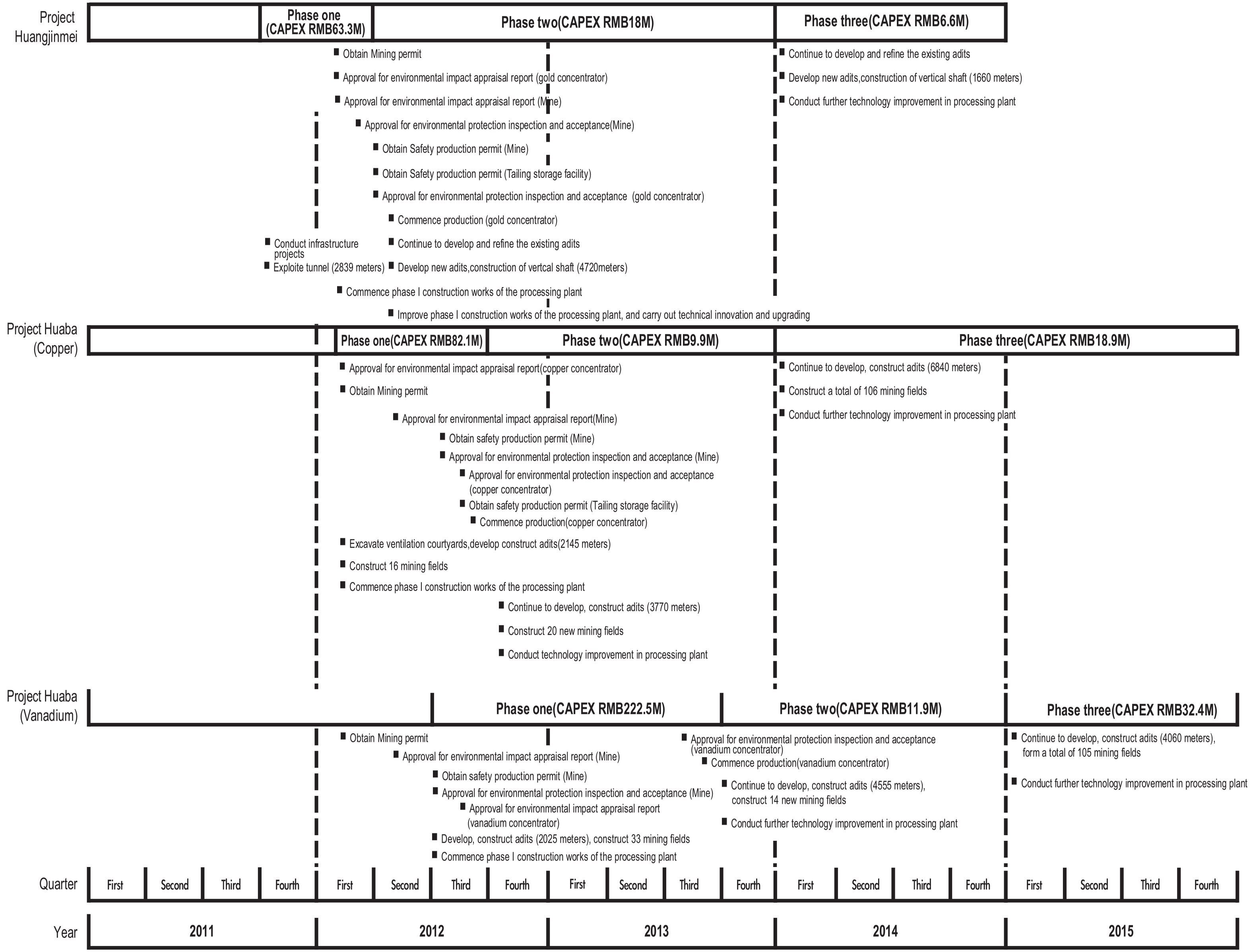
As our production of various metal concentrate is expected to increase gradually since the second quarter of 2012, we intend to develop and/or further strengthen our long-term supplier relationship with Jinchuan Group and other non-ferrous metallurgical enterprises in order to stabilize and grow our revenue. As our executive Directors and senior management have substantial work experience in the mining and processing industries in Xinjiang, and as such are familiar with, and maintain good relationships with, the senior management teams of various non-ferrous metallurgical enterprises and trading companies there. These relationships may help us better anticipate the timing of their orders or specific requests so that we may more sufficiently meet the needs of our customers.

We also intend to minimize sales risks by growing our customer base. To that end, we will focus on increasing our geographical reach with a view to broadening our customer base.

TIMETABLE

The estimated timetable for the construction and completion of Project No.20, Project Baiganhu, Project H-989, Project Huangjinmei and Project Huaba is set out below and on the next page. This timetable is an estimate only and is subject to change. In particular, if approvals are not obtained in the target time frame, then the timetable will need to be extended.




Project Huangjinmei
Phase one (CAPEX RMB63.3M)
Phase two(CAPEX RMB18M)
Phase three(CAPEX RMB6.6M)
■ Obtain Mining permit
■ Approval for environmental impact appraisal report (gold concentrator)
■ Approval for environmental impact appraisal report (Mine)
■ Approval for environmental protection inspection and acceptance(Mine)
■ Obtain Safety production permit (Mine)
■ Obtain Safety production permit (Tailing storage facility)
■ Approval for environmental protection inspection and acceptance (gold concentrator)
■ Commence production (gold concentrator)
■ Conduct infrastructure projects
■ Exploite tunnel (2839 meters)
■ Continue to develop and refine the existing adits
■ Develop new adits,construction of vertcal shaft (4720meters)
■ Commence phase I construction works of the processing plant
■ Improve phase I construction works of the processing plant, and carry out technical innovation and upgrading
■ Continue to develop and refine the existing adits
■ Develop new adits,construction of vertical shaft (1660 meters)
■ Conduct further technology improvement in processing plant
Project Huaba (Copper)
Phase one(CAPEX RMB82.1M)
Phase two(CAPEX RMB9.9M)
Phase three(CAPEX RMB18.9M)
■ Approval for environmental impact appraisal report(copper concentrator)
■ Obtain Mining permit
■ Approval for environmental impact appraisal report(Mine)
■ Obtain safety production permit (Mine)
■ Approval for environmental protection inspection and acceptance (Mine)
■ Approval for environmental protection inspection and acceptance (copper concentrator)
■ Obtain safety production permit (Tailing storage facility)
■ Commence production(copper concentrator)
■ Excavate ventilation courtyards,develop construct adits(2145 meters)
■ Construct 16 mining fields
■ Commence phase I construction works of the processing plant
■ Continue to develop, construct adits (3770 meters)
■ Construct 20 new mining fields
■ Conduct technology improvement in processing plant
■ Continue to develop, construct adits (6840 meters)
■ Construct a total of 106 mining fields
■ Conduct further technology improvement in processing plant
Project Huaba (Vanadium)
Phase one(CAPEX RMB222.5M)
Phase two(CAPEX RMB11.9M)
Phase three(CAPEX RMB32.4M)
■ Obtain Mining permit
■ Approval for environmental impact appraisal report (Mine)
■ Obtain safety production permit (Mine)
■ Approval for environmental protection inspection and acceptance (Mine)
■ Approval for environmental impact appraisal report (vanadium concentrator)
■ Develop, construct adits (2025 meters), construct 33 mining fields
■ Commence phase I construction works of the processing plant
■ Approval for environmental protection inspection and acceptance (vanadium concentrator)
■ Commence production(vanadium concentrator)
■ Continue to develop, construct adits (4555 meters), construct 14 new mining fields
■ Conduct further technology improvement in processing plant
■ Continue to develop, construct adits (4060 meters), form a total of 105 mining fields
■ Conduct further technology improvement in processing plant
Quarter
First
Second
Third
Fourth
Year
2011
2012
2013
2014
2015

OUR PRODUCTS

Ores exploited from mine contain only very low content of metal. After ore processing in the concentrator, metal concentrates, a kind of intermediate product with higher content of metal, are formed. Metal concentrates will then go through smelting and refining processes in order to form high content metal products of standard quality recognized in the industry.

During the Track Record Period, we specialise in the production of nickel concentrates and copper concentrates that are sold to customers with smelters for their further smelting and/or refinery to products with higher metal content, and to trading companies which resell our metal concentrates to smelters.

Our nickel concentrates and copper concentrates are produced at Hami Jiatai Concentrator which processes ores exploited from Project No. 2 and Project No. 20. Upon the commencement of commercial production of Project H-989, which is expected in the first half of 2013, copper-nickel ores exploited from Project H-989 will be also transported to the Hami Jiatai Concentrator for processing, and will further increase the production scale and efficiency of the Hami Jiatai Concentrator.

Cobalt, being a by-product of nickel concentrates, is contained in our Group's nickel concentrates and recovered during the nickel-copper ore processing. As confirmed by our Directors, we did not separate cobalt from nickel concentrates during the nickel-copper ore processing since additional capital expenditure is required to expand our processing facilities for cobalt separation. As such, after considering the cost effectiveness, we decided not to separate cobalt from nickel concentrates. Indeed, as specified in the sales agreement with our Group's two customers, we are entitled to receive additional revenue if the cobalt content contained in nickel concentrates is more than 0.35% in weight as set by the said customers. Since the grade of cobalt content contained in the nickel concentrates did not reach the threshold specified by the customers, and therefore, no revenue were generated for the sales of cobalt contained in nickel concentrates by our Group during the Track Record Period.

In addition to nickel concentrates and copper concentrates, we plan to produce lead and zinc concentrates at the Hami Jinhua Concentrator which will process lead-zinc ores exploited from Project Baiganhu, which is expected to commence commercial production at around second quarter of 2012.

We will continue focusing our business on exploration, mining and ore processing and sell our metal concentrates to smelters. We have no intention to expand our business to smelting and refining processes as it is capital intensive in nature and can only be economically viable under large scale operation with numerous supplies of concentrates.

OUR MINERAL RESOURCES AND ORE RESERVES

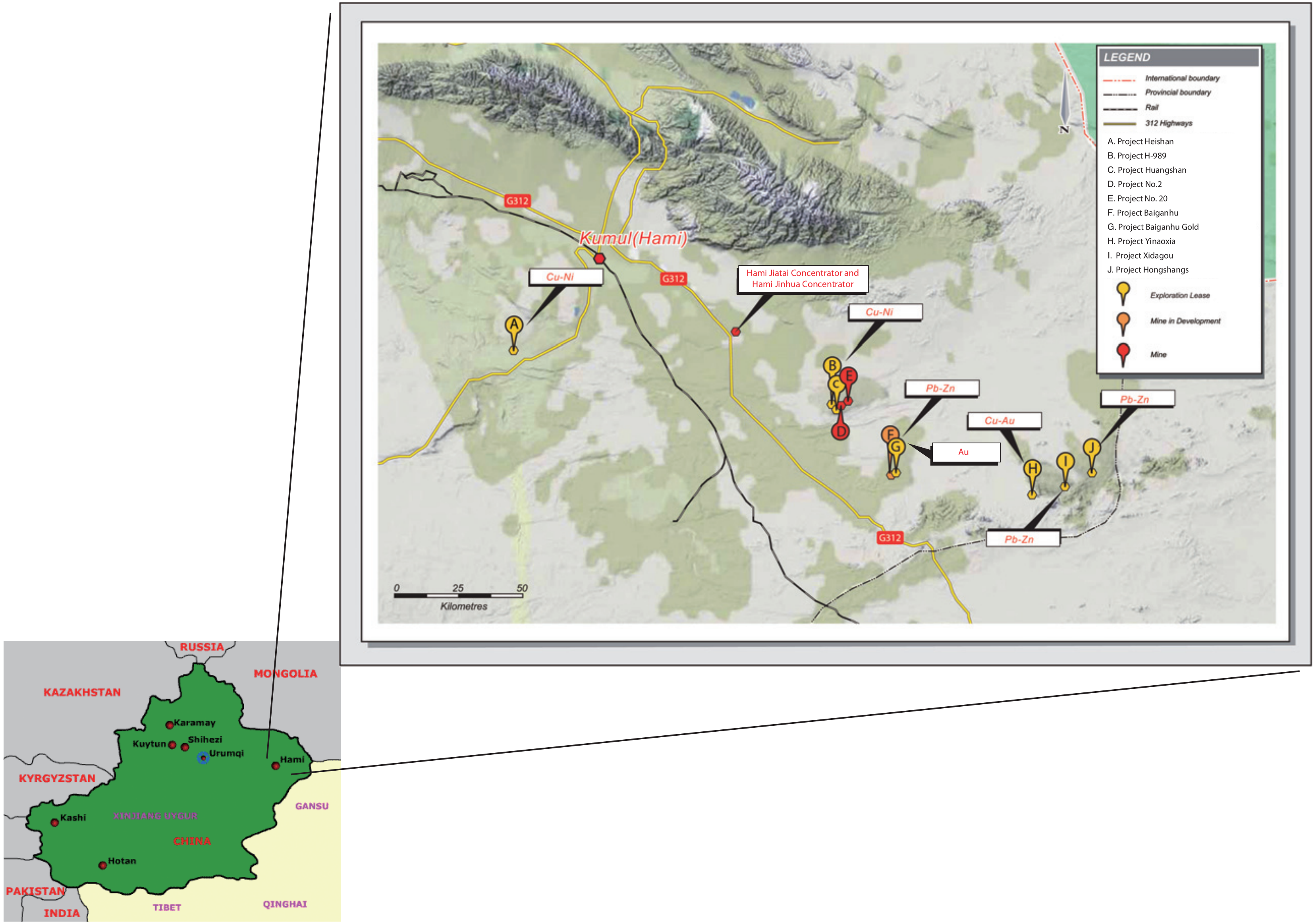
Overview

As at the Latest Practicable Date, our Group held mining permits for three projects in Hami, Xinjiang, namely, Project No. 2 and Project No. 20, both with copper-nickel Mineral Resources and Ore Reserves and had commercial operation during the Track Record Period, and Project Baiganhu with lead-zinc mineralisation which is yet to commence operation. We expect Project Baiganhu will commence commercial operation in the third quarter of 2012. As advised by our PRC Legal Advisers, we have obtained the requisite license to conduct underground mine construction in Project Baiganhu. During the mine construction process, we hauled certain amount of ore from underground to ground surface, and such ores were delivered to Hami Jinhua Concentrator for trial production of zinc concentrate and lead concentrate. In addition, we hold seven exploration permits in Hami, Xinjiang, namely, Project H-989, Project Heishan and Project Huangshan with copper-nickel mineralisation, with a total licence area of approximately 25.66 km^2, Project Hongshanpo and Project Xidagou both with lead-zinc mineralisation, with a total licence area of approximately 8.76 km^2, Project Baiganhu Gold with gold mineralisation covering an area of approximately 1.28 km^2, and Project Yinaoxia with copper-gold mineralisation covering an area of approximately 8.93 km^2. For the details of our mining and exploration projects, please refer to the paragraph headed "Our mining rights, safety production permits and exploration permits" of this section.

As stated in the Independent Technical Report, significant exploration works have been completed on Project No. 2, Project No. 20, Project Baiganhu and Project H-989 areas in the past few decades. These works were mainly completed in the late 1990's and early 2000's and consisted of surface and underground diamond holes, underground channel samples and surface trenching. From August to November 2010 a surface and underground diamond drill program was completed at Project No. 2, Project No. 20 and Project H-989 deposits to further define the mineralisation. After almost six years of exploration effort, we have applied to the competent authority for a mining permit for Project H-989 in September 2011. It is expected that the valid mining permit for Project H-989 will be granted to us by January 2012.

Our Xinjiang mining and exploration projects are located within close proximity to the regional city of Hami, Xinjiang, which is approximately 400 km south east of the capital of Xinjiang Uygur Autonomous Region, Urumqi. Urumqi and Hami are connected via a national highway, a railway and also by air services.

The following map illustrates the locations of our concentrators, mining and exploration projects:



Mineral Resources

The following tables set forth an estimation of our Mineral Resources as of 2 August 2011:

Mineral Resources for Project No. 2, No. 20 and H-989

Project name (Notes 1&2)	Classification	Quantity (kt)	Ni Grade (%)	Cu Grade (%)	Ni metal (tonne)	Cu metal (tonne)
	Measured	—	—	—	—	—
Project No. 2	Indicated	910	0.64	0.25	5,790	2,280
	Inferred	570	0.49	0.22	2,820	1,270
Sub-total		1,470	0.58	0.24	8,610	3,550
Project No. 20	Measured	—	—	—	—	—
	Indicated	1,330	0.71	0.24	9,430	3,150
	Inferred	1,260	0.69	0.25	8,660	3,160
Sub-total		2,590	0.70	0.24	18,090	6,310
Project H-989	Measured	—	—	—	—	—
	Indicated	3,390	0.49	0.23	16,540	7,750
	Inferred	2,370	0.51	0.19	12,100	4,390
Sub-total		5,760	0.50	0.21	28,640	12,140
Grand total	Measured	—	—	—	—	—
	Indicated	5,630	0.57	0.23	31,770	13,180
	Inferred	4,200	0.56	0.21	23,580	8,810
	Total	9,830	0.56	0.22	55,340	21,990

Source: Independent Technical Report (Rounding errors affect the total metal amounts reported above)

Notes:

(1) Reported at a 0.2% Ni cut-off grade

(2) Our attributable share of the above Mineral Resources is 90% as we only hold a 90% equity interest in Hami Jinhua.

Project name (Notes 3&4)	**Classification**	**Quantity (kt)**	**Zn Grade (%)**	**Pb Grade (%)**	**Zn metal (tonne)**	**Pb metal (tonne)**
Project Baiganhu	Measured	—	—	—	—	—
	Indicated	1,730	6.57	4.13	113,540	71,440
	Inferred	2,150	6.42	3.96	137,910	85,140
	Total	3,880	6.49	4.03	251,450	156,580

Source: Independent Technical Report (Rounding errors affect the total metal amounts reported above)

Notes:

3. Reported at 1.0% Zn cut-off grade.

4. Our attributable share of the above Mineral Resources is 90% as we only hold a 90% equity interest in Hami Jinhua.

The following tables set forth an estimation of our Ore Reserves as of 2 August 2011:

Project name (Notes 5&6)	**Reserve classification**	**Ore Quantity (kt)**	**Ni Grade (%)**	**Cu Grade (%)**	**Ni Tonnes (tonne)**	**Cu Tonnes (tonne)**
Project No. 2	Proved	—	—	—	—	—
	Probable	544	0.64	0.25	3,483	1,337
Project No. 20	Proved	—	—	—	—	—
	Probable	1,099	0.64	0.21	7,071	2,362
Grand total	Proved	—	—	—	—	—
	Probable	1,643	0.64	0.23	10,554	3,699

Project name (Notes 5&6)	**Reserve classification**	**Ore Quantity (kt)**	**Zn Grade (%)**	**Pb Grade (%)**	**Zn Tonnes (tonne)**	**Pb Tonnes (tonne)**
Project Baiganhu	Proved	—	—	—	—	—
	Probable	1,055	5.95	3.73	62,773	39,352

Source: Independent Technical Report (Rounding errors affect the total metal amounts reported above)

Notes:

5. Our attributable share of the above Ore Reserves is 90% as we only hold a 90% equity interest in Hami Jinhua.

6. The reporting standard for our Mineral Resources and Ore Reserves is the JORC Code, which is in compliance with the requirements under Chapter 18 of the Listing Rules.

We have not performed any pre-feasibility studies and feasibility studies on our mining or exploration projects. Instead, the following mining study reports for Project No.2, Project No.20 and Project Baiganhu (which are disclosed in section 1.5 of the Independent Technical Report as set out in Appendix V to this prospectus) have been reviewed by the Independent Technical Adviser:-

- Utilisation and development schemes (Project No.2, Project No. 20 and Project Baiganhu); and

- Preliminary mine design (Project Baiganhu)

With reference to the level of detail in the utilisation and development schemes, the Independent Technical Adviser considers the level of study sufficient to enable the estimation of Ore Reserves and enable a review of the mining methods, operating and capital costs and project development which would be compliant with the Chapter 18 of the Listing Rules. As advised by the Independent Technical Adviser, utilisation and development schemes are used for the application of a mining licence and are commonly a combination of pre-feasibility study, feasibility study and preliminary mine design. So the level of detail of utilisation and development scheme is generally higher than a pre-feasibility study, however could vary between mines when compared to the feasibility study and preliminary mine design.

Utilisation and development schemes for Project No.2 and Project No.20 were completed and were approved by Department Land and Resources Bureau of the Xinjiang Uygur Autonomous Region (新疆維吾爾自治區國土資源廳).

For Project Baiganhu, a preliminary mine design, required prior to the commencement of site construction, was approved in January 2011. As advised by the Independent Technical Adviser, preliminary mine designs have a higher level of detail than feasibility studies, thus could guide the development and operation of Project Baiganhu. Project H-989 and Project Huaba are in the early stages of development. Their utilisation and development schemes would be prepared before applying for mining permit. Project Huangjinmei's utilisation and development scheme is under preparation.

For a typical process and practice of project studies, please refer to "9.2.1 Required Project Studies" in the Independent Technical Report.

MINE LIFE

Set forth below is the estimated mine life of our mining projects, as indicated in the Independent Technical Report:

Project name	Ore Reserve (kt)	Production schedule (ktpa) 2011	2012	2013	2014	2015	Mine life (year) *(Notes 4, 5 & 6)*
Project No.2 *(Note 1)*	544	N/A	N/A	N/A	N/A	N/A	N/A
Project No.20 *(Note 2)*	1,099	10	72	120	150	150	8.4
Project Baiganhu *(Note 3)*	1,055	10	125	200	300	300	4.8

Notes:

1. Currently, there is no forecast production and so there is no estimated mine life for Project No. 2

2. The estimated mine life of Project No. 20 is based on the Ore Reserve estimate of 1,099 kt as of 2 August 2011 and the production schedule (10 kt in year 1, 72 kt in year 2, 120 kt in year 3 and 150 kt thereafter). A total amount of 10 kt of ores is expected to be extracted from Project No.20 during the underground mine construction phase in 2011. A total amount of 12 kt of ores is expected to be extracted from Project No.20 during the underground mine construction phase from January to July 2012. The monthly production capacity of Project No. 20 is expected to increase to 12 kt upon the completion of its phase two development. Accordingly, from August to December 2012, monthly production capacity of Project No. 20 will be 12 kt, with a total amount of 60 kt of ores extracted from Project No.20 from August to December 2012. Therefore, a total amount of 72 kt of ores will be extracted from Project No.20 in 2012. Except for 2011 and 2012, we make the production schedule based on 10 months per year. The estimated mine life of Project No. 20 is 8.4 years, commencing in August 2011 with ore mined during development.

3. The estimated mine life of Project Baiganhu is based on the Ore Reserve estimate of 1,055 kt as of 2 August 2011 and the production schedule (10 kt in year 1, 125 kt in year 2, 200 kt in year 3 and 300 kt thereafter). A total amount of 10 kt of ores is expected to be extracted from Project Baiganhu during the underground mine construction phase in 2011. A total amount of 45 kt of ores is expected to be extracted from Project Baiganhu during the underground the mine construction phase from January to August 2012. The monthly production capacity of Project Baiganhu is expected to reach 20 kt upon the completion of its phase one development. Accordingly, from September to December 2012, monthly production capacity of Project Baiganhu will be 20 kt, with a total amount of 80 kt of ores extracted from Project Baiganhu from September to December 2012. Therefore, a total amount of 125 kt of ores will be extracted from Project Baiganhu in 2012. Except for 2011 and 2012, we make the production schedule based on 10 months per year. The estimated mine life of Project Baiganhu is 4.8 years, commencing in November 2011 with ore mined during development.

4. As advised by the Independent Technical Adviser, further exploration activities could lead to an increase in the Mineral Resource and Ore Reserve estimates, which could lead to an increase in mine life. In order to extend the mine life of our mining projects, we plan to spend approximately RMB450,000, RMB3.8 million and RMB1.9 million for additional exploration activities for Project No.20, Project Baiganhu and Project H-989 during the year ending 31 December 2013 in accordance with the relevant requirements and standards of the JORC Code. Such additional exploration activities will be financed by our internal resources.

5. As advised by the Independent Technical Adviser, the estimation of mine life shall be calculated based on the estimated Ore Reserve and estimated production schedule of relevant mines, in accordance with the standards of the JORC. Given that it was not feasible for the Independent Technical Adviser to estimate the Ore Reserve of Project H-989, Project Huaba and Project Huangjinmei as at the date of the Independent Technical Report, the Independent Technical Adviser confirm that it is not feasible for them to estimate and disclose the estimated mine life of Project H-989, Project Huaba and Project Huangjinmei in this prospectus. As advised by the Independent Technical Adviser, the estimation of Ore Reserve is based on (i) the data contained in the relevant studies, such as the utilisation and development schemes; and (ii) the approved scale of mining operation specified under the mining permit granted by the competent authorities in the PRC. Currently, as (i) the relevant studies of Project H-989, Project Huaba and Project Huangjinmei are not completed; and (ii) we have not obtained the mining permits of these mining projects, it is not feasible for the Independent Technical Adviser to estimate the Ore Reserve of Project H-989, Project Huaba and Project Huangjinmei.

6. In general, the annual depletion rate of our mining projects is effectively equal to the annual production rate of the relevant mining projects. Therefore, the depletion rate is the annual ore production volume divided by the Ore Reserves. Based on our estimated production scheme, the estimated depletion rates of Project No.20 are approximately 0.9%, 6.6%, 10.9%, 13.6% and 13.6% for the years 2011-2015. For Project Baiganhu, the estimated depletion rates are 0.9%, 11.8%, 19.0%, 28.4% and 28.4% for the years 2011-2015. However, the estimated depletion rate is subject to the changes of many variables, for example changes in the Ore Reserves. For example, any increase in Ore Reserve estimate as a result of our further exploration activities could lead to a decrease in the estimated depletion rate of our mining projects.

Technical risk assessment

Our Independent Technical Advisor, MMC, has performed a risk assessment on our mining projects and has confirmed in the Independent Technical Report that, other than the consolidation, it does not consider any of the perceived technical risks as “high” risk. Our management team is aware of the operational risks and fully understands that the management of safety and production is important to reduce the operational risks involved. For further information, see “Appendix V — Independent Technical Report” to this prospectus.

No material changes have occurred in our ore reserves and resources since the effective date of the Independent Technical Report included in Appendix V to this prospectus.

OUR MINING RIGHTS, SAFETY PRODUCTION PERMITS AND EXPLORATION PERMITS

Mining permit and safety production permits

Under PRC laws, mining companies must obtain, at the minimum, a mining permit and the relevant safety production permits for a mining site prior to the commencement of commercial production. Under PRC laws and regulations, mining companies are required to obtain the necessary safety production permits upon successful inspection of their facilities. During the inspection of the facilities, the establishment of production safety facilities and compliance with production safety standards are inspected and reviewed to determine their sufficiency.

The following tables set forth information about the mining permits and safety production permits we had on hand as at the Latest Practicable Date:

Name of Project/facility	Permit type	Registered permit holder	Area (km^2)	Permit issuance date (month/ year)	Permit expiry date (month/ year)	Scope of permit
Project No. 2	Mining permit	Hami Jiatai	0.32	June 2011	June 2013	Type of mine: Copper-nickel mine Operation scale: 30,000 tonnes per year
	Safety production permits	Hami Jiatai	N/A	August 2010	August 2013	Underground mining
Project No. 20	Mining permit	Hami Jiatai	0.22	June 2008	June 2018	Type of mine: Copper-nickel mine Operation scale: 150,000 tonnes per year
	Safety production permits	Hami Jiatai	N/A	January 2009	January 2012	Underground mining
Project Baiganhu	Mining permit	Hami Jinhua	0.96	November 2011	November 2013	Type of mine: Lead-zinc mine Operation scale: 300,000 tonnes per year
	Safety production permits	Hami Jinhua	N/A	March 2011	March 2014	Underground mining
Tailings storage facility (Hami Jiatai Concentrator)	Safety production permits	Hami Jiatai	N/A	March 2011	March 2014	Tailings storage facility

Exploration permits

Mining companies may also obtain an exploration permit prior to obtaining a mining permit in order to conduct exploration activities to determine if a potential mining area is commercially feasible. Upon deciding to continue with the development of a mining area, a mining company may then apply for mining and relevant production safety permits.

The following tables set forth information about the valid exploration permits we had on hand as at the Latest Practicable Date:

Project name (Note)	Type of ore under exploration	Exploration Area (km^2)	Initial permit issuance date (month/year)	Permit renewal date (month/ year)	Permit expiry date (month/ year)
Project Baiganhu Gold	Au	1.28	January 2009	May 2011	May 2014
Project H-989	Cu, Ni	1.91	November 2005	May 2011	May 2014
Project Heishan	Cu, Ni	20.26	December 2009	January 2011	January 2014
Project Hongshanpo	Pb, Zn	3.98	November 2008	December 2010	December 2013
Project Huangshan	Cu, Ni	3.49	June 2008	December 2009	December 2012
Project Xidagou	Pb, Zn	4.78	November 2008	January 2011	January 2014
Project Yinaoxia	Cu, Au	8.93	November 2008	January 2011	January 2014

Note: Our attributable share of the above exploration projects is 90% as we only hold a 90% equity interest in Hami Jinhua.

As at the Latest Practicable Date, we hold seven valid exploration permits: Project H-989, Project Heishan and Project Huangshan with copper-nickel mineralisation, with a total licence area of 25.66 km^2, Project Hongshanpo and Project Xidagou with lead-zinc mineralisation, with a total licence area of 8.76 km^2, Project Baiganhu Gold with gold mineralisation covering an area of 1.28 km^2, and Project Yinaoxia with copper-gold mineralisation covering an area of 8.93 km^2. Before the expiration of the exploration permits, we will apply to the Department of Land and Resources of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區國土資源廳) for the renewal of such permits.

During the Track Record Period, we paid RMB3,250, RMB3,800, RMB8,200 and RMB32,550 respectively for renewal of exploration permits, and we had not experienced any difficulties in renewing such exploration permits. As exploration activities involve substantial technical aspects in accordance with national standards which require qualified personnel and specialised equipment, we sub-contract such works to third party contractors who are Independent Third Parties, with relevant expertise and qualifications. Exploration activities carried out by subcontractors typically include geophysical prospecting (物探), chemical prospecting (化探), geological mapping (地質填圖), discovery of geological anomalies, trenching (槽探), exploration drilling (鑽探) and adit (平硐). Based on the data and results of exploration, sub-contractors conclude their findings in an exploration report for submission to the regulatory department for the purpose of future application of mining permits. Our technical staff who possess exploration experience will also assist in the analysis and study of the data and results obtained by the sub-contractors. Throughout the exploration process, we also fully supervise their working process and monitor the standard of their quality and safety of work. We afford subcontractors with water supply for living purpose and lighting equipment whereas subcontractors have to arrange all other necessary instruments, equipments and workers for exploration. In case of any accident in the course of exploration, subcontractors must report the accident to us at once and they are required to bear all the claims and liabilities arising out of such accidents. Subcontracting fee will be paid in fixed amount by installments in accordance with the exploration progress. During the Track Record Period and up to the Latest Practicable Date, we have engaged two subcontractors in Xinjiang to carry the exploration activities for our mining projects.

During the Track Record Period, we paid a total exploration and evaluation expense of RMB785,000, RMB45,000, RMB4.4 million and RMB0.7 million respectively in relation to exploration. For the two years ending 31 December 2012, we expect to spend a sum of RMB6.0 million and RMB7.6 million respectively in relation to the exploration activities for the seven exploration permits we had on hand as at the Latest Practicable Date.

Upon completion of all necessary exploration activities in any of our mines with exploration permits, and if our evaluation and analysis on future economic benefit of conducting mining activities in such mines yield favourable results, we will proceed to apply to Department of Land and Resources of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區國土資源廳) for the mining permits.

Pursuant to relevant PRC laws and regulations, we, as the holder of the exploration permit, have a priority in obtaining the related mining permit after successful discovery of resources. In accordance with Administrative Measures on Registration of Mineral Resources Mining (礦產資源開採登記管理辦法) issued by the Ministry of Land and Resources (國土資源部), an application of mining permit must fulfilled the following conditions:

- Apply to the registered administrative authority for the designated mining areas pursuant to the approved geological exploration reserves report, and the registered administrative authority has specified the mining area;

- Appoint parties with design qualification to compile mineral resources usage and exploitation proposal and such proposal has to be passed the examination by relevant professionals; and

- Possess relevant capital, techniques and equipment for the construction of mines. After the application is approved, we have to pay the mining right usage fees (採礦權使用費) and the mining right purchase price (採礦權價款) within 30 days after such approval.

OUR EXISTING PRODUCTION OPERATIONS AND FACILITIES

Production process

Our production activities can be broadly divided into three stages: (i) design and construction of tunnels and paths to gain access to the ore body, and haul ore from underground to ground surface; (ii) transport ore to our concentrators; and (iii) converts ore into metal concentrates through processing process at our concentrators.

(a) **Mining**

We follow standard mining procedures in accordance with the general practice in the mining industry. After completing initial exploration activities, we and/or our subcontractors will conduct drilling, sampling and analysis to identify and determine the location and characteristics of the underlying ore. Based on the initial analysis, we typically outline a plan setting forth the planned mining and production operations, including the technical aspects such as the planning and design of the pits, processing facilities, and operational safety as well as connecting roadways and other supporting infrastructural needs. We commission outside technical advisors to conduct feasibility studies on the mining plan layout. In accordance with the relevant PRC regulations, we engage a professional mine design company with the requisite qualification prescribed by the PRC Government to carry out the mine construction design based on an exploration report that we submit to the PRC Government. Please also refer to the section headed "Risk Factors - Risks Relating to Our Business and Our Industry - We are dependent on certain sub-contractors for our exploration projects and mining projects" for more details.

Depending on the thickness of the ore bodies, we employ two different methods in our mining operations in Project No. 2 and Project No. 20. For thin to medium thick ore bodies, the shallow-hole shrinkage method is employed. This mining method is simple and easy to operate with a high efficiency and fast production rate. It does not require ore-drawing equipment as the ore falls to the extraction level due to gravity and therefore the associated cost is low. For thick to very thick ore bodies, the sub-level open-stop method is employed. This method does not require a bottom structure and sub-level drilling, caving and drawing is carried out relatively safe in the "extraction tunnel". Although both dilution and mining loss are relatively high, this method can still attain high mining intensity with a simple extraction technique. Our mining methods were reviewed by the Independent Technical Adviser. The Independent Technical Adviser's review indicates that our mining methods are suitable for our operation.

As stated in the Independent Technical Report, Project No. 2 was commissioned and commenced production in 2001 with a production capacity of 400 tonnes per day. Mining was undertaken using a shrinkage stoping mining method with a system of seven vertical shafts providing access to the mining operation.

Project No. 20 was commissioned and commenced production in 2001 with a production capacity of 300 tonnes per day. Mining was undertaken using a shrinkage stoping mining method with a system of six vertical shaft providing access to the deposit. Two mineralised bodies have currently been developed within the mining area on 4 levels to a maximum depth of 210 m. The same mining method will be used when it recommences operation in the third quarter of 2012.

(b) **Hauling**

We perform blasting operation by our explosive-handling team who are licensed to handle and use explosives. In addition, both Hami Jinhua and Hami Jiatai have obtained the Blasting Operation Entity Permit (爆破作業單位許可證) which allows us to store and use explosives. Haulage of ore from underground to ground surface via rail mounted trolley carts requires relatively low level of skill. During the Track Record Period, we subcontracted such activity to third-party contractors, who are Independent Third Parties, for Project No. 2 and Project No. 20. Please also refer to the section headed "Risk Factors - Risks Relating to Our Business and Our Industry - We are dependent on certain sub-contractors for our exploration projects and mining projects" for more details.

(c) **Ore processing**

Ore processing is the major step for the conversion of ore into metal concentrates where contents of metal can be increased. As at the Latest Practicable Date, we had two concentrators, namely the Hami Jiatai Concentrator and Hami Jinhua Concentrator, for the processing of copper-nickel ore and lead-zinc ore, respectively. The Hami Jiatai Concentrator has commenced commercial operation since 2002, while Hami Jinhua Concentrator has no commercial operation as Project Baiganhu has not yet started its mining activities. They are both located in the Luotuo Quanzi (駱駝圈子), Hami city and are adjacent to each other. Project No. 2 and Project No. 20 are approximately 79 km south east of the Hami Jiatai Concentrator and Project Baiganhu is approximately 127 km south east of Hami Jinhua Concentrator. Ore extracted from the mines are transported to the concentrators by the fleet of trucks operated by us.

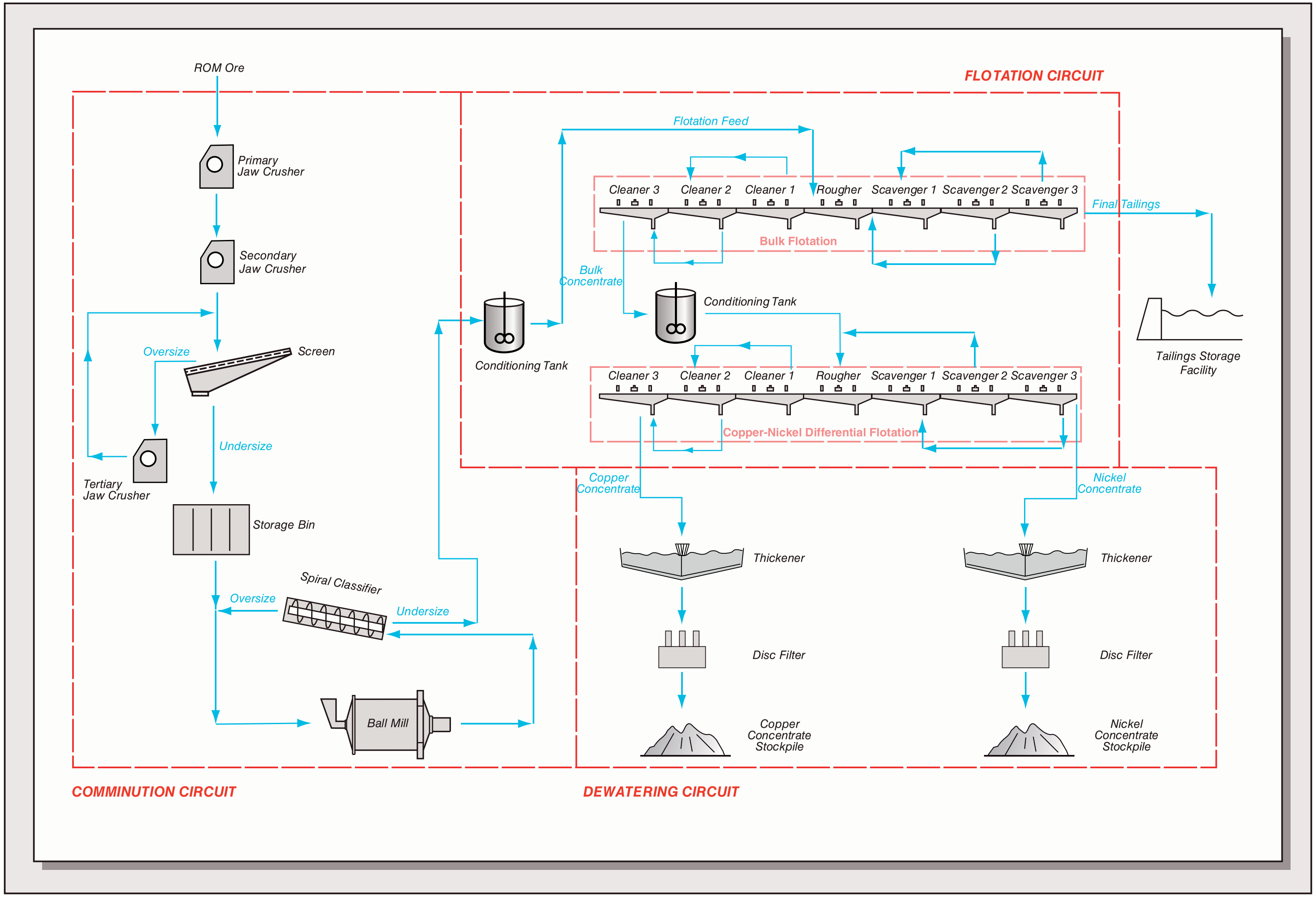
To optimise our cost structure, apart from the processing lines, the two concentrators share many of the common supporting facilities such as the truck fleets, oil tanks, living facilities and laboratories.

Processing facilities

(a) **Hami Jiatai Concentrator**

With the long operating history of the Hami Jiatai Concentrator, we have developed mature techniques to separate copper and nickel from copper-nickel ore which in turn enable us to produce high grade nickel concentrates and copper concentrates.

The processing flow of the Hami Jiatai Concentrator consists of three stages, namely, comminution, flotation and dewatering. The following diagram sets forth our copper- nickel ore processing process:



Comminution: Ore extracted from mine will undergo crushing and milling stage where ore will turn to extremely small particles in the size of 0.074mm.

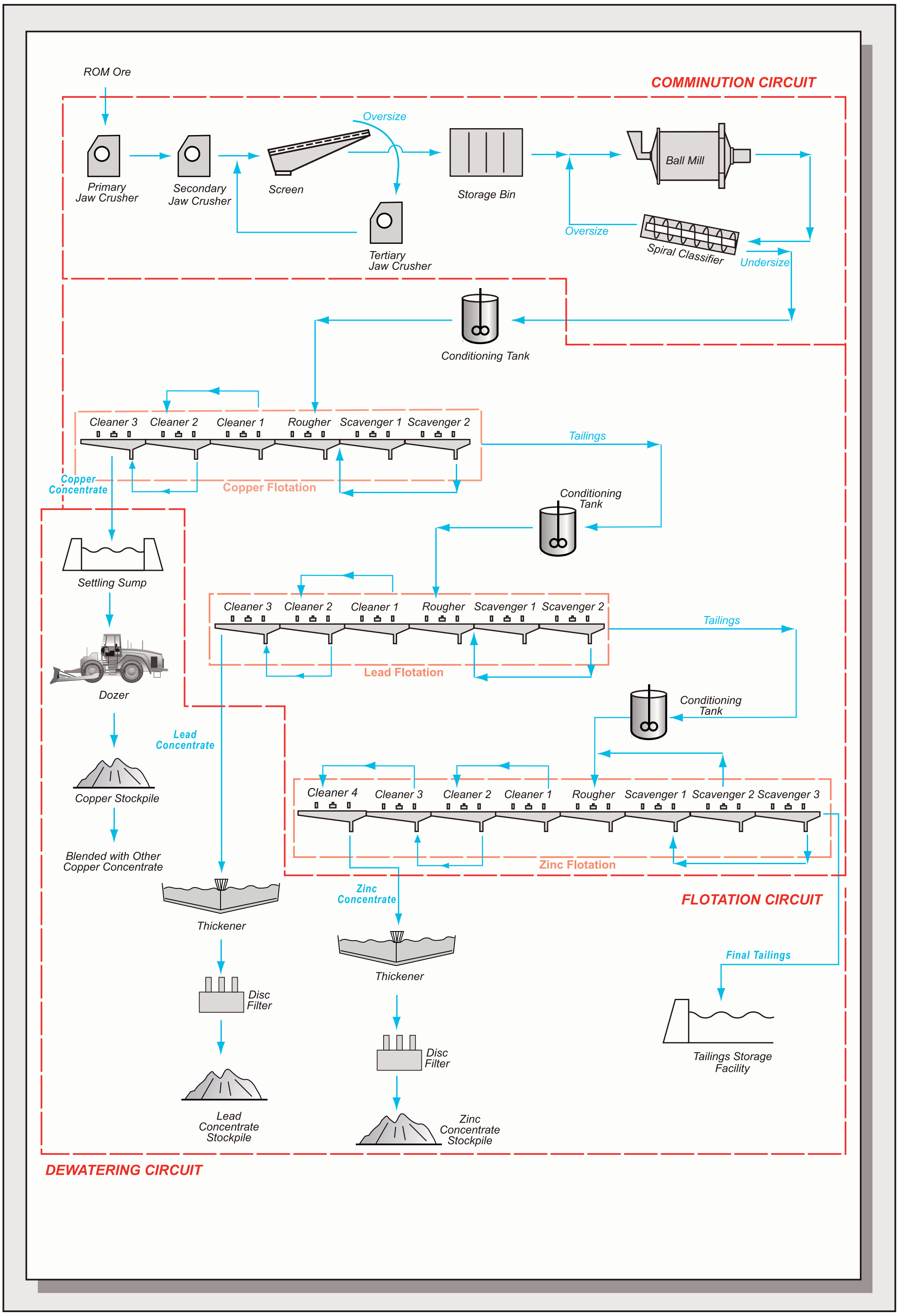
Flotation: Ore particles going through a series of rougher, scavengers and cleaners where reagents are applied will result in separate metal concentrates and tailing.

Dewatering: Separate metal concentrates from the flotation circuit will go through dewatering process including thickening and filtering. Marketable metal concentrates will then be formed.

(b) **Hami Jinhua Concentrator**

Hami Jinhua Concentrator is designed to process lead-zinc ores, such as those from the Project Baiganhu, through sequential flotation technique.

The general design and installed equipment of Hami Jinhua Concentrator are very similar to that of the Hami Jiatai Concentrator. The processing flow of Hami Jinhua Concentrator also consists of three stages, namely, comminution, flotation and dewatering. The following diagram sets forth our lead-zinc ore processing process:



Details of the separation process for both concentrators are set out in Section 8 of the Independent Technical Report.

As at the Latest Practicable Date, our Group had two concentrators, namely the Hami Jiatai Concentrator and Hami Jinhua Concentrator, for the processing of copper-nickel ore and lead-zinc ore respectively.

The Hami Jiatai Concentrator and Hami Jinhua Concentrator are located approximately 77 km to the south-east of the city of Hami, which is a regional administrative centre.

Both the Hami Jiatai Concentrator and Hami Jinhua Concentrator have been equipped with a processing line with a designed capacity of 1,500 tonne/day for 300 days a year (or 450,000 tonne/annum).

Hami Jinhua Concentrator has yet to commence commercial production as Project Baiganhu, which supply ores to Hami Jinhua Concentrator for processing, has not yet started its mining activities. We expect Project Baiganhu will commence commercial operation in the third quarter of 2012. As advised by our PRC Legal Advisers, we have obtained requisite license to conduct underground mine construction in Project Baiganhu. During the mine construction process, we hauled certain amount of ore from underground to ground surface, and such ores were delivered to Hami Jinhua Concentrator for trial production of zinc concentrate and lead concentrate. The Hami Jinhua Concentrator is equipped with a processing line with a designed capacity of 1,500 tonne/day for 300 days a year (or 45,000 tonne/month, or 450,000 tonne/annum), which is sufficient for our lead-zinc ores processing need. As it is not commercially feasible to procure large quantities of lead-zinc ores in Hami, we have no intention to purchase lead-zinc ores from independent suppliers for the production of lead concentrate and zinc concentrate at the Hami Jinhua Concentrator.

The Hami Jiatai Concentrator, which produce copper concentrate and nickel concentrate through processing copper-nickel ores extracted from Project No.2 and Project No.20, commenced commercial production in 2002. The Hami Jiatai Concentrator is equipped with a processing line with a designed capacity of 1,500 tonne/day for 300 days a year (or 45,000 tonne/month, or 450,000 tonne/annum), which is sufficient for our copper-nickel ores processing need. To further enhance production scale and efficiency of the Hami Jiatai Concentrator, we plan to purchase copper-nickel ores from independent suppliers in Hami. Such copper-nickel ore will be processed at the Hami Jiatai Concentrator for the production of nickel concentrate and copper concentrate. As at the Latest Practicable Date, no legal-binding agreement has been signed by us in relation to the procurement of copper-nickel ores from independent suppliers.

The following table sets forth the operation statistics of the Hami Jiatai Concentrator during the Track Record Period:

	Unit	For the year ended 31 December 2008 (Note 1)	For the year ended 31 December 2009	For the year ended 31 December 2010	For the six months ended 30 June 2011 (Note 4)
Processing volume	Tonne	154,179	55,123	30,239	—
No. of operating days	Day	125	57	30	—
Average processing volume	Tonne/day	1,233	967	1,008	—
Recovery rate (Copper) (Note 2)		74.40	75.24	74.19	—
Recovery rate (Nickel) (Note 2)		74.11	82.24	80.51	—
Utilisation rate (Note 3)		34.3%	12.2%	6.7%	—

Notes:

(1) From 1 January 2008 to 31 December 2008.

(2) Recovery rate = (concentrate tonnes X concentrate grade %) / (feed tonnes X feed grade %) X 100%.

(3) Utilisation rate = processing volume / designed capacity of 1,500 tonne / day for 300 days a year (or 450,000 tonne / annum).

(4) The scale production of the Hami Jiatai Concentrator has been suspended since January 2011 and is expected to resume in the third quarter of 2012 because (i) the mining activities of Project No.20 has not been active since January 2011; and (ii) we received verbal notification from Hami Municipal Bureau of Land and Resources in January 2011 pursuant to which, we were required to suspend our production in Project No.2 as a result of implementation of the Consolidation Program.

The following table sets forth the production figures of the Hami Jiatai Concentrator during the Track Record Period:

	Unit	For the year ended 31 December 2008	2009	2010	For the six months ended 30 June 2011 (Note 4)
Copper					
Feed grade	%	0.24	0.35	0.33	—
Concentrate	tonne	516	529	259	—
Concentrate grade	%	26.65	27.8	28.6	—
Metal	tonne	138	147	74	—
Recovery rate	%	74.4	75.24	74.19	—
Nickel					
Feed grade	%	0.40	0.55	0.53	—
Concentrate	tonne	6,028	3,885	2,009	—
Concentrate grade	%	6.17	6.27	6.34	—
Metal	tonne	372	244	127	—
Recovery rate	%	74.11	82.24	80.51	—

The production volume and number of operating days of the Hami Jiatai Concentrator has been in decreasing trend during the Track Record Period because of limited supply of copper-nickel ores extracted from Project No. 2 and Project No. 20 during the same period.

As negatively affected by the global financial crisis, the market price of nickel and copper slumped significantly during the second half of 2008 and first half of 2009. Please refer to the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — Our business and results of operations are susceptible to volatility in commodity prices and economic cyclicality, including the global financial and economic crisis which commenced in 2008" for more details. To respond the deterioration in metal market, we adjusted our production scale of our mining projects, and therefore the total amount of ores extracted from Project No. 2 and No. 20 was significantly decreased from approximately 121,420 tonnes in 2008 to approximately 48,803 tonnes in 2009. In addition to the production scale, we also postponed our proposed investment on capital expenditure of Project No. 2 and No. 20 during the 18 months ended 31 December 2009 to the first half of 2010. As a result, the total amount of ores extracted from Project No. 2 and No. 20 further decreased to approximately 29,926 tonnes in 2010 as the normal operation of Project No. 2 and No. 20 was negatively affected by the delay of our capital expenditure investment on Project No. 2 and No. 20.

In order to maintain an average processing volume of approximately 1,000 tonnes per day for purpose of achieving operation efficiency, we adjusted the production schedule of the Hami Jiatai Concentrator when there was insufficient supply of copper-nickel ore from Project No.2 and No. 20. As a result, the number of operating days of the Hami Jiatai Concentrator decreased from 125 days in 2008 to 57 days in 2009, and further decreased to 30 days in 2010. The scale production of the Hami Jiatai Concentrator has been suspended since January 2011 and is expected to resume in the third quarter of 2012 because (i) the mining activities of Project No.20 has not been active since January 2011 as it is under development to extract ores at lower part of ore bodies; and (ii) we received verbal notification from the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in January 2011 pursuant to which, we were required to suspend our production in Project No.2 as a result of implementation of the Consolidation Program. We plan to resume the operation of the Hami Jiatai Concentrator in the third quarter of 2012 when monthly production capacity of Project No. 20 will be expanded to 12,000 tonnes per month upon the completion of phase two of development plan in July 2012. Please refer to paragraph headed "Future Plan for Developing Our Mining Projects" of this section for details.

Historical operating cost

The tables below set forth a summary of historical operating costs for (i) the Project No. 2, Project No. 20 and Project H-989; and (ii) the Hami Jiatai Concentrator during the Track Record Period, as indicated in the Independent Technical Report:

Historical operating costs for the Project No. 2, Project No. 20 and Project H-989

	For the year ended 31 December			For the six months ended 30 June
	2008 (Note 1)	**2009**	**2010**	**2011**
	RMB('000)	*RMB('000)*	*RMB('000)*	*RMB('000)*
Salary	1,076	537	386	—
Power and energy	1,802	766	732	—
Water	47	18	15	—
Steel	325	22	42	—
Tools	18	12	8	—
Materials	931	158	194	—
Explosives	1,067	373	295	—
Subcontracting fee on mining and hauling operation	7,236	2,685	1,685	—
Other	42	100	108	—
Resource tax	783	332	166	—
Depreciation	981	219	142	—
Total	14,308	5,222	3,773	—
Total amount of ores extracted (tonnes)	130,456 (Note 2)	48,803	29,926	—
	RMB	*RMB*	*RMB*	*RMB*
Operating cost per tonne	109.68	107.00	126.08	N/A

Notes:

(1) From 1 January 2008 to 31 December 2008.

(2) A total of 9,036 tonnes of ores were extracted from Project H-989 during the exploration activities in 2008. Save for the above, no mining activity was carried on Project H-989 during the Track Record Period. Excluding the ores extracted from Project H-989, the total amounts of ores extracted from Project No. 2 and Project No.20 were 121,420 tonnes in 2008.

Historical unit operating costs for Hami Jiatai Concentrator

	For the year ended 31 December			For the six months ended 30 June
	2008(Note 1)	**2009**	**2010**	**2011(Note 2)**
	RMB/ milled tonne	*RMB/ milled tonne*	*RMB/ milled tonne*	*RMB/ milled tonne*
Labour	7.24	13.09	21.56	N/A
Power	18.99	23.08	28.04	N/A
Reagent	28.16	24.86	24.54	N/A
Steel ball	5.49	10.02	5.08	N/A
Steel	1.26	0.21	1.63	N/A
Tools	0.37	0.88	0.32	N/A
Other materials	8.06	7.05	9.05	N/A
Transportation	34.00	38.00	32.00	N/A
Other	0.41	1.30	1.22	N/A
Depreciation	12.02	12.02	12.17	N/A
Total	**116.00**	**130.51**	**135.61**	**N/A**

Notes:

(1) From 1 January 2008 to 31 December 2008.

(2) The scale production of the Hami Jiatai Concentrator has been suspended since January 2011 and is expected to resume in the third quarter of 2012 because (i) the mining activities of Project No.20 has not been active since January 2011; and (ii) we received verbal notification from Hami Municipal Bureau of Land and Resources in January 2011 pursuant to which, we were required to suspend our production in Project No.2 as a result of implementation of Consolidation Program.

The relatively high cost of steel ball in 2009 was due to the higher hardness of the ores extracted in 2009, which resulted in more steel ball consumption for ores crushing.

In addition, the ores extracted from mines are transported to the concentrators by the truck fleet operated by us. The ores transportation volume significantly decreased in 2009 resulting from the decrease in the amount of ores extracted, while the fixed cost related to our truck fleet, such as depreciation charge on trucks, salaries remained relatively stable for the same period. This led to an increase in unit transportation cost from RMB34 in 2008 to RMB38 in 2009. Although the ores transportation volume further decreased, useful lives of a number of our trucks expired in 2009 and 2010, which resulted in less depreciation charge on our Group's trucks. As a result, the unit transportation cost decreased to RMB32 in 2010.

FORECASTED OPERATING COSTS

The table below sets forth a summary of the estimated production costs for Project No.20, Project H-989 and Project Baiganhu during the four years ending 31 December 2015, as indicated in the Independent Technical Report:

	Project No.20				Project H-989				Project Baiganhu			
	2012	**2013**	**2014**	**2015**	**2012**	**2013**	**2014**	**2015**	**2012**	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mining Cost												
Mining and hauling	6,120	10,200	12,750	12,750	2,975	8,075	12,750	17,000	10,625	17,000	25,500	25,500
Workforce Employment	587	694	622	533	285	550	622	711	491	660	660	660
Consumables	1,312	2,056	2,571	2,571	638	1,628	2,571	3,427	2,248	3,596	5,394	5,394
Fuel, Electricity and Water	1,224	1,723	2,154	2,154	595	1,364	2,154	2,872	2,188	3,500	5,250	5,250
Safety Production	384	407	407	407	186	220	407	407	407	407	407	407
Non-income Taxes, Royalties and Other Governmental Charges	432	720	900	900	210	570	900	1,200	1,250	2,000	3,000	3,000
Total Mining Cost	**10,059**	**15,800**	**19,404**	**19,315**	**4,889**	**12,407**	**19,404**	**25,617**	**17,209**	**27,163**	**40,211**	**40,211**
Total Mining Volume (Tonne)	72,000	120,000	150,000	150,000	35,000	95,000	150,000	200,000	125,000	200,000	300,000	300,000
Unit Mining Cost (RMB/t of ore)	139.71	131.67	129.36	128.77	139.69	130.60	129.36	128.09	137.67	135.82	134.04	134.04
Processing Cost												
Workforce Employment	1,026	1,067	960	823	426	853	960	1,097	1,433	1,920	1,920	1,920
Consumables	3,246	4,867	5,858	5,858	1,348	3,891	5,858	7,810	5,662	8,125	11,715	11,715
Fuel, Electricity and Water	1,788	2,792	3,360	3,360	742	2,232	3,360	4,480	3,248	4,660	6,720	6,720
Ore Transportation	2,314	3,145	3,738	3,718	961	2,514	3,738	4,958	5,220	7,490	10,800	10,800
Total Processing Cost	**8,374**	**11,871**	**13,916**	**13,759**	**3,477**	**9,490**	**13,916**	**18,345**	**15,563**	**22,195**	**31,155**	**31,155**
Total Processing Volume (Tonne)	77,724	124,643	150,000	150,000	32,276	99,643	150,000	200,000	145,000	208,058	300,000	300,000
Unit Processing Cost (RMB/t of ore)	107.74	95.24	92.77	91.73	107.73	95.24	92.77	91.73	107.33	106.68	103.85	103.85
Total Mining and Processing Cost	**18,433**	**27,671**	**33,320**	**33,074**	**8,366**	**21,897**	**33,320**	**43,962**	**32,772**	**49,358**	**71,366**	**71,366**
Administrative	2,035	2,618	2,548	2,379	845	2,093	2,548	3,171	3,549	7,277	8,813	8,813
Total Cash Cost	**20,468**	**30,289**	**35,868**	**35,453**	**9,211**	**23,990**	**35,868**	**47,133**	**36,321**	**56,635**	**80,179**	**80,179**
Depreciation and Amortization (Note)	6,139	9,414	13,224	16,343	1,332	3,210	3,653	4,243	10,128	17,490	37,438	44,163
Total Production Cost	**26,607**	**39,703**	**49,092**	**51,796**	**10,543**	**27,200**	**39,521**	**51,376**	**46,449**	**74,125**	**117,617**	**124,342**

Note:

Depreciation and amortization includes depletion charges arising from the capital expenditures for the mining structures and mining right of the above mining projects. For Project No.20 and Project Baiganhu, the capital expenditures for the mining structures are depreciated over the entire mine life. However, for Project H-989, the capital expenditures for the mining structures are depreciated based on the production plans and the estimated resources quantity as of 2 August 2011 because some of the pre-requisites for estimating mine life of Project H-989 including the completion of feasibility study and the Preliminary Design Report for Project H-989 have not yet been fulfilled as at the date of the Independent Technical Report due to the fact that Project H-989 is still at the early stage of development. The mining rights of the above mining projects are amortized in accordance with the production plans and the estimated resources quantity as of 2 August 2011 using the unit-of-production method. The depletion charges arising from the capital expenditures for the mining structures and mining right of the above mining projects will amount to approximately RMB2.7 million, RMB0.1 million and RMB6.8 million, representing approximately 44%, 8% and 67% of total depreciation and amortization of Project No.20, Project H-989 and Project Baiganhu, respectively, in 2012.

The above table is an estimate only and is subject to change. Our Directors provide no assurance that our actual production costs will not differ materially from the above estimated production costs.

LATEST BUSINESS OPERATION AND PERFORMANCE OF OUR GROUP DURING THE FIVE MONTHS ENDED 30 NOVEMBER 2011

Due to the negative impacts arising from (i) the tightening monetary policy of the PRC; (ii) global economic uncertainties; and (iii) the euro zone sovereign debt crisis, the market prices of commodity products, including non-ferrous metal products, decreased gradually during the period between July 2011 and November 2011. For example, the LME cash nickel price and the LME cash copper price decreased from approximately USD22,966 per metric tonne and approximately USD9,429 per metric tonne on 1 July 2011 to approximately USD17,492 per metric tonne and approximately USD7,860 per metric tonne on 30 November 2011 respectively.

During the second half of 2011, we mainly focused our managerial and financial resource to implement the development programs on our mining projects as scheduled. For the details of the development plan of our mining projects, please refer to the section headed "Business - Future Plan for Developing Our Mining Projects" of this prospectus.

As (i) Project No.20 and Project Baiganhu were under development and (ii) our production in Project No.2 was suspended as a result of the implementation of the Consolidation Program, our two concentrators were not in operation during the second half of 2011. In addition, no sales have been recorded since 1 July 2011, therefore, together with (i) possible impairment provision in relation to Project No.2; and (ii) listing expenses which will be allocated and charged to the profit and loss account of our Group during the year ending 31 December 2011, our Group is expected to record a loss during the year ending 31 December 2011.

THIRD-PARTY CONTRACTORS

During the Track Record Period and up to the Latest Practicable Date, we engaged two third-party contractors to extract our ores, and consolidate the extracted ores at the mine for hauling from underground to ground surface.

Our mining management personnel oversee the third-party mining and hauling contractors. We obtain quotes from third parties during the selection of our Independent Third Party contractors based on price, skill and experience. The pricing terms of the two-year term contracts with the third-party mining and hauling contractors were determined after arms' length negotiation with reference to (i) the actual amount of ores to be extracted; and (ii) estimated operation cost to be involved by such contractors.

In selecting third-party contractors for our mining and hauling operations, we require the third-party contractors for mining operation to have the relevant production safety permits issued by the competent authorities. Such third-party contractors are required to carry out their work in accordance with the design and schedule of the relevant assignments as well as with our quality, safety and environmental standards, which are typically defined in the contracts we have entered into. Our specialized technical management personnel typically supervises the work performed by our third-party contractors and regularly inspects safety management.

During the Track Record Period and up to the Latest Practicable Date, we have engaged two subcontractors in Xinjiang to carry the exploration activities for the seven mines in Hami, Xinjiang with exploration permits. Subcontracting fee will be paid in fixed amount by installments in accordance with the exploration progress. The pricing terms of the two-year term contracts with the third-party exploration contractors were determined with reference to the "Code of valuation with bill quantity of construction works (GB 50500-2008)" (中華人民共和國國家標準建設工程工程量清單計價規範) issued by Ministry of Housing and Urban-Rural Development of the People's Republic of China ("MOHURD") (中華人民共和國住房和城鄉建設部) and other government policies and regulations in relation to the pricing standard of exploration and design of mine engineering, and adjusted by the cost for conducting the exploration activities in the local area. For the detail of our subcontracting arrangement on our exploration activities, please refer to the paragraph headed "Our Mining Rights, Safety Production Permits and Exploration Permits — Exploration Permits" of this section.

We also engaged two Independent Third Parties for the mine design and construction work during the Track Record Period and up to the Latest Practicable Date. Although we outsource our mine design and construction operations to third parties as described above, we closely supervise their performance by reviewing the engineering quality and feasibility, monitoring the working progress, production method and quality, and inspecting the safety compliance issues. Our subcontractors are required to strictly comply with our production plan, including but not limited to production method, mining location and direction, size of ore and daily production rate. The pricing terms of the two-year term contracts with the third-party design and construction contractors were determined with reference to the "Code of valuation with bill quantity of construction works (GB 50500-2008)" (中華人民共和國國家標準建設工程工程量清單計價規範) issued by Ministry of Housing and Urban-Rural Development of the People's Republic of China ("MOHURD") (中華人民共和國住房和城鄉建設部) and other government policies and regulations in relation to the pricing standard of exploration and design of mine engineering, and adjusted by the cost for conducting the design and construction activities in the local area.

During the Track Record Period, we paid a total subcontracting fee for our mining and hauling operation of approximately RMB4.6 million, approximately RMB2.7 million, approximately RMB1.7 million and nil, respectively.

Under relevant PRC law, we are not required to purchase social insurance for the third-party contractors we engage because they are not considered to be our employees. During the Track Record Period, we did not have any disputes with the Independent Third Party contractors that would have resulted in a material adverse effect on our business, financial condition or results of operations. In addition, we have not experienced any suspensions or delays as a result of any improper act of the Independent Third Party contractors during the Track Record Period. See the section headed "Risk Factors — Risks Relating to Our Business and Industry — We are dependent on certain sub-contractors for our exploration projects and mining projects".

FUTURE PLAN FOR DEVELOPING OUR MINING PROJECTS

(1) Project No. 2 and Project No. 20

As negatively affected by the global financial crisis, the market price of nickel and copper slumped significantly during the second half of 2008 and first half of 2009. To respond the deterioration in metal market, we adjusted our production scale of our mining projects, and therefore the total amount of ores extracted from Project No. 2 and No. 20 was significantly decreased from approximately 121,420 tonnes in 2008 to approximately 48,803 tonnes in 2009.

In addition to the production scale, we also postponed our proposed investment on capital expenditure of Project No. 2 and No. 20 during the 18 months ended 31 December 2009 to the first half of 2010. As a result, the total amount of ores extracted from Project No. 2 and No. 20 further decreased to approximately 29,926 tonnes in 2010 as (i) the normal operation of Project No. 2 and No. 20 was negatively affected by the delay of our capital expenditure investment on Project No. 2 and No. 20; and (ii) Project No. 2 received notification from the relevant government authority in January 2011 to suspend its production as a result of implementation of mine consolidation policy in Hami. For the background and details of the related mine consolidation policy, please refer to the paragraph headed "The Impact of Mine Consolidation Policy of the PRC on Our Mining Projects" of this section.

In order to restore and further expand the production capacity of Project No. 20, we plan to invest approximately RMB27.8 million and approximately RMB12.9 million as capital expenditure for Project No.20 during the two years ending 31 December 2013. The estimated total capital expenditure for the three-phase development on Project No. 20 is approximately RMB45.1 million, of which approximately RMB4.4 million will be incurred during the year ending 31 December 2011.

The timeline below highlights our development plan on Project No. 20:

Development phase	Time schedule	Estimated new monthly production capacity	Capital expenditure *(RMB million)*
Phase One *(Note 1)*	January 2011 — June 2011	—	1.0
Phase Two *(Note 2)*	July 2011 — July 2012	12,000 tonnes	28.1
Phase Three *(Note 3)*	August 2012 — December 2013	15,000 tonnes	16.0

Notes:

1. During the phase one development process, the production of Project No.20 was suspended temporarily. As it is a preparatory works for phase two development plan, the production capacity of Project No. 20 was not increased upon the completion of phase one development.

2. Upon the completion of phase two development, the production capacity of Project No. 20 is expected to increase to 400 tonne/day for 300 days a year (or 12,000 tonne/month, or 120,000 tonne/annum).

3. During the phase three development process, Project No.20 will maintain its normal operation and production volume will not be affected. Upon the completion of phase three development, the production capacity of Project No. 20 is expected to increase to 500 tonne/day for 300 days a year (or 15,000 tonne/month, or 150,000 tonne/annum).

Our expansion plans to achieve the improvement in mining capacities are set forth below:

Phase one	Conduct supplementary test pitting on existing adits to make necessary preparations for the construction of the new exploitation system of the second stage.
Phase two	Infrastructure works mainly include lifting shafts, ventilation shafts, chamber engineering, main ore drives and mining and cutting. Plan to establish a new shaft on the 64 exploration line outside the surface movement zone of the footwall of the ore body to undertake the task of lifting ores, mullock, equipment and materials; establish a new return ventilation shaft at the 70 exploration line on the surface movement zone of the footwall of the ore body towards the east end of the ore body to create a diagonal shaft exploitation system; develop main ore drives at 880 m level and 830m level and mining and cutting works.
Phase three	Continue to exploit, improve 880m, 830m levels, with the production capacity reaching the scale approved by the mining certificate and an annual production of 150,000 tonnes of ores; and at the same time, start to exploit 790m, 730m levels to maintain the continuity of production in the future and ensure stable ore production.

(2) **Project Baiganhu**

During the Track Record Period, almost all of our revenue was generated from the sales of copper concentrate and nickel concentrate produced at the Hami Jiatai Concentrator. To broaden our revenue base and expand our product portfolio, we plan to produce lead and zinc concentrates at Hami Jinhua Concentrator which will process lead-zinc ores exploited from Project Baiganhu, and is expected to commence commercial production at around second quarter of 2012.

To achieve the above business objective, we plan to invest approximately RMB35.7 million and approximately RMB9.8 million as capital expenditure for Project Baiganhu during the two years ending 31 December 2013. The estimated total capital expenditure for the two-phase development on Project Baiganhu is approximately RMB49.5 million, of which approximately RMB4 million will be incurred during the year ending 31 December 2011. In addition, we will invest approximately RMB10 million for technical modification on the tailing storage facilities of the Hami Jinhua Concentrator which will be completed in April 2012.

The timeline below highlights our key development and expansion milestones for our expansion plan on Project Baiganhu.

Development phase	Time schedule	Estimated new monthly production capacity	Capital expenditure *(RMB million)*
Phase One *(Note 1)*	October 2011 — August 2012	20,000 tonnes	31.6
Phase Two *(Note 2)*	September 2012 — December 2013	30,000 tonnes	17.9

Notes:

1. As at the Latest Practicable Date, Project Baiganhu has not commenced commercial operation as its mine construction has not yet been completed. Upon the completion of phase one development, the production capacity of Project Baiganhu is expected to increase to 667 tonne/day for 300 days a year (or 20,000 tonne/month, or 200,000 tonne/annum). We expect that Project Baiganhu will commence commercial operation in the third quarter of 2012. Before the commencement of commercial operation of Project Baiganhu, Hami Jinhua Concentrator will start to produce zinc concentrate and lead concentrate through processing lead-zinc ores extracted from Project Baiganhu during underground mine construction.

2. During the phase two development process, Project Baiganhu will maintain its normal operation and production volume will not be affected. Upon the completion of phase two development, the production capacity of project Baiganhu is expected to increase to 1,000 tonne/day for 300 days a year (or 30,000 tonne/month, or 300,000 tonne/annum).

Our expansion plans to achieve the improvement in mining capacities of Project Baiganhu are set forth below:

Phase one	Infrastructure projects mainly include works for the extension of the main (skip) shaft and secondary (cage) shaft, and for the east ventilation shaft, the parking lots, stone doors, main ore drives, mining and cutting and the chamber projects. It is planned to use the original shaft No.3 which is outside the surface dislocation zone and located near the northern end of exploration line No.13 as the main shaft, using skip for lifting; to use the original shaft No.2 which is outside the surface dislocation zone and located near the northern end of exploration line No.1 as the secondary shaft which is, using cage for lifting; at the west to use wing the original shaft No.1 located at the footwall of the north-west ore body as the west ventilation shaft, and to build a new ventilation shaft at the footwall of the northend orebody; and to open up and build the main ore drive at 1,240m level.

Phase two	Continue to expand and improve the 1,240m level to form a complete mining and production system with capacity approved in the mining permits, i.e. annual output of 300,000 tons of ore; to extend the skip shaft to 1,150m level, to build an ore loading chute system at a level between 1,195m and 1,150m; to extend the cage shaft at least to the lower part of the 1,060m level; and to extend the north and west shafts to a 1,240m level so as to maintain the continuity of future mine production.

(3) **Project H-989**

We were granted the exploration permit in November 2005. After almost six years exploration effort, we have applied to the competent authority for a mining permit for Project H-989 in September 2011 and intend to submit a land rehabilitation program (土地復墾方案) for Project H-989 to the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in February 2012. It is expected that the valid mining permit for Project H-989 will be granted to us by January 2012.

We plan to invest approximately RMB33.3 million, approximately RMB4.3 million and approximately RMB 5.7 million as capital expenditure for Project H-989 during the three years ending 31 December 2014. Through the above investment, we target to commence commercial production of Project H-989 in the first half of 2013.

The timeline below highlights our key development and expansion milestones for our expansion plan on Project H-989.

Development phase	**Time schedule**	**Estimated monthly production capacity**	**Capital expenditure** *(RMB million)*
Phase One *(Note 1)*	April 2012 — March 2013	10,000 tonnes	34.0
Phase Two *(Notes 2, 4)*	April 2013 — December 2013	15,000 tonnes	3.6
Phase Three *(Notes 3, 4)*	January 2014 — December 2014	20,000 tonnes	5.7

Notes:

1. Upon the completion of phase one development, the production capacity of Project H-989 is expected to increase to 333 tonne/day for 300 days a year(or 10,000 tonne/month, or 100,000 tonne/annum).

2. Upon the completion of phase two development, the production capacity of Project H-989 is expected to increase to 500 tonne/day for 300 days a year(or 15,000 tonne/month, or 150,000 tonne/annum).

3. Upon the completion of phase three development, the production capacity of Project H-989 is expected to increase to 667 tonne/day for 300 days a year(or 20,000 tonne/month, or 200,000 tonne/annum).

4. During the development process, Project H-989 will maintain its normal operation and production volume will not be affected.

Our expansion plans to achieve the improvement in mining capacities for Project H-989 of are set forth below:

Phase one	Infrastructure projects mainly include the design and layout of the excavation system on the basis of the existing shafts, the re-arrangement of two ventilation shafts and the main ore drives, and the mining and cutting and chamber works. It is planned to reconstruct and used the original shafts No. 1 and No. 2 as the main lift shafts; to open up new shafts No.3 and No.4; and to carry out works at the 760m and 720m levels and the mining and cutting work
Phase two	Continue to expand and improve the 760m level; also begin the development of the 720m level and the mining and cutting works
Phase three	Continue to expand and improve the 720m level to achieve a production capacity approved in the mining permits, i.e., an annual output of 200,000 tons of ore; also begin to develop the 680m levels so as to maintain continuity of future mine production, to ensure stable mineral production

OUR PRODUCTION SCHEDULES IN 2012

(i) Project No.20, Project H-989 and Hami Jiatai Concentrator

Though Project No.20 is expected to recommence commercial operation in the third quarter of 2012, a total of 22,000 tonnes of copper-nickel ores are expected to be extracted from Project No.20 during the underground mine construction process of phase two development from July 2011 to July 2012. In addition, the monthly production capacity of Project No. 20 is expected to increase to 12,000 tonnes upon the completion of its phase two development in July 2012. Accordingly, a total of 60,000 tonnes of copper-nickel ores are expected to be extracted from Project No.20 from August to December 2012.

For Project H-989, though it is expected to commence commercial operation in the first half of 2013, a total of 35,000 tonnes of copper-nickel ores are expected to be extracted from Project H-989 during the underground mine construction process of phase one development from April to December 2012.

Taking into account the inventory amount of copper-nickel ores of 2,285 tonnes as of 30 June 2011, there will be a total of 119,285 tonnes of copper-nickel ores that can be used to produce concentrates in 2012. Our Directors expect that 110,000 tonnes of copper-nickel ores will be supplied to the Hami Jiatai Concentrator (with a production capacity of 45,000 tonnes/month) for processing. Such ores will produce 8,561 tonnes of concentrates in 2012.

(ii) **Project Baiganhu and Hami Jinhua Concentrator**

Though Project Baiganhu is expected to commence commercial operation in the third quarter of 2012, a total of 55,000 tonnes of lead-zinc ores are expected to be extracted from Project Baiganhu during the underground mine construction phase from October 2011 to August 2012. In addition, the monthly production capacity of Project Baiganhu is expected to increase to 20,000 tonnes upon the completion of its phase one development in August 2012. Accordingly, a total of 80,000 tonnes of lead-zinc ores will be extracted from Project Baiganhu from September to December 2012.

Taking into account the inventory amount of lead-zinc ores of 18,058 tonnes as of 30 June 2011, there will be a total of 153,058 tonnes of lead-zinc ores that can be used to produce concentrates in 2012. Our Directors expect that 145,000 tonnes of lead-zinc ores will be supplied to the Hami Jinhua Concentrator (with a production capacity of 45,000 tonnes/month) for processing, and such ores will produce 24,147 tonnes of concentrates in 2012.

(iii) **Project Huangjinmei**

As at the Latest Practicable Date, Project Huangjinmei (including mine and concentrator) was under phase one development. Upon the completion of the phase one development, Project Huangjinmei will commence its commercial production in May 2012 and its estimated monthly production capacity will reach 18,000 tonnes. As a result, a total of 144,000 tonnes of gold ores are expected to be extracted from Project Huangjinmei from May to December 2012, which will be supplied to gold concentrator (with a production capacity of 18,000 tonnes/month before the completion of the phase two development) for processing. Such ores will produce 4,248 tonnes of gold concentrates in 2012.

(iv) **Project Huaba(Copper)**

Upon the completion of the phase one development, Project Huaba(Copper) will commence its commercial production in September 2012 and its estimated monthly production capacity will reach 30,000 tonnes. Accordingly, a total of 120,000 tonnes of copper ores are expected to be extracted from Project Huaba(Copper) from September to December 2012, which will be supplied to the Huaba Concentrator(Copper) (with a production capacity of 30,000 tonnes/month before the completion of the phase two development) for processing. Such ores will produce 1,644 tonnes of cathode copper in 2012.

THE IMPACT OF MINE CONSOLIDATION POLICY OF THE PRC ON OUR MINING PROJECTS

According to the Notice on Matters Relating to the Development and Integration of Mineral Resources at the Copper-Nickel Mine Area in Huangshan Dong of Hami City (關於哈密市黃山東銅鎳礦區礦產資源開發整合有關問題的通知) ("Notification") issued by the General Office of the Department of Land and Resources of the Xinjiang Uygur Autonomous Region (新疆維吾爾自治區國土資源廳辦公室) on 20 February 2009, the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) was authorized to coordinate relevant enterprise(s) as main integration entity(ies) (整合主體) to merge and consolidate several copper-nickel mines located in the copper-nickel mine area in Huangshan Dong of Hami City (哈密市黃山東銅鎳礦區).

Pursuant to the Notification, four mines ("Affected Mines") respectively operated by four mining enterprises, including Project No. 2 of Hami Jiatai, with operating mines located in Huangshan Dong of Hami City (哈密市黃山東銅鎳礦區) were required to participate in the Consolidation Program. If any of the four enterprises refuses to participate in the Consolidation Program, they are not allowed to renew or amend their mining permits, and their mines will be closed upon the expiry of their respective mining permits.

Our Group was approached to participate in negotiation in the end of 2009 and was requested to submit background information of Project No. 2, including mineral resources data and operation statistics, to the Hami Municipal Bureau of Land and Resources (哈密市國土資源局). During the first half of 2010, we submitted the relevant information and documents to the Hami Municipal Bureau of Land and Resources (哈密市國土資源局).

In January 2011, we received verbal notification from the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) pursuant to which, we were requested to suspend our production in Project No. 2 as a result of implementation of the Consolidation Program.

We are entitled to receive cash compensation if Project No.2 is required to integrate or consolidate with the rest of selected mines in Huangshan Dong. Such compensation will be determined by us and the main integration entity(ies) (整合主體) under arm's length commercial negotiation with reference to the appraisal value of Project No.2 which is prepared by independent professional valuer.

As at 30 June 2011, the net assets value of Project No.2 was approximately RMB22.2 million, including mining rights of approximately RMB18.4 million and other property, plant and equipment of approximately RMB3.8 million. If the cash compensation to be received by us is less than the net assets value of Project No.2, we will need to make impairment provision for the shortfall between the cash compensation and the net assets value of Project No.2, which will in turn negatively affect our financial performance.

According to the written confirmation letter dated 12 August 2011 issued by the Hami Municipal Bureau of Land and Resources (哈密市國土資源局), only Project No. 2 is involved in the Consolidation Program, and other mines in respect of which we have mining permits and exploration permits are not affected by the Consolidation Program.

We were informed by the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in October 2011, 新疆新鑫礦業股份有限公司 (Xinjiang Xinxin Mining Industry Co., Ltd.)(Stock Code: 3833) has been selected as the main integration entity (整合主體).

To the best of our Directors' knowledge, information and belief, formal negotiation between 新疆新鑫礦業股份有限公司 (Xinjiang Xinxin Mining Industry Co., Ltd.) and the four mining enterprises with operating mines located in Huangshan Dong of Hami City (哈密市黃山東銅鎳礦區) has not started, and therefore, no concrete plan, including the pricing terms and timetable of the Consolidation Program, has been formulated. Hence, our Directors consider that it is unlikely for us to resume mining activities on Project No.2. As the main objective of the Consolidation Program is to address the potential production safety problem arising from the overlapping of mining areas of the Affected Mines, to the best of our Directors' knowledge, information and belief, the Consolidation

Program will be completed only when all Affected Mines agree to participate in the Consolidation Program by signing relevant transfer agreement(s) with the main integration entity. Given that the formal negotiation between the main integration entity and the Affected Mines has not commenced and no concrete plan, including the pricing terms and timetable of the Consolidation Program, has been formulated as at the Latest Practicable Date, it is not feasible for our Directors to predict the completion date of the Consolidation Program.

Project No.2 is one of our mining projects which supplied copper-nickel ores to the Hami Jiatai Concentrator for processing. During the Track Record Period, the revenue of Project No.2 amounted to approximately RMB8.2 million, nil, RMB27.3 million and RMB15.9 million, respectively. Although we are entitled to receive cash compensation arising from the Consolidation Program, the discontinuation of our operation in Project No.2 will reduce the internal supply of copper-nickel ores to the Hami Jiatai Concentrator, which will in turn negatively affect our production volume of nickel concentrate and copper concentrate in the Hami Jiatai Concentrator.

Based on the below factors and reasons, our Directors believe that, other than Project No.2, the Consolidation Program will not affect the operation and development of other mining and exploration projects of our Group:

- According to the written confirmation letter dated 12 August 2011 issued by the Hami Municipal Bureau of Land and Resources (哈密市國土資源局), only Project No.2 is involved in the Consolidation Program, and other mines in respect of which the Group have mining permits and exploration permits are not affected by the Consolidation Program;

- As advised by our PRC Legal Advisers, the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) is the competent governmental department to implement the Consolidation Program in Hami Municipality according to the Notification and thus has requisite authority to issue the above confirmation letter; and

- According to the Notification, the purpose of the Consolidation is to address the potential production safety problem arising from the overlapping of mining areas of the Affected Mines located in Huangshan Dong of Hami City (哈密市黃山東銅鎳礦區). As other mining and exploration projects of our Group do not have mining areas overlapping with those of the Affected Mines, it is reasonable to believe that the Consolidation Program will not affect the operation and development of other mining and exploration projects of our Group.

The Consolidation Program may adversely affect our business operation, financial condition and results of operations. Please refer to the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — Project No. 2 may be merged or consolidated with the nearby nickel and copper mines in Huangshan Dong of Hami as may be required by the relevant PRC authority" in this prospectus for more details.

SALES AND MARKETING

Customers

During the Track Record Period, we specialise in the production of nickel concentrates and copper concentrates that are sold to customers with smelters for their further smelting and/or refinery to products with higher metal content, and to trading companies which resell our metal concentrates to smelters.

We suspended our sales temporarily for a period from October 2008 to December 2009 as the market price of nickel and copper slumped significantly during the second half of 2008 and 2009 as a result of the global financial crisis. In 2008, sales to our largest customer and our five largest customers accounted for 63.1% and 100% of our total revenue. During the year ended 31 December 2010 and the six months ended 30 June 2011, sales to our largest customer accounted for 63.9% and 84.0% of our total revenue, respectively. During the same period, sales to our five largest customers accounted for 100% and 100% of our total revenue, respectively.

Before our acquisitions of Hami Jinhua in April 2008 and Hami Jiatai in May 2008, Hami Jinhua and Hami Jiatai have long established business relationship with our major customers. For the year ended 31 December 2008, all of our sales were contributed by three customers and 63.1% of our sales were made by our largest customer Xinjiang Zhongxin, a nickel smelting enterprise in Hami, Xinjiang. Before June 2009, Hami Jinhua held 6% equity interest in Xinjiang Zhongxin.

In 2009, we had not sold any of our metal concentrates and no revenue was recorded as the market prices of mental concentrates decreased sharply due to the negative impact of global financial crisis. Please refer to the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — Our business and results of operations are susceptible to volatility in commodity prices and economic cyclicality, including the global financial and economic crisis which commenced in 2008" for more details.

We entered into a sale contract with Nickel City in March 2010, as amended in March 2011, pursuant to which Nickel City has agreed to purchase 500 tonnes of nickel in nickel concentrates per year. According to the terms of the above agreements, both parties to the agreements are not required to bear any legal or financial liabilities if the agreed amount of metal concentrates cannot be supplied by us.

As advised by our PRC Legal Advisers, the long term sales contract entered with Nickel City as disclosed above is legally valid and enforceable under the PRC law, rules and regulations.

Nickel City is a procurement agent appointed by Jinchuan Group for sourcing nickel concentrates. Jinchuan Group is a large integrated non-ferrous metallurgical and chemical engineering enterprise engaged in mining, concentrating, metallurgy and chemical engineering. The output of nickel and platinum group metals respectively accounts for more than 90% of the total output in the PRC. Jinchuan Group is the largest producer of nickel and cobalt in the PRC, and is honored the "Nickel City of China".

In January 2010, we entered into a sales contract with Zhuhai Southern Jinchuan Nonferrous Metal Co. Ltd. ("Zhuhai Jinchuan") for a term of 5 years expiring in December 2014 ("Sales Contract"). Pursuant to the Sales Contract, Zhuhai Jinchuan agreed to purchase 500 tonnes of copper in copper concentrates per annum.

In March 2011, when we approached Zhuhai Jinchuan for the sales of copper concentrate, we were informed that the business operation of Zhuhai Jinchuan was ordered to be suspended because its top management was under economic crime investigation by relevant authorities in the PRC. Therefore, Zhuhai Jinchuan could not honour its annual purchase commitment under the Sales Contract.

However, we are of the view that the discontinuity of business relationship with Zhuhai Jinchuan does not materially affect our business operation and financial position of the Group because (i) all previous purchases from Zhuhai Jinchuan were fully settled and there is no outstanding trade receivable from Zhuhai Jinchuan; (ii) we successfully entered into a sales agreement ("2011 Sales Agreement") with a new customer located in Hami for the sales of copper concentrate in May 2011; and (iii) we do not foresee any difficulty in procuring customers for our metal concentrates as copper concentrate is common commodity product with open market.

Under the 2011 Sales Agreement, we entered into a sales contract with 哈密欽泊利金屬有限公司 (Hami Qin Bo Li Metal Co. Ltd.) ("Hami Qin Bo Li"), pursuant to which we agreed to supply copper in copper concentrates to 哈密欽泊利金屬有限公司 (Hami Qin Bo Li Metal Co. Ltd.) during the period between April 2011 and December 2011. No guaranteed amount of metal concentrates is specified under the 2011 Sales Agreement. The pricing terms of copper in copper concentrates is determined under a formula with reference to 上海期貨交易所標準陰極銅即期合約結算價 (Spot price of standard copper cathode contract quoted on Shanghai Futures Exchange) and grading of copper in copper concentrates. As advised by our PRC Legal Advisers, the 2011 Sales Agreement is legally valid and enforceable under the PRC law, rules and regulations. As we expect to continue transacting with Hami Qin Bo Li upon the expiry of 2011 Sales Agreement, we signed a new 3-year sales agreement with similar terms of the 2011 Sales Agreement on 15 December 2011.

As at the Latest Practicable Date, none of our Directors, Controlling Shareholders and any shareholders who to the knowledge of our Directors are interested in 5% or more of our Company's issued shares or their respective associates had any interests in any of our top five customers during the Track Record Period.

As at the Latest Practicable Date, our sales and marketing team in Xinjiang comprised of two employees. Spot sales orders are normally initiated by phone enquiries of our customers on price of our metal concentrates. If the price can be agreed between us and our customers, we will enter sales contract with our customers detailing other terms of sales order such as sales volume, product specification and delivery method. Such sales contracts also specifies a sales volume, with a 10% allowance for deviation, for an agreed period of time and we normally deliver our metal concentrates batch-by-batch to our customers.

Pricing policy

In line with the market practice, we price our metal concentrates based on (i) the amount of metals contained in our metal concentrates; and (ii) the prevailing market prices of such metals. Our average grade of nickel concentrate, copper concentrate, zinc concentrate and lead concentrate are approximately 6%, 25%, 53.4% and 50.1%, respectively.

Our pricing policy typically follow the average market price of the relevant metal in standard form and quality for a certain period of time and applies a discount and/or a deduction of a fixed amount as may be agreed with customers. The following table sets forth the reference market price and basis of discount and/or deduction for different metal contained in our metal concentrates:

Metal	Reference market price	Basis of discount and/or deduction applied to the reference market price
Nickel in nickel concentrates	Average quoted price of 9990 nickel cathode published by Jinchuan Group (金川集團9990電解鎳平均掛牌銷售價)	An agreed discount rate which is inversely proportional to grading of nickel content in nickel concentrates is applied
Copper in copper concentrates	Spot price of standard copper cathode contract quoted on Shanghai Futures Exchange (http://www.shfe.com.cn) (上海期貨交易所標準陰極銅即期合約結算價)	An agreed discount rate which is inversely proportional to market price of standard copper cathode is applied, and an agreed fixed amount per tonne is deducted or added with reference to grading
Gold in copper concentrates	Weighted average price of Au99.95 quoted on Shanghai Gold Exchange (http://www.sge.sh) (上海黃金交易所Au99.95加權平均價)	An agreed fixed amount per tonne is deducted and then an agreed fixed discount rate is applied
Silver in copper concentrates	Average settlement price of number 3 International Silver quoted on Shanghai Huatong Silver Business Market (http://www.ex-silver.com) (上海華通鉑銀交易市場三號國際白銀結算價的平均價)	An agreed fixed discount rate is applied
Copper in nickel concentrates	Average closing price of copper cathode in the latest settlement period quoted on Shanghai Futures Exchange (http://www.shfe.com.cn) (上海期貨交易所各交易日最近交割期電解銅平均收盤價)	An agreed fixed amount per tonne is deducted and then an agreed fixed discount rate is applied
Cobalt in nickel concentrates	Average quoted price of 9980 cobalt cathode published by Jinchuan Group (金川集團9980大板電積鈷平均掛牌銷售價)	An agreed fixed discount rate is applied

Pursuant to the sales contract we entered into with Nickel City for a term of 5 years expiring in December 2014, the daily selling price of our nickel concentrates combines the following:

(i) the price of nickel in nickel concentrates per tonne makes reference to the price of nickel cathode quoted on 9990 nickel cathode published by Jinchuan Group times a pre-determined parameter pursuant to the sales contract to different grades of nickel in nickel concentrates ;

(ii) the price of copper in nickel concentrates per tonne makes reference to the price of copper cathode published by the Shanghai Futures Exchange times a pre-determined parameter pursuant to the sales contract to different grades of copper in nickel concentrates; and

(iii) the price of cobalt in nickel concentrates per tonne makes referent to the price of cobalt cathode on 9980 cobalt cathode published by Jinchuan Group times a pre-determined parameter pursuant to the sales contract to different grades of cobalt in nickel concentrates.

The final selling price per tonne of our nickel concentrates to Nickel City will take an average of the daily selling price of nickel concentrates for 20 days before our delivery of metal concentrates and for 10 days including and after our delivery of nickel concentrates to Nickel City.

Sales strategies

Our management reviews our sales strategies from time to time and mainly including the following criteria in formulating and/or modifying our sales strategies:

- Prevailing market prices

  Our management make reference to the prevailing market prices of metal products to formulate our selling price. Our management also review the profitability for each sales order and our Group's cost structure.

- Trend of market prices of non-ferrous metal products

  Our management analyse and forecast the trend of market prices of different metal products and review our production costs and production schedule.

- Liquidity position and capital expenditure of the Company

  Our mining projects have different capital expenditure requirement in different development stages. Our management lay down our Group's sales plan by taking into account (i) our liquidity position; (ii) the capital expenditure required for our mine projects; and (iii) the market demand of our metal products.

In view of the collapse in market price of nickel and copper, and the dampened demand for nickel and copper as a result of the economic slowdown after the global financial crisis for a period from late 2008 to 2009 and after taking into account the abovementioned factors, our Directors were of the view that it was not in the interest of the Company to sell any metal concentrates in the then prevailing market conditions for a period from October 2008 to December 2009. To monitor the implementation of the above sales strategies, a review committee, comprising all of our independent non-executive Directors, has been formed to review our sale strategies periodically. If there is any material change in our sale strategies or suspension of our sale activity, we will seek an approval from the review committee in advance.

Delivery of products

Our sales were denominated in Reminbi and settled by way of telegraphic transfers or cheque. Except for long-term sales contracts, all customers have to pay in full before delivery of our products, and they usually collect our products at our Hami Jiatai Concentrator. For sales orders under long-term sales contracts, we offer special payment and delivery arrangement for our customers because of our long term business relationship and their sustainable bulk-purchase pattern as stipulated in the long term sales contracts entered with such customers. Such customers are given allowance to pay approximately 80% of the relevant contract price upfront after preliminary inspection of our products at customers' designated location and settle the remaining 20% of the contract price within 7 days of invoice date after quantity and quality inspection of our products and confirmation of the contract price. Products are delivered by our trucks to our customers' smelters. The average lead time between sales orders taking and good deliver to our customers is approximately 1 week.

SENSITIVITY ANALYSIS

The following analysis shows how changes in the average selling price of (i) copper; (ii) nickel; (iii) lead; and (iv) zinc will impact the net profit/(loss) for the year ended 31 December 2010.

The impact of changes in the average selling price of copper on the net profit/(loss) for the year ended 31 December 2010

Our base case scenario is calculated using a historical average selling price of approximately RMB11,588 per tonne for the year ended 31 December 2010:

Percentage increase/ (decrease) in the average selling price from RMB11,588 per tonne	Net profit/(loss) for the year ended 31 December 2010	Percentage increase/(decrease) in net loss for the year ended 31 December 2010
(%)	*RMB('000)*	*%*
50%	829	(130.3%)
40%	115	(104.2%)
30%	(599)	(78.1%)
20%	(1,313)	(52.1%)
10%	(2,026)	(26.0%)
0%	(2,740)	0%
(10%)	(3,454)	26.0%
(20%)	(4,167)	52.1%
(30%)	(4,881)	78.1%
(40%)	(5,595)	104.2%
(50%)	(6,308)	130.3%

The impact of changes in the average selling price of nickel on the net profit/(loss) for the year ended 31 December 2010

Our base case scenario is calculated using a historical average selling price of approximately RMB5,755 per tonne for the year ended 31 December 2010:

Percentage increase/ (decrease) in the average selling price from RMB5,755 per tonne	Net profit/(loss) for the year ended 31 December 2010	Percentage increase/(decrease) in net loss for the year ended 31 December 2010
(%)	*RMB('000)*	%
50%	6,088	(322.2%)
40%	4,323	(257.8%)
30%	2,557	(193.3%)
20%	791	(128.9%)
10%	(975)	(64.4%)
0%	(2,740)	0%
(10%)	(4,505)	64.4%
(20%)	(6,271)	128.9%
(30%)	(8,037)	193.3%
(40%)	(9,803)	257.8%
(50%)	(11,568)	322.2%

The impact of changes in the average selling price of lead on the net loss for the year ended 31 December 2010

Our base case scenario is calculated using a historical average selling price of approximately RMB5,611 per tonne for the year ended 31 December 2010:

Percentage increase/ (decrease) in the average selling price from RMB5,611 per tonne	Net loss for the year ended 31 December 2010	Percentage increase/(decrease) in net loss for the year ended 31 December 2010
(%)	*RMB('000)*	%
50%	(1,563)	(42.9%)
40%	(1,798)	(34.4%)
30%	(2,034)	(25.8%)
20%	(2,270)	(17.2%)
10%	(2,505)	(8.6%)
0%	(2,740)	0%
(10%)	(2,975)	8.6%
(20%)	(3,210)	17.2%
(30%)	(3,446)	25.8%
(40%)	(3,682)	34.4%
(50%)	(3,917)	42.9%

The impact of changes in the average selling price of zinc on the net loss for the year ended 31 December 2010

Our base case scenario is calculated using a historical average selling price of approximately RMB5,916 per tonne for the year ended 31 December 2010:

Percentage increase/ (decrease) in the average selling price from RMB5,916 per tonne	Net loss for the year ended 31 December 2010	Percentage increase/(decrease) in net loss for the year ended 31 December 2010
(%)	*RMB('000)*	*%*
50%	(2,508)	(8.5%)
40%	(2,555)	(6.8%)
30%	(2,601)	(5.1%)
20%	(2,647)	(3.4%)
10%	(2,694)	(1.7%)
0%	(2,740)	0%
(10%)	(2,786)	1.7%
(20%)	(2,833)	3.4%
(30%)	(2,879)	5.1%
(40%)	(2,925)	6.8%
(50%)	(2,972)	8.5%

The sensitivity illustrations above are intended for reference only. For the sensitivity analysis, we considered: (i) the variation in the average selling price of our products during the year ended 31 December 2010; (ii) resource compensation fee which is charged for 2% of sales revenue; (iii) current income tax which is charged for 25% of profit before income tax. Except for the average selling price, resource compensation fee and current income tax, not any other variation in our income, cost and expense were considered in the sensitivity analysis.

The sensitivity range has been selected by reference to historical movements in copper, nickel, lead and zinc during the period from January 2009 to December 2010. The current range used for the price sensitivity analysis is +/-50% for the year ended 31 December 2010. Taking into account the historical volatility of the prices of copper, nickel, lead and zinc, our Directors believed this sensitivity analysis is sufficiently broad and it is able to properly capture historical price volatility.

UTILITIES

(I) Concentrators

Our ore processing operations require consumption of a substantial amount of electricity and water. To secure stable supply of electricity, we signed two-year term contracts with Xinjiang Hami Electric Power Bureau of State Grid on 27 December 2010 and 28 December 2010, respectively. We purchase all of our electricity consumed by our concentrators from local power grids and do not have plans to develop our own power generation facilities. We have not experienced any power supply shortages that have resulted in suspension of our operations in concentrators.

The major sources of water supply for our concentrators are underground water source and recycled water. Water is supplied by three wells located around the concentrators, which extract water from an aquifer some 80 m to 120m deep. We have a licence for five wells and as a result access to sufficient water supplies is not seen as a limitation to any potential site developments. We need to pay water resources fee of RMB0.35 per tonne to Water Resources Bureau (水利局) and such fee is subject to change by Water Resources Bureau (水利局) from time to time.

(II) Mining and exploration projects

Our mining operations require consumption of a substantial amount of electricity. However, we cannot purchase electricity from local power grids directly as no dedicated power line linking local power grids to our mines under Project No.2, Project No. 20 and Project Baiganhu has been established. Therefore, we purchase electricity consumed by Project No. 2 and Project No. 20 from a nearby independent nickel mining enterprise ("Electricity Supplier"). Under the electricity supply contract dated 8 July 2004, as supplemented on 21 December 2005 and 20 December 2010, we purchase electricity from the Electricity Supplier at a rate which is determined by us and the Electricity Supplier with reference to the (i) electricity rate set by local power grids; and (ii) the maintenance cost of the Electricity Supplier's power generation and transmission facilities. The electricity rate charged by the Electricity Supplier is subject to changes in accordance with the adjustments of electricity rate set by local power grids. The electricity supply contract will expire on 31 December 2015. During the Track Record Period, the usage of electricity procured from the Electricity Supplier amounted to approximately 21.7%, 34.5%, 40.5% and 41.1% of our total electricity consumption. We do not have plans to develop our own power generation facilities for Project No.2 and Project No. 20. After considering that (i) no dedicated power line linking local power grids to Project No.2 and Project No.20 has been setup; (ii) a long-term electricity supply contract has been signed with the Electricity Supplier which has developed long-term and stable relationship with the Group; and (iii) it is more cost efficient to share electricity with the Electricity Supplier, instead of building up our own power generation facilities, the Sponsor is of the view that the procurement of electricity from the Electricity Supplier is commercially justifiable to our Group. Our PRC Legal Advisers are of the opinion that we are not in breach of any relevant PRC law in relation to the purchase of electricity from the nearby nickel mining enterprise for Project No.2 and Project No.20.

Regarding Project Baiganhu, the source of electricity is our power generation facilities. All of our operating mines have been equipped with backup power generator. For additional information regarding our utilities, see the section headed "Risk Factors — Risks Relating to Our Business and Industry — We may not be able to ensure the provision of adequate and uninterrupted supplies of electricity and water for our operation" in this prospectus.

Our mining operations do not require consumption of a substantial amount of water directly. Instead, water is mainly for domestic usage by our staff working on the mining areas.

For Project No. 2 and Project No. 20, we purchase water from the Electricity Supplier from time to time. Our payment for water service for Project No. 2 and Project No. 20 was less than RMB30,000 for each of the period from the Acquisition Dates to 31 December 2008, and for the years ended 31 December 2009 and 2010 and the six months ended 30 June 2011. Taking into account that (i) our mining operations do not require consumption of a substantial amount of water directly; and (ii) the annual payment for water service is relatively small, no formal agreement has been signed by us and the Electricity Supplier in relation to the supply of water. Instead, we purchase water from the Electricity Supplier from time to time at a rate which is determined by us and the Electricity Supplier with reference to the (i) prevailing rate set by Water Resources Bureau (水利局); and (ii) the maintenance cost of the Electricity Supplier's water storage and transport facilities. As advised by our PRC Legal Advisers, we do not breach any relevant PRC law due to purchasing water from the nearby supplier for domestic usage of our staff working on Project No.2 and Project No.20.

For Project Baiganhu, we also intend to purchase water from the nearby Independent Third Parties from time to time. As Project Baiganhu has not commenced commercial operation as at the Latest Practicable Date, we did not enter into any water supply agreement with the relevant supplier.

During the Track Record Period, we did not experience any interruption to our mining projects arising from sudden shortages or suspensions of electricity and water supplies that caused any material adverse effect to our business, financial condition or results of operations.

As at the Latest Practicable Date, we did not enter into any electricity and/or water supply agreement with the relevant suppliers for our exploration projects.

RAW MATERIALS, AUXILIARY MATERIALS, MACHINERY AND EQUIPMENT

Raw materials and auxiliary materials

The ores extracted from our mines is our principal raw material. As lead-zinc ore exploited from Project Baiganhu during exploration process were not sufficient for limited trial ore processing in Hami Jinhua Concentrator, we purchased lead-zinc ore from an Independent Third Party in 2008. Save for the above, during the Track Record Period, we did not purchase ores from third parties for processing.

Apart from the principal raw materials, we consume various types of auxiliary materials during mining and ore processing. These auxiliary materials can be broadly categorized into chemicals, spare parts for equipment and machinery, explosives and fuel.

During the Track Record Period, purchases from our five largest suppliers together accounted for approximately 72%, 67%, 71% and 96% of our total supply purchases, respectively while the largest supplier accounted for approximately 29%, 26%, 24% and 69% of our total supply purchases. Our suppliers usually granted us a credit period ranging from 30 days to 60 days.

To the best knowledge of our Directors, none of our Directors, their respective associates or any of our shareholders holding more than 5% of our issued capital, is related to or owns any interest in any of our five largest suppliers.

We have not signed any fixed or long-term contract with any of our suppliers. We maintain a good relationship with our suppliers and did not enter into disputes with any of them during the Track Record Period.

Machinery and Equipment

Our mines and concentrators require different types of machinery and equipment, including but not limited to air compressors, hoisting machines, excavator, loader, crushing machines, classifiers, flotation machines, power generator and water pumps. We source machinery and equipment for our mines and concentrators from local third-party suppliers in the PRC.

Our two concentrators usually retain five maintenance staff who are responsible for routine monthly maintenance. Full-scale maintenance will be conducted twice every half year for around half month.

During the Track Record Period, our two concentrators had not experienced any material disruption of operation due to failure or breakdown of equipment and facilities.

COMPETITION

We are a non-ferrous metal mining company principally engaged in mining and ore processing of nickel and copper in Hami, Xinjiang. Our products, including nickel concentrates and copper concentrates, are sold to smelters directly, or to trading companies which re-sell to smelters, as intermediate products for smelting and refinery into refined nickel and copper products.

In the PRC, the domestic supply of refined nickel producers is dominated by a few leading refined nickel producers, namely, Jinchuan Group, Jilin Jien Nickel Industry Co., Ltd.* (吉林吉恩鎳業股份有限公司) and Xinjiang Xinxin Mining Industry Co., Ltd.* (新疆新鑫礦業股份有限公司). All of them are vertically integrated nickel producers engaging in mining, processing, smelting and refinery of nickel and other metals. Apart from these major vertical integrated refined nickel producers, we believe that there are a large number of nickel mining and processing enterprises scattered around areas with abundant nickel resources such as Jinchuan (金川) of Gansu, Kalatongke (喀拉通克), Huangshan (黃山) and Huangshan Dong (黃山東) of Xinjiang, Baimazhai (白馬寨) and

Mojiang (墨江) of Yunnan, Hongqiling (紅旗嶺) and Chibaisong (赤柏松) of Jilin and Lengshuiqing (冷水菁) and Yangliuping(楊柳坪) of Sichuan. To the best of our knowledge, we believe there are seven enterprises in Hami, Xinjiang which are engaging in mining and processing of nickel ore. Major copper production bases in the PRC include Jiangxi (江西), Yuannan (雲南), Baiyin of Gansu (甘肅白銀), Tongling of Anhui(安徽銅陵), Daye of Hubei (湖北大冶) and Zhongtiaoshan of Shanxi (山西中條山). Similar to the nickel industry, the copper industry is dominated by vertically integrated copper producers engaging in mining, processing, smelting and refinery of copper, with the participation of a large number of copper mining and processing enterprises.

The PRC is the largest consumer of nickel over the world and its total consumption of refined nickel products amounted to 442,000 metric tonnes, representing approximately 36.03% of the world's total consumption of refined nickel products in 2009. As the domestic supply cannot satisfy its fast-growing demand for nickel, the PRC is a net importer of nickel in all time. As stimulated by sustainable growth of stainless steel production and the extensive use of nickel in various industries, including nickel-based batteries, alloys and electro-plating materials, the value of net import of nickel reached USD4.43 billion with a CAGR of 47.0% from 2000 to 2009.

To satisfy the growing demand for refined nickel and copper products in the PRC and to achieve better economic of scale in production, major refined nickel and copper producers expanded their production capacity in the last decade. However, internal supply of nickel concentrates and copper concentrates from their own processing plants cannot catch up the smelting and refinery production requirement, and therefore refined nickel and copper producers have to procure nickel concentrates and copper concentrates from external suppliers. This creates a favourable business environment for domestic nickel concentrates and copper concentrates suppliers.

We consider that the metal mining and processing industry is characterised by relative high entry barrier because:

(i) massive capital investment is required for metal mining and processing industry;

(ii) advanced technical know-how and experienced management are crucial for the smooth and optimal operation in mining and processing; and

(iii) inexperienced newcomers are difficult to compete with existing market players in obtaining mining permits and exploration permits.

Taking into account that (i) metal mining and processing industry has a relative high entry barrier; (ii) nickel concentrates and copper concentrates are homogeneous commodity products traded by buyers and sellers in open market; (iii) prices of nickel concentrates and copper concentrates are determined with reference to the prevailing market price of nickel and copper in standard form and quality with high degree of market transparency; (iv) domestic supply of nickel concentrates and copper concentrates is insufficient to satisfy the growing demand from major refined nickel and copper producers in the PRC, we consider that the competition among suppliers of nickel concentrates and copper concentrates in the PRC is limited.

Some of our competitors may have some competitive advantages over us, including larger production scale, sizable mineral resources, greater financial strength and better proximity to the geographic locations of refined nickel and copper producers.

Taking the above into account and the competitive advantages as set out in "Business — Competitive Advantages" in this prospectus, our Directors believe that our Group, although facing competition from our competitors who may have certain competitive advantages over us, will be able to benefit from the growth of the PRC economy and non-ferrous metal mining and processing industry.

INVENTORY AND QUALITY CONTROL

Our inventory mainly consists of ore exploited from our mines, metal concentrates produced from our concentrators and spare parts and consumables. We maintain detailed record on our production in mines and concentrators. For every shift of mining team, we measure and record the volume grading of ore exploited from our mines. In our concentrators, we measure, record and calculate the ore processing volume, recovery rate of metal concentrates from ore, volume of metal concentrates produced, grading of metal concentrates produced and metal content in metal concentrates produced.

We have established and maintained stringent quality control and inspection procedures for our mining and ore processing activities. As at the Latest Practicable Date, we had seven staff responsible for performing quality control measures and implementing inspection procedures throughout the production process. Mr. ZHAO Bochen (趙波臣), our executive Director and chief mine manager, is in charge of the quality control and inspection for our mining operation, and Mr. WU Guangsheng (吳光升), our executive Director, is in charge of the quality control and inspection of our ore processing operation. The biographical details of Mr. Zhao and Mr. Wu are set out under the section headed "Directors, senior management and employees" of this prospectus.

In the mining phase, we strictly confined the mining process in designated ore vein and length in order to ensure the quality of exploited ore. Size of exploited ore must be kept below 40 cm and mining recovery rate must be kept above 90%. We also assign designated workers to separate waste rock from ore.

In the ore processing phase, samples are collected from ores, concentrates and tailings in our concentrators periodically for processing and assaying in laboratory in order to monitor the operation status and to guide the production process. We have a well-equipped laboratory in our concentrator for (i) processing and assaying ore samples extracted from our mines and concentrates produced from our concentrators; and (ii) analyzing the purity of chemicals.

During the Track Record Period, we had not received any complaints or return of goods from our customers due to unsatisfactory quality of our concentrates.

COMPLIANCE

Rights, Licenses, Permits and Approvals

We are required by laws and regulations of the PRC to obtain a number of licenses, permits and approvals from the relevant authorities in the PRC to conduct mining and exploration activities. The following table sets forth the licenses, permits and approvals we have on hand or pending for issuance.

Subsidiary/ Facility/Project	Licenses/permits/approvals	Validity period/ Status (Month/ year)
Subsidiaries		
Hami Jinhua	Business license	April 2006 - April 2036
	Water Consumption Permit (取水許可証)	Application is expected to be submitted in February 2012
	Pollutant Discharge Permit (排放污染物許可證)	Application is expected to be submitted in April 2012
	Blasting Operation Entity Permit (爆破作業單位許可証)	March 2009 - December 2011 (note 1)
Hami Jiatai	Business license	November 2001 - November 2021
	Water Consumption Permit (取水許可証)	January 2011 - December 2011 (note 2)
	Pollutant Discharge Permit (排放污染物許可証)	November 2011 - November 2012
	Blasting Operation Entity Permit (爆破作業單位許可証)	March 2009 - December 2011 (note 3)
Concentrators and tailing storage facility		
Hami Jinhua Concentrator	Land use rights certificate (土地使用權証)	December 2006 - December 2056
	Building ownership certificates (房屋所有權證)	Obtained
	Approval for environmental impact appraisal report (環境影響評價報告批覆)	Application is expected to be submitted in April 2012 (note 4)

Subsidiary/ Facility/Project	Licenses/permits/approvals	Validity period/ Status (Month/ year)
	Approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆)	Application is expected to be submitted in May 2012 (note 4)
Hami Jiatai Concentrator	Land use rights (土地使用權証)	November 2004 - May 2053
	Building ownership certificates (房屋所有權證)	Obtained
	Approval for environmental impact appraisal report (環境影響評價報告批覆)	Obtained
	Approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆)	Obtained
Tailing storage facility of Hami Jiatai Concentrator and Hami Jinhua Concentrator	Safety Production Permit (安全生產許可証)	March 2011 - March 2014 (note 5)
Mining Projects		
Project No. 2	Mining Permit (採礦許可証)	June 2011 - June 2013
	Safety Production Permit (安全生產許可証)	August 2010 - August 2013
	Land use rights certificate (土地使用權証)	In the course of application (note 6)
	Approval for environmental impact appraisal report (環境影響評價報告批覆)	Obtained
	Approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆)	In the course of application (note 7)

Subsidiary/ Facility/Project	Licenses/permits/approvals	Validity period/ Status (Month/ year)
Project No. 20	Mining Permit (採礦許可証)	June 2008 - June 2018
	Safety Production Permit (安全生產許可証)	January 2009 - January 2012 (note 8)
	Land use rights certificate (土地使用權証)	February 2011 - February 2031
	Approval for environmental impact appraisal report (環境影響評價報告批覆)	Obtained
	Approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆)	Obtained
	Land rehabilitation program (土地復墾方案)	Program is expected to be submitted in February 2012
Project Baiganhu	Mining Permit (採礦許可証)	November 2011 - November 2013
	Safety Production Permit (安全生產許可証)	March 2011 - March 2014
	Land use rights certificate (土地使用權証)	February 2011 - February 2031
	Approval for environmental impact appraisal report (環境影響評價報告批覆)	Obtained
	Approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆)	Application is under review, and the approval is expected to be granted by the end of February 2012
	Land rehabilitation program (土地復墾方案)	Program is expected to be submitted in February 2012

Notes:

1. The renewal application was submitted in October 2011, and permit is expected to be granted by the end of February 2012.

2. The renewal application was submitted in October 2011, and permit is expected to be granted by the end of February 2012.

3. The renewal application was submitted in October 2011, and permit is expected to be granted by the end of February 2012.

4. In January 2011, 新疆益生洋環保科技有限公司(Xinjiang Yisheng Yang Environmental Protection Technology Co., Ltd.) ("Xinjiang Yisheng Yang") was engaged to prepare the environmental impact appraisal report (環境影響評價報告) for Hami Jinhua Concentrator in accordance with the requirements under the relevant environmental protection laws and regulations in the PRC. After technical review by Xinjiang Yisheng Yang, we were informed that Hami Jinhua Concentrator will be able to satisfy all necessary requirements to submit the environmental impact appraisal report (環境影響評價報告) upon completion of the technical modification on its tailing storage facilities for handling wastes arising from the production of lead concentrate and zinc concentrate. It is expected that the technical modification on its tailing storage facilities will be completed in April 2012, then we will submit the environmental impact appraisal report (環境影響評價報告) for approval in April 2012 and environmental protection inspection and acceptance (竣工環境保護驗收) in May 2012, assuming we will obtain approval for the environmental impact appraisal report (環境影響評價報告批覆) in April 2012.

5. Same tailing storage facilities will be shared between the Hami Jiatai Concentrator and Hami Jinhua Concentrator in order to optimize our cost structure. Currently, we have a valid safety production permit for tailings storage facility of Hami Jiatai Concentrate in relation to the handling of waste arising from the production of nickel concentrate and copper concentrate. Since our Hami Jinhua Concentrator has not commenced any commercial production and no waste arising from the production of lead and zinc concentrate is generated and released to the tailing storage facilities, our current usage of tailing storage facilities for handling of waste arising from the production of nickel and copper concentrate is not in breach of relevant PRC laws and regulations. In order to comply with relevant environmental protection rules for the handling of waste arising from the production of lead concentrate and zinc concentrate upon commencement of commercial production of Hami Jinhua Concentrator, we need to adopt technical modification on our tailing storage facilities. Upon the completion of the technical modification in April 2012, we will submit the application license for tailing storage facility in April 2012, and expect to be granted such permit in May 2012.

6. Pursuant to a letter issued by Hami Municipal Bureau of Land and Resources (哈密市國土資源局) on 25 January 2008, Hami Jiatai was granted the right of usage of 4 parcels of land with an aggregate area of 11,638.53 sq. m. These 4 parcels of land are located in Project No. 2 with certain structures erected on them. According to our PRC Legal Advisers, we do not have relevant land use rights certificates for these 4 parcels of land. Under this circumstance, if the structures situated on these lands comply with the overall land use planning, the relevant land management department will seize such properties and we may also be subject to a maximum penalty of around RMB350,000. If the structures situated on these lands do not comply with the overall land use planning, the relevant land management department will demolish such properties. As temporary structures on these 4 parcels of land located in Project No. 2 are simply some temporary shelters and storage rooms, our Directors, the Sponsor and the Independent Technical Adviser consider that the possible seizure or demolishment of these temporary structures would not affect the mining activities of Project No.2. In addition, the lack of relevant land use rights will not affect our access to the land located in Project No.2 since we hold a valid mining permit for Project No.2.

   Although Hami Jiatai submitted the relevant application on 13 February 2011 and is in the course of applying the land use rights certificates of these 4 parcels of land, as Project No. 2 is located in the copper-nickel mine area in Huangshan Dong of Hami City (哈密市黃山東銅鎳礦區), the relevant authority has indicated that it will not issue the relevant land use rights certificate and approval for environmental protection inspection and acceptance until the Consolidation Program is completed or cancelled.

We were informed by the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in October 2011 that 新疆新鑫礦業股份有限公司 (Xinjiang Xinxin Mining Industry Co., Ltd.) has been selected as the main integration entity (整合主體). As at the Latest Practicable Date, no concrete plan, including the pricing terms and timetable of the Consolidation Program, was formulated, so it is not feasible for our Directors to predict the completion date of the Consolidation Program. Our Directors consider that it is unlikely for us to resume mining activities on Project No.2, and thus our Directors consider that it is unlikely to obtain the relevant land use rights certificates.

7. Although the relevant application was submitted in March 2011, as Project No. 2 is located in the copper-nickel mine area in Huangshan Dong of Hami City, the relevant authority has indicated that it will not issue the relevant approval for environmental protection inspection and acceptance until the Consolidation Program is completed or cancelled.

   We were informed by the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in October 2011, 新疆新鑫礦業股份有限公司(Xinjiang Xinxin Mining Industry Co., Ltd.)(stock code: 3833) has been selected as the main integration entity (整合主體). As Project No.2 is very likely to be consolidated with the rest of the mines in Huangshan Dong, it is not feasible to obtain the approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆) for Project No.2.

8. The renewal application was submitted in November 2011, and permit is expected to be granted at the end of January 2012.

Exploration Projects

Project name	**Licenses/permit/approvals**	**Validity period**
Project H-989	Exploration Permit (勘查許可証)	May 2011 - May 2014
Project Baiganhu Gold	Exploration Permit (勘查許可証)	May 2011 - May 2014
Project Heishan	Exploration Permit (勘查許可証)	January 2011 - January 2014
Project Hongshanpo	Exploration Permit (勘查許可証)	December 2010 - December 2013
Project Huangshan	Exploration Permit (勘查許可証)	December 2009 - December 2012
Project Xidagou	Exploration Permit (勘查許可証)	January 2011 - January 2014
Project Yinaoxia	Exploration Permit (勘查許可証)	January 2011 - January 2014

Note: We do not hold or intend to apply for state-owned land use rights to land parcels covered by our exploration permits.

Subsidiaries

As at the Latest Practicable Date, our two major operating subsidiaries, Hami Jinhua and Hami Jiatai, held valid (i) business licenses for mining operation, ore processing and sale of metal concentrates and (ii) Blasting Operation Entity Permits, which allow us to conduct blasting operation to carry on our mining activities. Hami Jiatai also held valid (i) Water Consumption Permit, which allows it to consume underground water in Luotuo Quanzi (駱駝圈子) of Hami District, where our two concentrators are located, on an annual amount of 520,000 cubic meters; and (ii) Pollutant Discharge Permit (排放污染物許可証), which allows it to discharge pollutant from the Hami Jiatai Concentrator to its tailings storage facility.

Concentrators and tailing storage facility

As at the Latest Practicable Date, we maintained a valid safety production permit for the tailings storage facility affiliated with the Hami Jiatai Concentrator. We are required to obtain a valid safety production permit for the tailing storage facility affiliated with Hami Jinhua Concentrator before it commences commercial production, which is expected at around the second quarter of 2012.

Hami Jinhua Concentrator

As at the Latest Practicable Date, Hami Jinhua Concentrator had valid land use right certificates and building ownership certificates.

However, we did not obtain the approval for environmental impact appraisal report (環境影響評價報告批覆). According to The Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例) and Notice of Xinjiang Environmental Protection Bureau on Provisions on Approval of Environmental Impact Assessment Documents Concerning Construction Projects at Different Administrative Levels (新疆維吾爾自治區環境保護局關於發布自治區建設項目環境影響評價文件分級審批規定的通知), Hami Jinhua was required to obtain approval from Hami Regional Bureau of Environmental Protection (哈密地區環境保護局) for environmental impact appraisal report (環境影響評價報告) before commencement the construction of concentrator. According to The Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例), we are subject to a maximum fine of RMB100,000 and suspension of construction if such non-compliance cannot be rectified within a prescribed period as granted by the governmental department.

According to the written confirmation letter dated 27 July 2011 issued by Hami Regional Bureau of Environmental Protection (哈密地區環境保護局), which is the competent authority to issue such confirmations and is in a higher level of governmental hierarchy than Hami Municipal Bureau of Environmental Protection (哈密市環境保護局) according to our PRC Legal Advisers, given that Hami Jinhua has not caused any damage to the environment and has appointed the relevant professional body who is currently preparing an environmental impact assessment report on the project, no punishment will be imposed on Hami Jinhua. Save as the above, Hami Regional Bureau of Environmental Protection (哈密地區環境保護局) confirm Hami Jinhua has complied with relevant rules and regulations on environmental protection issues.

In January 2011, 新疆益生洋環保科技有限公司(Xinjiang Yisheng Yang Environmental Protection Technology Co., Ltd.) ("Xinjiang Yisheng Yang") was engaged to prepare the environmental impact appraisal report (環境影響評價報告) for Hami Jinhua Concentrator in accordance with the requirements under the relevant environmental protection laws and regulations in the PRC. After technical review by Xinjiang Yisheng Yang, we were informed that Hami Jinhua Concentrator will be able to satisfy all necessary requirements to submit the environmental impact appraisal report (環境影響評價報告) upon completion of the technical modification on its tailing storage facilities for handling wastes arising from the production of lead concentrate and zinc concentrate. It is expected that the technical modification on its tailing storage facilities will be completed in April 2012, then we will submit the environmental impact appraisal report (環境影響評價報告) for approval in April 2012 and environmental protection inspection and acceptance (竣工環境保護驗收) in May 2012, assuming we will obtain approval for the environmental impact appraisal report (環境影響評價報告批覆) in April 2012.

Hami Jiatai Concentrator

As at the Latest Practicable Date, the Hami Jiatai Concentrator had valid land use right certificates, building ownership certificates and approval for environmental impact appraisal report (環境影響評價報告批覆). Its tailings storage facility also obtained the valid safety production permit.

However, we did not obtain the approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆) for the Hami Jiatai Concentrator in a timely manner. According to The Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例) and Notice of Xinjiang Environmental Protection Bureau on Provisions on Approval of Environmental Impact Assessment Documents Concerning Construction Projects at Different Administrative Levels (新疆維吾爾自治區環境保護局關於發布自治區建設項目環境影響評價文件分級審批規定的通知), the Hami Jiatai Concentrator was required to obtain approval from Hami Regional Bureau of Environmental Protection (哈密地區環境保護局) for environmental protection inspection and acceptance (竣工環境保護驗收) before the commencement of operation. According to The Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例), we are subject to a maximum fine of RMB50,000 and suspension of production if such non-compliance cannot be rectified within a prescribed period as granted by the governmental department.

According to the written confirmation letter dated 27 July 2011 issued by Hami Regional Bureau of Environmental Protection (哈密地區環境保護局), given that Hami Jiatai has legally apply to Hami Regional Bureau of Environmental Protection for approval for environmental protection inspection and acceptance upon completion of project, and the latter has accepted the application pursuant to law and confirmed that Hami Jiatai may continue normal production before completion of environmental protection inspection and acceptance without being imposed any form of punishment accordingly.

Save as the above, Hami Regional Bureau of Environmental Protection (哈密地區環境保護局) confirms the Hami Jiatai Concentrator has complied with relevant rules and regulations on environmental protection issues.

On 16 December 2011, we obtained the approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆) for the Hami Jiatai Concentrator.

Mining Projects

As at the Latest Practicable Date, Project No. 2, Project No. 20 and Project Baiganhu held valid mining permits and valid Safety Production Permits which allow them to perform commercial mining. In addition, we have obtained the approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆) for Project 20. The approval for environmental protection inspection and acceptance for Project Baiganhu is yet to be obtained as Project Baiganhu is still under mine construction and yet to commence operation.

However, we did not obtain the approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆) for Project No. 2 in a timely manner. According to The Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例) and Notice of Xinjiang Environmental Protection Bureau on Provisions on Approval of Environmental Impact Assessment Documents Concerning Construction Projects at Different Administrative Levels (新疆維吾爾自治區環境保護局關於發布自治區建設項目環境影響評價文件分級審批規定的通知), we were required to obtain approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆) before the commencement of operation. According to The Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例), we are subject to a maximum fine of RMB50,000 and suspension of production if such non-compliance cannot be rectified within a prescribed period.

According to the written confirmation letter dated 27 July 2011 issued by Hami Regional Bureau of Environmental Protection (哈密地區環境保護局), given that we have legally applied to the Hami Regional Bureau of Environmental Protection for approval for environmental protection inspection and acceptance for Project No.2, Project No.20 and the Hami Jiatai Concentrator, the bureau has accepted our application pursuant to law and confirmed that we may continue normal production on our mining projects before completion of environmental protection inspection and acceptance without being imposed any form of punishment accordingly.

Exploration Projects

As at the Latest Practicable Date, all of our seven exploration projects were granted the valid Exploration Permits.

Some of our licenses and permits, e.g. the safety production permit for Project No.20 (which will expire in January 2012) and the exploration permit for Project Huangshan (which will expire in December 2012), will expire in 2012. In addition, the mining permits for Project No. 20 and for Project Baiganhu will expire in June 2018 and November 2013 respectively. We will have to submit the relevant required materials and complete the necessary procedures as required by the relevant authorities to apply for the renewal of mining permits. For further information, please refer to the section headed "Regulations — Regulations relating to Mineral Resources Mining" of this prospectus. Our PRC Legal Advisers are of the opinion that there shall be no legal impediment for our Group in renewing such mining permits upon their expiry on condition that our Group complies with such legal requirements and procedures; but if we fail to renew such mining permits, we shall not be entitled to exploit the relevant resources. In the past, we have successfully renewed all our mining permits upon their expiry. Our Directors believe we will encounter no obstacle in complying with such legal requirements and procedures when applying for the relevant renewal of mining permits.

Regulatory non-compliance

We have, from time to time, detected incidents of regulatory non-compliance committed by us. These incidents of non-compliance have included (i) failure to obtain the approval for environmental impact appraisal report (環境影響評價報告批覆) and/or environmental protection inspection and acceptance (竣工環境保護驗收批覆) for our mining projects and Concentrators; and (ii) failure to obtain relevant land use rights for 4 parcels of land located in Project No. 2 and relevant planning permits and construction permits for these temporary structures on these 4 parcels of land.

Set out below is a summary of (i) maximum penalty or liabilities to us; and (ii) the progress of the rectification measures for the above regulatory non-compliance:

Name of regulatory non-compliance	Maximum penalty or liabilities to us	The progress of the rectification measures
1. Failure to obtain the approval for environmental impact appraisal report (環境影響評價報告批覆) for Hami Jinhua Concentrator	Subject to a maximum fine of RMB100,000 and suspension of construction if such non-compliance cannot be rectified within a prescribed period as granted by the governmental department	Application for approval for environmental impact appraisal report (環境影響評價報告批覆) for Hami Jinhua Concentrator is expected to be submitted in April 2012 upon the completion of the technical modification on tailing storage facilities in April 2012. Same tailing storage facilities will be shared between the Hami Jiatai Concentrator and Hami Jinhua Concentrator in order to optimize our cost structure. Currently, we have a valid safety production permit for tailings storage facility of Hami Jiatai Concentrate in relation to the handling of waste arising from the production of nickel concentrate and copper concentrate. In order to comply with relevant environmental protection rules for the handling of waste arising from the production of lead concentrate and zinc concentrate, we need to adopt technical modification on our tailing storage facilities which is expected to be completed in April 2012.

Name of regulatory non-compliance	Maximum penalty or liabilities to us	The progress of the rectification measures
2. Failure to obtain approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆) for the Hami Jiatai Concentrator, Project No.2 and Project No.20 in a timely manner	Subject to a maximum penalty of RMB50,000 and suspension of production with regard to each of Project No.2, Project No.20 and the Hami Jiatai Concentrator, if such non-compliance cannot be rectified within a prescribed period as granted by the relevant governmental department	The approval for environmental protection inspection and acceptance for Project No. 20 and Hami Jiatai concentrator have been obtained on 12 December 2011 and 16 December 2011, respectively. Although we applied for approvals for environmental protection inspection and acceptance (竣工環境保護驗收批覆) for Project No.2 in March 2011, the relevant authority has indicated that it will not issue the relevant approval for environmental protection inspection and acceptance until the Consolidation Program is completed or cancelled. Therefore, it is not feasible for us to estimate when the approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆) for Project No.2 will be completed and granted to us.
3. Failure to obtain (i) relevant land use rights for 4 parcels of land located in Project No. 2; and (ii) relevant planning permits and construction permits for these temporary structures on these 4 parcels of land	Subject to a maximum fine for such non-compliance is about RMB350,000 (RMB30 per square meter plus the total floor area of the land under possession, 11,638.53 square meter) and/or required to demolish temporary structures	Hami Jiatai is in the course of applying the land use rights certificates of these 4 parcels of land. As Project No. 2 is located in the copper-nickel mine area in Huangshan Dong of Hami City (哈密市黃山東銅鎳礦區), the relevant authority has indicated that it will not issue the relevant land use rights certificate and approval for environmental protection inspection and acceptance until the Consolidation Program is completed or cancelled. As at the Latest Practicable Date, no concrete plan, including the pricing terms and timetable of the Consolidation Program, was formulated, so it is not feasible for our Directors to predict the completion date of the Consolidation Program. Our Directors consider that it is unlikely for us to resume mining activities on Project No.2, and thus our Directors consider that it is unlikely to obtain the relevant land use rights certificates.

Details of the above regulatory non-compliance and our primary remedial actions adopted are set forth below.

Failure to obtain (i) the approval for environmental impact appraisal report (環境影響評價報告批覆) for Hami Jinhua Concentrator; and (ii) the approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆) for the Hami Jiatai Concentrator, Project No.2 and Project No.20

Hami Jiatai was established in the PRC in November 2001. It obtained its first mining permits of Project No. 20 in September 2002 and Project No. 2 in November 2004. The then equity shareholders of Hami Jiatai first constructed the Hami Jiatai Concentrator in 2002, and further completed two-phase expansions in June 2004 and November 2005 respectively. In June 2006, the then equity shareholders of Hami Jinhua planned the construction of Hami Jinhua Concentrator for the processing of lead-zinc ore extracted from Project Baiganhu. In 2007, construction of Hami Jinhua Concentrator was completed and conducted trial production for lead concentrates and zinc concentrates in 2008.

We acquired the equity interests in (i) Hami Jinhua in March 2008; and (ii) Hami Jiatai in May 2008. Although the above regulatory non-compliance had already existed before we became the controlling shareholder of Hami Jinhua and Hami Jiatai in 2008, we were fully aware the importance of such regulatory non-compliance and its possible impact on our operation and development. Therefore, in order to obtain approval for environment protection inspection and acceptance (竣工環境保護驗收批覆) for the Hami Jiatai Concentrator, Project No.2 and Project No.20, we consulted the local government for the necessary procedures, engaged local environment supervision station to test, assay and analyze the operation conditions of these assets, and applied for the inspection and acceptance.

According to the written confirmation letter dated 27 July 2011 issued by Hami Regional Bureau of Environmental Protection (哈密地區環境保護局), given that we have legally applied to the Hami Regional Bureau of Environmental Protection for approval for environmental protection inspection and acceptance for Project No.2, Project No.20 and the Hami Jiatai Concentrator, the bureau has accepted our application pursuant to law and confirmed that we may continue normal production on our mining projects before completion of environmental protection inspection and acceptance without being imposed any form of punishment accordingly.

On 12 December 2011 and 16 December 2011 we obtained the approval for environmental protection inspection and acceptance for Project No. 20 and the Hami Jiatai Concentrator, respectively.

Although we applied for approvals for environmental protection inspection and acceptance (竣工環境保護驗收批覆) for Project No.2 in March 2011, the relevant authority has indicated that it will not issue the relevant approval for environmental protection inspection and acceptance until the Consolidation Program is completed or cancelled. We were informed by the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in October 2011 that 新疆新鑫礦業股份有限公司 (Xinjiang Xinxin Mining Industry Co., Ltd.) has been selected as the main integration entity (整合主體). As Project No.2 is very likely to be consolidated with the rest of the mines in Huangshan Dong, it is not feasible to obtain the approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆) for Project No.2.

For the approval for environmental impact appraisal report (環境影響評價報告批覆) for Hami Jinhua Concentrator, we have engaged an independent expert to prepare the environmental impact appraisal report. In order to comply with the relevant environmental protection requirements, we will invest RMB10 million for modification and improvement of tailings storage facilities of Hami Jinhua Concentrator.

We also consulted the local government for the necessary procedures and the legal consequence for the regulatory non-compliance. According to the written confirmation letter dated 27 July 2011 issued by the Hami Regional Bureau of Environmental Protection (哈密地區環境保護局), given that Hamin Jinhua has not caused any damage to the environment and has appointed the relevant professional body who is currently preparing an environmental impact assessment report on the project, no punishment will be imposed on Hami Jinhua. Save as the above, Hami Regional Bureau of Environmental Protection (哈密地區環境保護局) confirm Hami Jinhua has complied with relevant rules and regulations on environmental protection issues.

Based on our estimation, the total costs involved in obtaining the relevant approval for environmental impact appraisal report (環境影響評價報告批覆) and/or environmental protection inspection and acceptance (竣工環境保護驗收批覆) for our mining projects and Concentrators amount to approximately RMB10.3 million.

Failure to obtain (i) relevant land use rights for 4 parcels of land located in Project No. 2; and (ii) relevant planning permits and construction permits for these temporary structures on these 4 parcels of land

Pursuant to a letter issued by Hami Municipal Bureau of Land and Resources (哈密市國土資源局) on 25 January 2008, Hami Jiatai was granted the right of usage of 4 parcels of land with an aggregate area of 11,638.53 sq. m. These 4 parcels of land are located in Project No. 2 and have certain structures on them. However, Hami Jiatai failed to obtain relevant land use rights for 4 parcels of land located in Project No. 2 and relevant planning permits and construction permits for these temporary structures on these 4 parcels of land.

We acquired the equity interests in Hami Jiatai in May 2008. Although the above regulatory non-compliance had already existed before we became the controlling shareholder of Hami Jinhua in 2008, we were fully aware the importance of such regulatory non-compliance and its possible impact on our operation and development.

To obtain the relevant land use rights for 4 parcels of land located in Project No. 2, we consulted and negotiated twice with the local government to reach reasonable considerations for acquisition of such land use rights since we acquired the equity interests in Hami Jiatai in May 2008.

According to our PRC Legal Advisers, although the lack of relevant land use rights will not affect our access to the land located in Project No.2 since we hold valid mining permit for Project No.2, we are not able to enjoy the legal land use right since we do not have such land use rights certificates. Under this circumstance, if the structures situated on these lands complies with the overall land use planning, the relevant land management department will seize such properties and we may also be subject to a maximum penalty of around RMB350,000. If the structures situated on these lands do not comply with the overall land use planning, the relevant land management department will demolish such property. As temporary structures on these 4 parcels of land located in Project No. 2 are some temporary shelters and storage rooms, our Directors, the Sponsor and the Independent Technical Adviser consider that the possible seizure or demolishment of these temporary structures would not affect the mining activities of Project No.2. In addition, the lack of relevant land use rights will not affect our access to the land located in Project No.2 since we hold valid mining permit for Project No.2.

Although Hami Jiatai submitted the relevant application on 13 February 2011 and is in the course of applying for the land use rights certificates of these 4 parcels of land, the relevant authority has indicated that it will not issue the relevant land use rights certificate and approval for environmental protection inspection and acceptance until the Consolidation Program is completed or cancelled.

We were informed by the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in October 2011 that 新疆新鑫礦業股份有限公司 (Xinjiang Xinxin Mining Industry Co., Ltd.)(stock code: 3833) has been selected as the main integration entity (整合主體). As Project No.2 is very likely to be consolidated with the rest of the mines in Huangshan Dong, it is not feasible to obtain the relevant land use rights certificates.

Save as disclosed above, we have complied with all applicable laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date and we have obtained all relevant approvals, permits, licenses and certificates required for our operations and all relevant approvals, permits, licenses and certificates held by us were valid and subsisting as at such date.

Internal controls

In order to prevent future regulatory non-compliance and further strengthen our internal control system, we have adopted the remedial action which are set forth below.

- we have established three new position of compliance officers, who will report to our Board directly on a monthly basis to ensure that our operations are in compliance with applicable laws, rules and regulations, to strengthen the existing internal control framework and to recommend remedial plans to our Board should there be any internal control deficiencies;

- our independent directors will periodically review our compliance records and internal control measures, and disclose their review results and confirmation on our compliance record in our annual reports;

- (i) Mr. LU Qi, our executive Director; (ii) Mr. ZHAO Guangsheng, our executive director and Chief Executive Officer; and (iii) Mr. IP Wing Wai, our company secretary and chief financial officer, have been appointed as our compliance officers. The biographical details of Mr. LU, Mr. Zhao and Mr. Ip are set out under the section headed "Directors, senior management and employees" of this prospectus. Mr. LU, Mr. Zhao and Mr. Ip will have access to external professionals retained or to be retained by us from time to time if applicable, including the compliance adviser, external legal counsel, auditors and other advisers as necessary and will report directly to our Board in order to ensure that all licenses and approvals are valid and that renewals of such licenses are made in a timely manner;

- We have retained a PRC legal advisor to provide advice to the Board and our designated compliance officers on an ongoing basis in respect of all relevant PRC laws and regulations, including changes to such laws and regulations, which may affect our business operations in the PRC;

- We will further implement various training programs, with the support of our external PRC legal counsel, to update our employees on the relevant PRC laws and regulations;

- We will appoint China Everbright Capital Limited as our compliance advisor with effect from the date of Listing to advise on ongoing compliance with Listing Rules issues and other applicable securities laws and regulations in Hong Kong;

- We have formed an audit committee on 16 December 2011, which will establish formal and transparent arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations, including timely preparation and laying of accounts;

- We have appointed a company secretary on 16 December 2011, who is familiar with the Listing Rules, Companies Ordinance and related matters to advise us on matters relating to Company's and Directors' obligations; and

- In order to further enhance the effectiveness of our internal control system on financial reporting, we have implemented new internal compliance guidelines on certain aspects of our financial reporting, namely (i) sales of goods; (ii) financial management; (iii) human resources management; (iv) procurement management; (v) construction management; and (vi) corporate governance. Our compliance officers are responsible for monitoring the implementation of the new internal compliance guidelines, which became effective on 12 July 2010. In addition, our independent directors and members of the audit committee, namely Mr. SIN Lik Man, Mr. CAO Shiping and Mr. CAO Kuangyu, will also supervise our internal control system.

After taking into consideration the (i) above remedial actions taken/ to be taken by our Group; and (ii) our business nature and operation scale, our Directors and the Sponsor are satisfied that our internal control system is adequate and fit for our current operation environment.

ENVIRONMENT PROTECTION AND LAND REHABILITATION

Environmental Protection

Our operations are subject to a variety of PRC environmental laws and regulations, as well as local environmental regulations promulgated by local authorities on environmental protection. These laws and regulations govern a broad range of environmental matters, such as mining control, land rehabilitation, air emissions, noise control, discharge of wastewater and pollutants, waste disposal and radioactive element disposal control. The PRC Government has taken an increasingly stringent stance on the adoption and enforcement of rigorous environmental laws and regulations, which could have a material adverse effect on our financial condition and results of operations. See "Risk Factors — Risk Relating to Our Business and Our Industry — Changes in environmental laws and regulations or their interpretation or implementation, or unanticipated environmental effects from our operations could require us to incur additional costs" in this prospectus.

As at the Latest Practicable Date, we have not obtained the approval for environmental impact appraisal report for Hami Jinhua Concentrator. And we have not obtained the approvals for environmental protection inspection and acceptance for Project No.2. In addition, we did not obtain the approvals for environmental protection inspection and acceptance for Project No. 20 and the Hami Jiatai Concentrator in a timely manner. Pursuant to relevant PRC laws, we are subject to a maximum fine of RMB100, 000 and suspension of construction with regard to Hami Jinhua Concentrator, and a maximum fine of RMB50,000 and suspension of production with regard to each of Project No.2, Project No.20 and the Hami Jiatai Concentrator, if such non-compliance cannot be rectified within a prescribed period as granted by the governmental department.

According to two confirmation letters dated 27 July 2011 issued by Hami Regional Bureau of Environmental Protection (哈密地區環境保護局), the Bureau confirmed that no punishment will be imposed on Hami Jinhua or Hami Jiatai and Hami Jiatai can carry on the operation at Project No.2, Project No.20 and the Hami Jiatai Concentrator, given that (i) Hami Jinhua has not caused any damage to the environment and has engaged professional body who is currently preparing the environmental impact appraisal report for the Hami Jinhua Concentrator, (ii) Hami Jiatai has legally applied to the Bureau for the approvals for environmental protection inspection and acceptance for Project No.2, Project No.20 and the Hami Jiatai Concentrator and the inspection was in progress.

Based on the foregoing confirmations from the Hami Regional Bureau of Environmental Protection (哈密地區環境保護局), which is the competent authority to issue such confirmations and is in a higher level of governmental hierarchy than the Hami Municipal Bureau of Environmental Protection (哈密市環境保護局), our PRC Legal Advisers are of the opinion that (i) the likelihood of Hami Jinhua being punished due to its failure to obtain the approval for environmental impact appraisal report and Hami Jiatai being punished due to the carrying on of operations without holding the approvals for environmental protection inspection and acceptance are relatively low; and (ii) save for the failure to obtain the approval for environmental impact appraisal report for Hami Jinhua Concentrator, and the approvals for environmental protection inspection and acceptance for Project No.2, Project No.20 and the Hami Jiatai Concentrator in a timely manner, we were in compliance with all relevant PRC laws and regulations regarding environmental protection in all material respects during the Track Record Period and as at the Latest Practicable Date. During the Track Record Period and as of the Latest Practicable Date, we were not subject to any environmental claims, lawsuits, penalties or administrative sanctions.

As approved and adopted by the board of Hami Jinhua on 25 January 2011, we have established an environmental control system to conduct regular internal inspections to detect potential environmental hazards on the same date. As at the date of this prospectus, we have (a) a waste management plan prepared, (b) a wastewater tank, wastewater treatment and reuse system built, (c) a wastewater abstraction equipment installed in the Tailing Storage Facility, (d) an associated wastewater receiving tank and pipeline installed and (e) water spraying equipment shall be installed in the raw material storage area. However, according to the Independent Technical Report, the hazardous wastes, such as sodium chlorate solution, waste lubricant and waste chemical solutions were not identified and measures for their collect and disposal by a licensed hazardous waste disposal provider are not in place. As to the measures to control water pollution, the operation efficiency is not yet known because it has not yet been put into use. Such measures and the respective implementations include the following:

- **Pollutant discharges —** Hami Jiatai will conduct production wastewater, domestic wastewater, boiler air emissions and dust monitoring for the Hami Jiatai's existing mines and concentrator. However, without the complete monitoring reports for review during the second site visit by MMC, the compliance status of wastewater discharge and air emission is unknown;

- **Hazardous Waste Disposal —** according to the Waste Management Plan issued by Hami Jinhua on 25 January 2011 (the "**Waste Management Plan**") , hazardous wastes were not identified. Such plan was updated on 8 March 2011. However, it still requires a list of hazardous waste and a contract with a qualified hazardous waste disposal entity to achieve the management of potentially hazardous substances;

- **Water and Wastewater —** according to the Waste Management Plan, a wastewater tank and wastewater treatment and reuse system have been build. A wastewater abstraction equipment was installed in the TSF and an associated wastewater receiving tank and pipeline were installed at the time of the second visit by MMC. However, the operation efficiency is not yet known because it has not yet been put into use;

- **Air —** according to the Waste Management Plan, water spraying equipment shall be installed in the raw materials storage area and along the internal roads in the site housing the concentrators; dust removal equipment shall be installed to mitigate the fugitive dust emission at key locations of the concentrators' process; and the local environmental monitoring station shall be commissioned to conduct environmental monitoring. Sprinklers were only observed in the raw material storage area of the Hami Jiatai concentrator. Without the implementation of the water spraying equipment and dust removal equipment and environmental monitoring results, the compliance status of the dust and particulate emission is unknown; and

- **Health and Safety —** Hami Jiatai and Hami Jinhua installed one fire hose in each of the main workshops of Hami Jiatai and Hami Jinhua's concentrators, and built three firefighting areas, each equipped with firefighting sand, fire sand buckets, spades and fire extinguishers.

For detailed information of the implementation of the environmental control system, please refer to paragraphs headed Hazardous Waste Disposal, Water and Wastewater and Air of "Appendix V — Independent Technical Report — 11.2.7 Potential EHSS Liabilities-Operational EHS Performance".

To further improve our environmental protection standard, we expect to spend approximately RMB1,680,000, RMB118,300 and RMB118,300 annually on environmental protection cost for Project No. 20, Project H-989 and Project Baiganhu in the three years ending 31 December 2013. We intend to allocate operating and financial resources to ensure environment protection compliance as required by applicable PRC laws and regulations.

Land Rehabilitation

We are required by the relevant PRC laws and regulations to rehabilitate and restore mining sites to their prior condition after completion of our mining operations. Land rehabilitation typically involves the removal of buildings, equipment, machinery and other physical remnants of mining, the restoration of land features in mined areas and dumping sites, and contouring, covering and revegetation of waste rock piles and other disturbed areas.

According to a recently effectuated regulation, Regulation on Land Rehabilitation (土地複墾條例), which was issued by the State Council on 5 March 2011, mining operators are required to design and submit for approval rehabilitation and re-planting programs when applying for mining permits or land use rights. Typically those, like us, who have obtained land use rights or mining permits before the effectiveness of the Regulation on Land Rehabilitation, being 5 March 2011, and continue the operation of mining business which may cause damage to land, are also required to submit such land rehabilitation program upon requirement of the government authority of land and resources. In accordance with the relevant PRC laws and regulations, we plan to design and implement a rehabilitation and re-planting program for the mined and disturbed areas of our mines, pursuant to which we will rehabilitate our tailings storage facilities and waste rock dumps upon mine closure. Such program is in line with PRC legislative requirements.

OCCUPATIONAL HEALTH AND SAFETY

We place high emphasis on matters relating to occupational health and safety in order to provide a good working environment to our employees and third-party contractors. Pursuant to Mine Safety Law (礦山安全法), Regulation on Implementation of Mine Safety Law (礦山安全法實施條例), Regulations on the Safety Production Permit (安全生產許可證條例), Measures on the Implementation of the Safety Production Permits of Non-coal Mine Enterprises (非煤礦山企業安全生產許可證實施辦法), the PRC Law on the Prevention and Treatment of Occupational Diseases (中華人民共和國職業病防治法) and other relevant laws and regulations, (1) Safety facilities for mine construction projects must be designed, constructed and launched into production and used at the same time as the main projects; (2) Safety facilities for mine construction projects must pass inspection by the competent safety production supervision and administrative authorities before the construction projects can be launched into production and used; (3) Mine enterprises must provide education and training on production safety to their workers, and shall not employ minors or women engaging in any underground production activities; (4) Mine enterprises who apply for the Safety Production Permits shall be subject to relevant qualifications; and (5) Mine enterprises shall give pensions and compensations to the workers who were injured or dead in mine accidents in accordance with the relevant laws and regulations.

We have implemented a safety production operational manual covering areas of (i) safety production accountability system; (ii) safety production responsibility in each position; (iii) safety operation work flow; and (iv) management system in different areas.

We have developed a safety accountability system with clear reporting lines from each department and working level to the top management. The role and responsibility of each supervising staff and worker is clearly defined and each supervising staff is accountable for their respective areas of responsibility. The safety operation flow with regard to the safety inspection before operation, use of equipment, working procedures and required manpower for each working unit is clearly stated and our staff and subcontractors are required to strictly adhere to it. Rewards and punishments system is also established in order to motivate our staff to follow the safety policies and to develop a safe and healthy working environment. In order to prevent potential hazards and identify danger areas, we carry out periodic inspection from time to time. We conduct regular safety examinations on a semi-annual basis. The regular internal examinations are conducted on a semi-month basis, led by mine and concentrator managers. The examination of specific processes and facilities is conducted by team leader on a daily basis at the mines and concentrators. The inspection is on different aspects including the process of exploration, mining, demolition, electricity-supply, water-resistance and plant machinery and equipment, etc..

There were 31 injuries and no fatalities related to our operation during the Track Record Period and up to the Latest Practicable Date, of which 17 injuries related to our workers and 14 injuries related to third-party contractors. 3 injuries related to ours workers occurred in 2008 and 2009 are assessed as Injury and Disability Level V, VI and VIII(傷殘五、六、八級)respectively by Hami Regional Bureau of Human Resources and Social Security (哈密地區勞動和社會保障局), and the other injuries are ordinary ones which cannot reach the standard for the assessment of Injury and Disability Level. We have fully compensated all injured workers as required by the applicable PRC laws and regulations and the total amount of the compensation paid by us in relation to the injuries during the Track Record Period was approximately RMB238,000. We are not under ongoing responsibilities for the injured workers. Our directors confirm that we have not been subject to (i) any claims arising from any accidents involving personal injury or property damage during the Track Record Period that have a material adverse effect on our business, financial condition or results of operation; and (ii) any investigation or punishment from local Administration of Work Safety Department (安全生產監督管理局) due to the above accidents.

Training for new employees is conducted in three phases. Firstly, a recruitment training session of 72 hours, including an introduction to relevant regulations and general safety awareness, will be provided to all new employees, who are then tested before promotion to next stage training. Secondly, new employees are required to attend a workshop specific training including an introduction to the work area and the role of the individual within the workshop. Lastly, new employees are required to undergo on-job training under supervision for three months period. Continuous training and education is also conducted for existing employees in order to enhance their working skill and safety awareness. Our mine directors and safety inspectors are required to hold Management Personnel Work Safety Permit (管理人員安全生產資格證) and our specialized working staff is required to hold Specialized Working Personnel Operation Permit (特種作業人員操作證), both issued by local Administration of Work Safety Department (安全生產監督管理局). These personnel have to pass relevant training organized by local Occupational Safety Inspection and Testing Centre (職業安全檢驗檢測中心).

Pursuant to the Provisional Measures on Financial Management of Safety Production Fees of High Risk Enterprises (高危行業企業安全生產費用財務管理暫行辦法) promulgated by the Ministry of Finance and the State Administration of Work Safety on 8 December 2006, enterprises engaging in mining business within the PRC territory is required to provide for safety production fees monthly in accordance with the volume of ores production. Safety production fees mean the funds specifically used for the improvement in production conditions of the enterprise in accordance with the required standard. The standard provision for metal mines is RMB 4 per tonne (surface mines) and RMB 8 per tonne (underground mines). For the three years ended 31 December 2010, and the six months ended 30 June 2011, we provided a total amount of RMB533,000, RMB393,000, RMB221,000 and nil respectively in the safety production funds. We plan to provide approximately RMB160,000 and RMB4.0 million for the two years ending 31 December 2012 respectively in the safety production fund.

We have not been subject to any claims arising from any material accidents involving personal serious injury or property damage during the Track Record Period and up to the Latest Practicable Date that have had a material adverse effect on our business, financial condition or results of operation. None of our Directors or senior management members has been held responsible for any accidents during the Track Record Period and up to the Latest Practicable Date. As advised by our PRC Legal Advisers, we have been in compliance with the applicable PRC laws and regulations with respect to the occupational health and safety and labor force in all material respects and have fully discharged the relevant obligations under such laws and regulations during the Track Record Period.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we are the registered owner of the trademark “滙力集團 HUILI GROUP” and “滙力集團 HUILI GROUP” in Hong Kong. Details of such trademark application and other intellectual property rights are set out in the paragraph headed “Intellectual Property” in Appendix VII to this prospectus.

We did not apply for registration of our trademark in the PRC during the Track Record Period because (i) we transacted with a small number of customers during the Track Record Period; and (ii) the products we sold are homogeneous commodity products.

As we expect to expand our business in terms of product mix and geographic coverage in the PRC, our Directors submitted our trademark registration application to the relevant authorities in the PRC in November 2011.

As at the Latest Practicable Date, we were not involved in any disputes or litigation relating to the infringement of intellectual property rights, nor are we aware of any such claims either pending or threatened.

PROPERTIES

Land

As of the Latest Practicable Date, we occupied 27 parcels of land located in Hami city, with a total site area of approximately 273,328.67 m^2, of which:

- 9 parcels of land with a total site area of approximately 90,270.56 m^2 are currently occupied by Hami Jinhua for Project Baiganhu and Hami Jinhua Concentrator;

- 12 parcels of land with a total site area of approximately 171,359.60 m^2 are currently occupied by Hami Jiatai for Project No. 20, Project H-989 and the Hami Jiatai Concentrator;

- 2 parcels of land with a total site area of approximately 59.98 m^2 are currently occupied by Hami Jiatai for residential use; and

- 4 parcels of land with a total site area of approximately 11,638.53m^2 are currently occupied by Hami Jiatai for Project No.2.

Apart from the 4 parcels of land occupied for Project No. 2, all the other land premium of the above lands has been duly settled in accordance with decisions and instructions of the relevant government authority responsible for management and supervision of land related issues in Hami city and our PRC Legal Advisers has confirmed that we have proper legal title to these parcels of land.

Save as disclosed above, we do not hold or intend to apply for state-owned land use rights to other land parcels covered by our mining permits or exploration permits.

As part of our industry practice, we do not carry out mining operations at our mines over the entire area covered by the applicable mining permit, but rather design our long-term mining plans to include multiple mining operations on smaller parcels of the land. We may apply for additional land use rights from time to time according to our long-term mining plans.

Pursuant to Implementation Rules on the Mineral Resources Law of the PRC (中華人民共和國礦產資源法實施細則) promulgated and effective on 26 March 1994, we, as the holder of the valid mining permits, have the legal right to obtain, in accordance with the relevant laws and regulations, the land use rights with respect to the parcel(s) of land required to meet our production and construction needs.

Buildings

In the Hami Jinhua Concentrator, we erected one building with an aggregate gross floor area of 9,293.52 m^2 and various ancillary structures, for production and ancillary office purposes.

In the Hami Jiatai Concentrator, we erected 19 buildings with an aggregate gross floor area of 13,676.5 m^2 and various ancillary structures, for production and ancillary office purposes.

There are 2 residential units with a total gross floor area of approximately 254.57 sq.m. which are currently occupied by Hami Jiatai for residential purpose.

Our PRC Legal Advisers have confirmed that we hold valid building ownership certificates with respect to the above property interest held by us.

However, we have erected various facilities, including temporary structures, on our 4 parcels of land located at Project. No. 2. Such temporary structures were used for our operations related to the Project No.2. We did not obtain the relevant planning permits, construction permits and building ownership certificates for these temporary structures, and, as a result, may be subject to penalties for such non-compliance. As advised by our PRC Legal Advisers, the maximum fine for such non-compliance is RMB350,000, and therefore we consider the potential risk of such non-compliance is not material to us. As of the Latest Practicable Date, there were no outstanding fines or penalties payable to the relevant local government authorities with respect to the temporary structures.

In addition, as at the Latest Practicable Date, we leased two offices in Hami City from an Independent Third Party for the support of our business activities with a total gross floor area of 366 m^2. The term of the above leases began in March 2006 and will expire in March 2022 with an aggregate annual rental rate of RMB30,000, exclusive of management fee, water and electricity charges. As advised by our PRC Legal Advisers, the lease agreement is valid and binding. However, such lease agreement has not been registered with competent authority and the relevant parties of the lease may be ordered to rectify this non-compliance within a prescribed period by the competent authority. The relevant parties of the lease may be subject to a fine of RMB1,000 to RMB10,000 if such non-compliance cannot be rectified.

If our Company is evicted from the above property for any reasons, King Award and Sky Circle, being Controlling Shareholders, have undertaken to indemnify our Company against any damages, losses or liabilities which are or become payable by any members of our Company as a direct or indirect result of any title defects of the land or property of our Company after the Listing, particulars of which are set out in the paragraph headed ''Tax and other indemnity'' in Appendix VII to this prospectus.

For details of the property valuation together with the summary of valuation and valuation certificates prepared by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, please refer to Appendix IV to this prospectus.

EMPLOYEES

As of 30 June 2011, we had 68 employees. The following table sets forth the number of employees by position:

	Number of employees	% of total
Production	21	31
- Mining (Note 1)	*9*	*13*
- Ore processing (Note 2)	*12*	*18*
Management, finance and administrative (Note 3)	22	32
Ancillary mining activities (Note 4)	10	15
Others (Note 5)	15	22
Total	68	100

Notes:

1. Excludes Independent Third Party contractors who perform mining and hauling work.

2. Includes employees at the Hami Jiatai Concentrator.

3. Includes managers for processing, mining, supply and safety, as well as personnel within the accounting and booking departments.

4. Includes engineers, electricians and personnel in the quality control and equipment repair departments.

5. Includes transportation team personnel, weigh house personnel and cook staff.

The salaries of our employees largely depend on their job nature, performance and length of service with us.

Employees receive social welfare benefits and other benefits. We maintain social insurance and housing provident fund for our employees as required by the applicable PRC laws and regulations. Except for the above annual contributions, we are not responsible for other employee benefits. We are in compliance with applicable PRC laws and regulations with respect to the required social insurance and housing provident fund.

During the Track Record Period, we have not experienced any labour disputes with our employees. For additional information about certain of our employees, see "Directors, Senior Management and Employees" in this prospectus.

Taking into the account of the below factors, we consider that we have allocated sufficient human resources on our mining and exploration projects:

- Currently, we have 21 staff for our production function. In addition, a total of 19 staff from management, finance and administrative departments are also responsible for the management and supervision of our mining and exploration projects;

- As at the Latest Practicable Date, we have three mining projects with valid mining and safety production permits, namely Project No.2, Project No. 20 and Project Baiganhu. However, Project No. 20 and Project Baiganhu are only expected to recommence/ commence commercial operation in the third quarter of 2012. Regarding Project No.2, we received verbal notification from the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in January 2011 to suspend our production in Project No.2 as a result of implementation of Consolidation Program. In order to enable Project No. 20 and Project Baiganhu to recommence/ commence commercial operation according to the proposed timetable, we have focused most of our resources for the implementation of mine development plans of these two mining projects; and

- During the Track Record Period, the Group engaged qualified subcontractors to carry out (i) exploration activities; (ii) mine design and construction work; and (iii) mining and hauling operations of its mining and exploration projects.

In light of the current operation status of our mining projects and the subcontracting of our major operations to several qualified subcontractors, we consider that we have allocated sufficient human resources on its mining and exploration projects.

As Project No. 20 and Project Baiganhu are expected to recommence/commence commercial operation in the third quarter of 2012, we intend to recruit additional 9 staffs and 151 staffs for mining and ore processing operations by the third quarter of 2012.

INSURANCE

We are in compliance with applicable PRC laws and regulations with respect to required social insurance for our employees in respect of pension, medical, labor injury, maternity and unemployment.

In addition, we also maintain accident insurance for our mine workers. In respect of motor vehicles, we maintain Compulsory Traffic Accident Liability Insurance for Motor Vehicles (機動車交通事故責任強制保險) in accordance with the applicable PRC laws and regulations.

Pursuant to the agreements with our subcontractors in respect of exploration, mine construction and mining, all liabilities arising from any accidents caused by our subcontractors in the course of operations at our mines are borne by them and they are required to maintain insurance for their workers and employees.

Apart from the above, we do not maintain (i) any business interruption insurance or third party liability insurance against claims for property damage, personal injury and environment liabilities; and (ii) any fire, earthquake, liability or properties insurance in respect of our properties, equipment and inventory.

During the Track Record Period, we did not experience any business interruptions or losses or damages to our facilities that had a material adverse effect on our business, financial condition or results of operations.

In addition, the majority of our temporary structures, ancillary structures and production facilities are of low commercial value. During the Track Record Period and up to the Latest Practicable Date, we did not experience any losses or damages to our temporary structures, ancillary structures and production facilities as a result of any material accidents. After taking into account the costs of insurance and the risks involved, we believe that our current insurance coverage is generally sufficient to protect our interests.

Save as disclosed, in the section headed "Risk Factors — Risks Relating to Our Business and Industry— We face various operational risks and may lack sufficient insurance coverage." in this prospectus, we consider the insurance coverage on our assets to be adequate and is consistent with mining industry practices in the PRC as of the Latest Practicable Date. We will continue to review and assess our risks and make necessary adjustments to our insurance practice to meet our needs and comply with industry practices in the PRC.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we were not a party to any material legal or administrative proceedings. In addition, our Directors are not aware of any claims or proceedings in relation to exploration rights contemplated by government authorities or third parties which would materially and adversely affect our business.

One of our growth strategies is to expand and achieve long-term sustainable growth through acquisition and consolidation of target companies with nickel, copper and mines with other mineral resources. On 28 May 2010, we entered into the Acquisition Agreements as supplemented on 22 February 2011, 30 June 2011, 29 September 2011 and 14 December 2011, pursuant to which we conditionally agreed to acquire the entire equity interests in Shaanxi Jiarun and Shaanxi Jiahe and the respective debts due by Shaanxi Jiarun and Shaanxi Jiahe to Shaanxi Jiatai Hengrun, at an aggregate cash consideration of RMB210 million.

Shaanxi Jiatai Hengrun is in the course of applying the mining permits of Project Huaba and Project Huangjinmei. Upon completion of the Acquisition Agreements, Shaanxi Jiarun and Shaanxi Jiahe should hold the mining permit of Project Huaba and Project Huangjinmei respectively.

ACQUISITION AGREEMENTS

Set forth below are the major terms of the Acquisition Agreements and the related supplemental agreements:

Shaanxi Jiarun Acquisition Agreement

(i)	Date:	28 May 2010 22 February 2011, 30 June 2011, 29 September 2011 and 14 December 2011 (supplemental agreements)
(ii)	Parties:	Hami Jiatai, being the purchaser Shaanxi Jiatai Hengrun, being the vendor Shaanxi Jiarun, being the target As at the date of the Shaanxi Jiarun Acquisition Agreement, Shaanxi Jiatai Hengrun is the legal and beneficial owner of the entire equity interest of Shaanxi Jiarun, which is owned as to 65% by Mr. WEI Xin (魏星), as to 30% by Ms. ZHANG Chunxia (張春霞) and as to 5% by Mr. SUN Yan (孫岩), all of them are Independent Third Parties.
(iii)	Transfer of equity interest and assignment of debts	Hami Jiatai conditionally agreed to acquire the entire equity interest in Shaanxi Jiarun and the debts due by Shaanxi Jiarun to Shaanxi Jiatai Hengrun (the "Shaanxi Jiarun Debts") as at the completion date of the Shaanxi Jiarun Acquisition Agreement, subject to the terms and conditions set out below. As at the Latest Practicable Date, the Shaanxi Jiarun Debts was nil.

(iv) Consideration and its basis: RMB160 million, which was determined by the parties to the Shaanxi Jiarun Acquisition Agreement after arms' length negotiation with reference to (i) the accumulated investment amount paid by the vendors as at the date of the Shaanxi Jiarun Acquisition Agreement, being approximately RMB80 million; (ii) the expected capital expenditure with respect to the project development and (iii) the historical pricing trend and the future prospects of copper and vanadium in the PRC. Based on our reviews on (i) independent geological report prepared by 陝西礦業開發工貿公司 (Shaanxi Mining Development Industrial and Trade Company) in March 2010 on copper and vanadium deposits of Project Huaba; and (ii) the independent technical report issued by SRK in August 2008, together with our judgments on the future prospects and price trend of copper and vanadium deposits of Project Huaba, we consider that we have reviewed sufficient information to make our decision on the acquisition of Shaanxi Jiarun, even though both parties to the equity transfer agreement agreed not to appoint an independent valuer to perform business or assets valuation of Shaanxi Jiarun. As (i) it was not mandatory requirement under the relevant rules and regulations of the PRC; and (ii) the principal assets of Shaanxi Jiarun was the exploration permit in respect of Project Huaba, both parties to the Shaanxi Jiarun Acquisition Agreement agreed not to appoint independent valuer to perform valuation on the net asset value of Shaanxi Jiarun. Given that (i) we already obtained independent geological report prepared by 陝西礦業開發工貿公司(Shaanxi Mining Development Industrial and Trade Company) in March 2010 on copper and vanadium deposits of Project Huaba in May 2010 for reference purpose; and (ii) the principal assets of Shaanxi Jiarun is the exploration permit in respect of Project Huaba, which did not carry out any mining activity during the period between 2008 and 2010, both parties to the Shaanxi Jiarun Acquisition Agreement agreed not to engage SRK to update independent technical report on Project Huaba.

(v) Payment terms:

1. After consideration of substantial capital expenditure involved for the development of Project Huaba, both parties to the Shaanxi Jiarun Acquisition Agreement agreed that the total consideration of RMB160 million payable by Hami Jiatai under the Shaanxi Jiarun Acquisition Agreement will be divided into five equal annual installments and Hami Jiatai has the right for early settlement of such consideration. The payment date of the first installment, together with the total disbursement in relation to the project development paid by the vendor[(Note)], will be the earlier of (i) the three months upon the Listing Date; or (ii) 31 March 2013. As at the Latest Practicable Date, the amount disbursement in relation to the project development paid by the vendor was approximately RMB31,000.

2. Within 30 days after the signing of the Shaanxi Jiarun Acquisition Agreement, Hami Jiatai will pay a maximum of RMB25 million as non-interest-bearing earnest money to Shaanxi Jiatai Hengrun. If the conditions precedent to completion cannot be fulfilled or the Shaanxi Jiarun Acquisition Agreement cannot be fulfilled due to other reasons, Shaanxi Jiatai Hengrun has to return the earnest money to Hami Jiatai immediately. The above earnest money was fully paid as at the Latest Practicable Date.

3. The earnest money paid by Hami Jiatai will be offset in the initial annual installment.

Note:

Completion ("Shaanxi Jiarun Completion") of the Shaanxi Jiarun Acquisition Agreement is subject to certain conditions having been fulfilled. To prevent possible delay on the development progress of Project Huaba before Shaanxi Jiarun Completion, both parties to the Shaanxi Jiarun Acquisition Agreement agreed that the vendor will pay the relevant costs and expenses in relation to the development of Project Huaba since the date of the Shaanxi Jiarun Acquisition Agreement and up to the date of the Shaanxi Jiarun Completion. To make sure the relevant costs and expenses are reasonable and necessary for the project development, the amount of disbursement to be incurred by the vendor will be informed to us periodically and will be verified by independent auditors engaged by us and the vendor. In addition, our approval is required if (i) relevant costs and expenses in relation to the development of Project Huaba with single transaction amount of RMB500,000 or above; or (ii) the vendor is the receiving party of such costs and expenses in relation to the development of Project Huaba. We will pay the disbursement amount, together with first installment of the consideration, to the vendor at the earlier of (i) the three months upon the Listing Date; or (ii) 31 March 2013.

(vi) Long-stop date: 31 December 2012[Note]

(vii) Conditions precedent: Completion of the Shaanxi Jiarun Acquisition Agreement is subject to the following conditions having been fulfilled:

1. Shaanxi Jiarun and Shaanxi Jiatai Hengrun each has obtained all necessary internal and external approvals or authorisations in respect of the Shaanxi Jiarun Acquisition Agreement, such approvals or authorisations shall include, but not limited to, all necessary government or regulatory approvals, procedures and/or resolutions sought in accordance with the articles of each company, and prior consents or notice to be sought from other third parties;

2. Shaanxi Jiarun has obtained the mining permit of Project Huaba in accordance with the PRC laws and has paid in full all the expenses and taxes in relation to the application of the mining permit (excluding mining right purchase price (if any), and mineral resources compensation levy (if any)) , including but not limited to mining right usage fees. As at the Latest Practicable Date, there was no expenses and taxes, including but not limited to mining right purchase price and mining right usage fees expected to be borne by us in obtaining the mining permits of Project Huaba.

3. the articles or revised articles of Shaanxi Jiarun (which are confirmed by Hami Jiatai and Shaanxi Jiatai Hengrun in writing) have been approved by the shareholder's meeting of Shaanxi Jiarun and signed by the authorised legal representative;

4. the executive director appointed by Hami Jiatai in Shaanxi Jiarun has been duly registered in the competent industry and commerce authority within three (3) business days after the date of the Shaanxi Jiarun Acquisition Agreement;

5. utilisation of all the chops of Shaanxi Jiarun has been under common supervision of Hami Jiatai and Shaanxi Jiatai Hengrun within three (3) business days after the date of the Shaanxi Jiarun Acquisition Agreement;

Note:

If the conditions precedent mentioned above have not been satisfied on or before 31 December 2012 or such other date as the purchaser may agree in writing, the Shaanxi Jiarun Acquisition Agreement shall lapse and no party shall make any claim against the other in respect thereof, save for any antecedent breach.

6. all the representations and warranties remain true, accurate and not misleading before the proposed completion date;

7. Shaanxi Jiatai Hengrun and Shaanxi Jiarun have not breached any of agreement as stipulated in the Shaanxi Jiarun Acquisition Agreement before the proposed completion date, including but not limited to the agreement related to the transitional period;

8. no promulgation of any new laws and regulations which will prevent the performance of the Shaanxi Jiarun Acquisition Agreement before the proposed completion date;

9. Shaanxi Jiarun does not face any adverse impact on its going concern and operation of mineral resources before the proposed completion date, including but not limited to the revocation of business license by the relevant government authority, and the loss of or failure to acquire qualification for being granted the mining permits; and

10. Shaanxi Jiatai Hengrun and Shaanxi Jiarun do not involve in any litigation, arbitration or other legal disputes which will result in impediment to the performance of the Shaanxi Jiarun Acquisition Agreement before the proposed completion date.

All of the above conditions precedent cannot be waived by both parties to the agreements.

As at the Latest Practicable Date, not all of the above conditions precedent has been satisfied. It is anticipated that such conditions precedent will be satisfied by 31 December 2012.

(viii) Governing law

The Shaanxi Jiarun Acquisition Agreement is governed by the PRC laws.

Shaanxi Jiahe Acquisition Agreement

(i)	Date:	28 May 2010 22 February 2011, 29 September 2011 and 14 December 2011 (supplemental agreement)
(ii)	Parties:	Hami Jiatai, being the purchaser Shaanxi Jiatai Hengrun, being the vendor Shaanxi Jiahe, being the target As at the date of the Shaanxi Jiahe Acquisition Agreement, Shaanxi Jiatai Hengrun is the legal and beneficial owner of the entire equity interest of Shaanxi Jiahe, which is owned as to 65% by Mr. WEI Xin (魏星), as to 30% by Ms. ZHANG Chunxia (張春霞) and as to 5% by Mr. SUN Yan (孫岩), all of them are Independent Third Parties.
(iii)	Transfer of equity interest and assignment of debts:	Hami Jiatai conditionally agreed to acquire the entire equity interest in Shaanxi Jiahe and the debts due by Shaanxi Jiahe to Shaanxi Jiatai Hengrun (the "Shaanxi Jiahe Debts") as at the completion date of the Shaanxi Jiahe Acquisition Agreement, subject to the terms and conditions set out below. As at the Latest Practicable Date, the Shaanxi Jiahe Debts was nil.
(iv)	Consideration and its basis:	RMB50 million, which was determined by the parties to the Shaanxi Jiahe Acquisition Agreement after arms' length negotiation with reference to (i) gold mineral resources ("Gold Mineral Resources") of Project Huangjinmei (Categories 332 and 333 under Chinese standard) as reported by the independent geological report ("Independent Geological Report") issued by 陝西礦業開發工貿公司 (Shaanxi Mining Development Industrial and Trade Company) in March 2010; and (ii) the historical pricing trend and the future prospects of gold in the PRC. Based on our reviews on (i) the Independent Geological Report; and (ii) the independent technical report issued by SRK in August 2008, together with our judgments on the future prospects and price trend of gold deposits of Project Huangjinmei, we consider that we have reviewed sufficient information to make our decision on the acquisition of Shaanxi Jiahe, even though both parties to the equity transfer agreement agreed not to appoint an independent valuer to perform business or assets valuation of Shaanxi Jiahe. As (i) it was not mandatory requirement under the relevant rules and regulations of the PRC; and (ii) the principal assets of Shaanxi Jiahe was the

exploration permit in respect of Project Huangjinmei, both parties to the Shaanxi Jiahe Acquisition Agreement agreed not to appoint independent valuer to perform valuation on the net asset value of Shaanxi Jiahe. Given that (i) we already obtained independent geological report prepared by 陝西礦業開發工貿公司 (Shaanxi Mining Development Industrial and Trade Company) on gold deposits of Project Huangjinmei in March 2010 for reference purpose; and (ii) the principal assets of Shaanxi Jiahe was the exploration permit in respect of Project Huangjinmei, which did not carry out any mining activity during the period between 2008 and 2010, both parties to the Shaanxi Jiahe Acquisition Agreement agreed not to engage SRK to update independent technical report on Project Huangjinmei.

According to the Shaanxi Jiahe Acquisition Agreement, the consideration will be the lower of (i) RMB50 million; and (ii) the valuation of Gold Mineral Resources as determined by the following formula:

RMB8 million per tonnes x total amount of Gold Mineral Resources as stated in the Independent Geological Report

According to the Independent Geological Report, total amount of Gold Mineral Resources in March 2010 was approximately 10.821 tonnes. Therefore, the final consideration was RMB50 million in accordance with the pricing terms of the Shaanxi Jiahe Acquisition Agreement.

(v) Payment terms:

1. after consideration of substantial capital expenditure involved for the development of Project Huangjinmei, both parties to the Shaanxi Jiahe Acquisition Agreement agreed that the total consideration of RMB50 million payable by Hami Jiatai under the Shaanxi Jiahe Acquisition Agreement will be divided into five equal annual installments and Hami Jiatai has the right for early settlement of such consideration. The payment date of the first installment, together with the total disbursement in relation to the project development paid by the vendor(Note), will be the earlier of (i) the three months upon the Listing Date; or (ii) 31 March 2013. As at the Latest Practicable Date, the amount disbursement in relation to the project development paid by the vendor was approximately RMB2,100,000.

2. Within 30 days after the signing of the Shaanxi Jiahe Acquisition Agreement, Hami Jiatai will pay a maximum of non-interest-bearing RMB5 million as earnest money to Shaanxi Jiatai Hengrun. If the conditions precedent to completion cannot be fulfilled or the Shaanxi Jiarun Acquisition Agreement cannot be fulfilled due to other reasons, Shaanxi Jiatai Hengrun has to return the earnest money to Hami Jiatai immediately. The above earnest money was fully paid as at the Latest Practicable Date.

3. The earnest money paid by Hami Jiatai will be offset in the initial annual installment.

Note:

Completion ("Shaanxi Jiahe Completion") of the Shaanxi Jiahe Acquisition Agreement is subject to certain conditions having been fulfilled. To prevent possible delay on the development progress of Project Huangjinmei before Shaanxi Jiahe Completion, both parties to the Shaanxi Jiahe Acquisition Agreement agreed that the vendor will pay the relevant costs and expenses in relation to the development of Project Huangjinmei since the date of the Shaanxi Jiahe Acquisition Agreement and up to the date of the Shaanxi Jiahe Completion. To make sure the relevant costs and expenses are reasonable and necessary for the project development, the amount of disbursement to be incurred by the vendor will be informed to us periodically and will be verified by independent auditors engaged by us and the vendor. In addition, our approval is required if (i) relevant costs and expenses in relation to the development of Project Huangjinmei with single transaction amount of RMB500,000 or above; or (ii) the vendor is the receiving party of such costs and expenses in relation to the development of Project Huangjinmei. We will pay the disbursement amount, together with first instalment of the consideration, to the vendor at the earlier of (i) the three months upon the Listing Date; or(ii) 31 March 2013.

(vi) Long-stop date: 31 December 2012[Note]

(vii) Conditions precedent: Completion of the Shaanxi Jiahe Acquisition Agreement is subject to the following conditions having been fulfilled or waived by Hami Jiatai:

1. Shaanxi Jiahe and Shaanxi Jiatai Hengrun each has obtained all necessary internal and external approvals or authorisations in respect of the Shaanxi Huangjinmei Acquisition Agreement, such approvals or authorisations shall include, but not limited to, all necessary government or regulatory approvals, procedures and/or resolutions sought in accordance with the articles of each company, and prior consents or notice to be sought from other third parties;

2. Shaanxi Jiahe has obtained the mining permit of Project Huangjinmei in accordance with the PRC laws and has paid in full all the expenses and taxes in relation to the application of the mining permit (excluding mining right purchase price (if any), mineral resources compensation levy (if any)), including but not limited to mining right usage fees. As at the Latest Practicable Date, there was no expenses and taxes, including but not limited to mining right purchase price and mining right usage fees expected to be borne by us in obtaining the mining permits of Project Huangjinmei;

3. the articles or revised articles of Shaanxi Jiahe (which are confirmed by Hami Jiatai and Shaanxi Jiatai Hengrun in writing) have been approved by the shareholder's meeting of Shaanxi Jiahe and signed by the authorised legal representative;

4. the executive director appointed by Hami Jiatai in Shaanxi Jiahe has been duly registered in the competent industry and commerce authority within three (3) business days after the date of the Shaanxi Jiahe Acquisition Agreement;

Note: If the conditions precedent mentioned above have not been satisfied on or before 31 December 2012 or such other date as the purchaser may agree in writing, the Shaanxi Jiahe Acquisition Agreement shall lapse and no party shall make any claim against the other in respect thereof, save for any antecedent breach.

5. utilisation of all the chops of Shaanxi Jiahe has been under common supervision of Hami Jiatai and Shaanxi Jiatai Hengrun within three (3) business days after the date of the Shaanxi Jiahe Acquisition Agreement;

6. all the representations and warranties remain true, accurate and not misleading before the proposed completion date;

7. Shaanxi Jiatai Hengrun and Shaanxi Jiahe have not breached any of agreement as stipulated in the Shaanxi Jiahe Acquisition Agreement before the proposed completion, including but not limited to the agreement related to the transitional period;

8. no promulgation of any new laws and regulations which will prevent the performance of the Shaanxi Jiahe Acquisition Agreement before the proposed completion date;

9. Shaanxi Jiahe does not face any adverse impact on its going concern and operation of mineral resources before the proposed completion date, including but not limited to the revocation of business license by the relevant government authority, and the loss of/or failure to acquire qualification for being granted the mining permits; and

10. Shaanxi Jiatai Hengrun and Shaanxi Jiahe do not involve in any litigation, arbitration or other legal disputes which will result in impediment to the performance of the Shaanxi Jiahe Acquisition Agreement before the proposed completion date.

All of the above conditions precedent cannot be waived by both parties to the agreements.

As at the Latest Practicable Date, not all of the above conditions precedent has been satisfied. It is anticipated that such conditions precedent will be satisfied by 31 December 2012.

(viii) Governing law — The Shaanxi Jiahe Acquisition Agreement is governed by the PRC laws.

Our PRC Legal Advisers are of the opinion that both Shaanxi Jiarun Acquisition Agreement and Shaanxi Jiahe Acquisition Agreement are valid and legally enforceable under the applicable laws and regulations of the PRC.

SHAANXI JIARUN AND SHAANXI JIAHE

Shaanxi Jiarun

Shaanxi Jiarun is a company incorporated in the PRC and is wholly and beneficially owned by Shaanxi Jiatai Hengrun.

The registered capital of Shaanxi Jiarun is RMB10 million and is fully paid up. The current business scope of Shaanxi Jiarun includes research and usage of metal resources (except exploration, mining and refinery), processing and sale of metal products, and sale of machines, chemical projects (except dangerous chemical products) and building and construction materials.

The following table sets forth selected financial information of Shaanxi Jiarun for the periods indicated:

	Period from 1 July 2008 to 31 December 2008	**Year ended 31 December 2009**	**Year ended 31 December 2010**	**Six months ended 30 June 2010**	**Six months ended 30 June 2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	—	—	—	—	—
Cost of sales	—	—	—	—	—
Gross profit	—	—	—	—	—
Administrative expenses	(1,406)	(1,082)	(808)	(141)	(226)
Other losses, net	—	—	(10)	—	(51)
Operating loss	(1,406)	(1,082)	(818)	(141)	(277)
Finance income	30	11	4	3	1
Loss before income tax	(1,376)	(1,071)	(814)	(138)	(276)
Income tax expense	—	—	—	—	—
Loss for the period/year	(1,376)	(1,071)	(814)	(138)	(276)
Other comprehensive income	—	—	—	—	—
Total comprehensive loss	(1,376)	(1,071)	(814)	(138)	(276)

Shaanxi Jiahe

Shaanxi Jiahe is a company incorporated in the PRC and is wholly and beneficially owned by Shaanxi Jiatai Hengrun.

The registered capital of Shaanxi Jiahe is RMB10 million and is fully paid up. The current business scope of Shaanxi Jiahe includes research, processing and usage of mine resources (except exploration, mining and refinery), sale of mine products, chemical products (except dangerous chemical products), machineries and parts for mine construction, metal materials, mechanical and electrical products, and building and construction materials.

The following table sets forth selected financial information of Shaanxi Jiahe for the periods indicated:

	Period from 10 May 2010 to 31 December 2010	**Period from 10 May 2010 to 30 June 2010**	**Six months ended 30 June 2011**
	RMB'000	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	—	—	—
Cost of sales	—	—	—
Gross profit	—	—	—
Administrative expenses	(84)	(8)	(115)
Other losses, net	—	—	(3)
Operating loss	(84)	(8)	(118)
Finance income	1	—	3
Loss before income tax	(83)	(8)	(115)
Income tax expense	—	—	—
Loss for the period	(83)	(8)	(115)
Other comprehensive income	—	—	—
Total comprehensive loss	(83)	(8)	(115)

Both Shaanxi Jiarun and Shaanxi Jiahe will apply for amendments to their respective business license to include exploration, mining and refinery or ore processing as part of their business scope for their future operation of Project Huaba and Project Huangjinmei respectively following the completion of each of the Acquisition Agreements with respect of Project Huaba and Project Huangjinmei.

PROJECT HUABA AND PROJECT HUANGJINMEI

Project Huaba

Project Huaba is located at Zuolong Township, Langao County, Shaanxi Province, the PRC. Shaanxi Jiatai Hengrun, the current shareholder of Shaanxi Jiarun, is in the course of applying the mining permit in respect of Project Huaba. The exploration area covered by such exploration permit is 11.41 sq. km. The exploration permit has been granted by the Ministry of Land and Resources and is valid for the period between 30 April 2009 and 30 April 2011. The predominant resources in Project Huaba are various kinds of metals including copper and vanadium.

Project Huangjinmei

Project Huangjinmei is located at Ningshaan County, Shaanxi Province, the PRC. Shaanxi Jiatai Hengrun, the current shareholder of Shaanxi Jiahe, is in the course of applying the mining permit in respect of Project Huangjinmei. The exploration area covered by such exploration permit is 4.29 sq. km. The exploration permit has been granted by the Ministry of Land and Resources, the PRC and is valid for the period between 31 October 2009 and 31 October 2011. The predominant resources in Project Huangjinmei are various kinds of metals including gold.

Permits, locations and mineral resources

Set out below is a summary of Project Huaba and Project Huangjinmei:

Project name	**Type of ore under exploration/ mining**	**Type of license and permits on hand**	**Permit expiry date (month/ year)**	**Exploration Area (km^2)**	**Current operation status**
Project Huaba	Vanadium ore	Exploration permit	April 2011	11.41	In the course of applying mining permit (Notes 1 and 3)
Project Huangjinmei	Gold ore	Exploration permit	October 2011	4.29	In the course of applying mining permit (Notes 2 and 3)

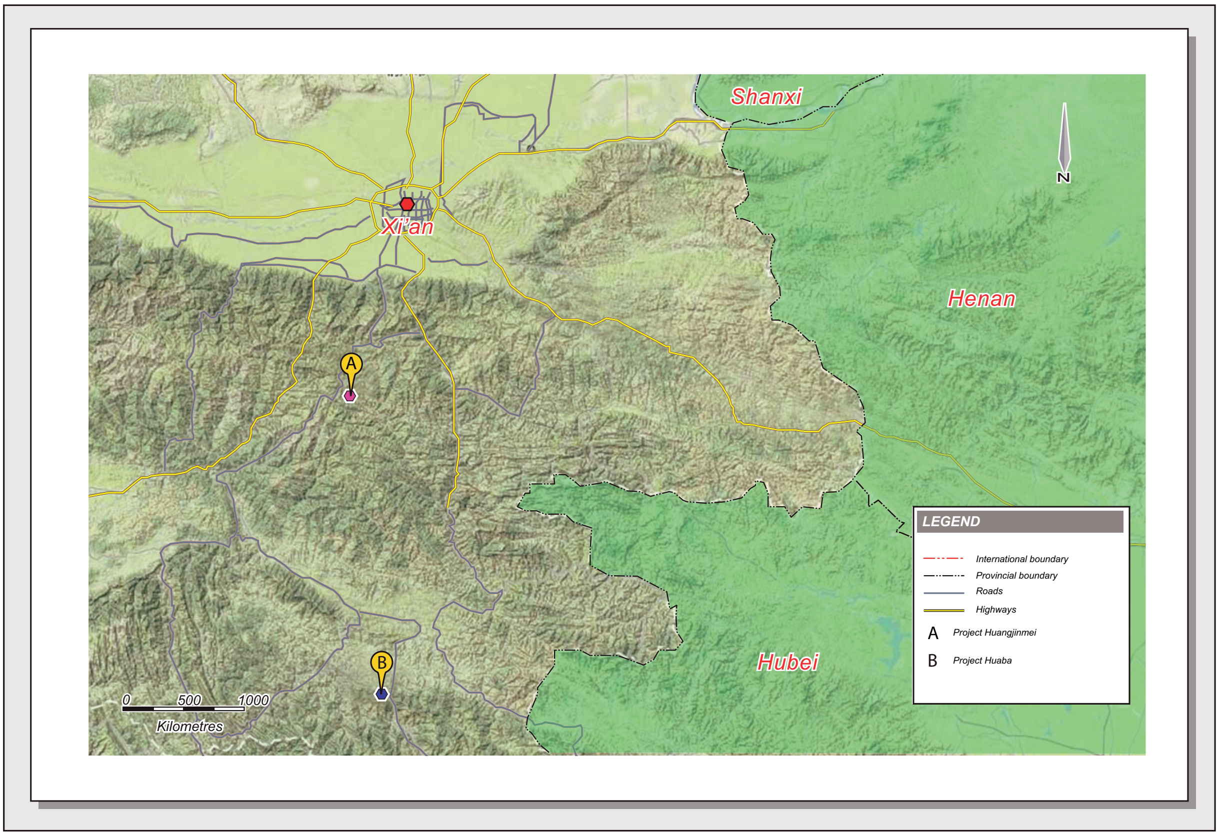
Notes:

1. The application for a mining permit for Project Huaba was submitted in October 2011. The approval is expected to be granted in February 2012. As its exploration permit expired in April 2011, we submitted the renewal application to the relevant authorities in January 2011, and expect the renewed permit will be granted in February 2012, if the valid mining permit is not granted to us at that time.

2. The application for a mining permit for Project Huangjinmei was submitted in April 2011. The approval is expected to be granted in January 2012.

3. Upon completion of the Acquisition, our attributable share of the above exploration projects will be 90% as we only hold 90% equity interest in Hami Jinhua.

Project Huaba is approximately 59 km from the cities of Lango and Ankang and is connected by the provincial highway 207. Ankang city is accessed by the dual lane state highway from Xi'an, which is approximately 400 km to the south. Project Huangjinmei is 15 km away from the regional town of Jinchuan, which is located approximately 140 km south of Xi'an city. The map below shows the locations of Project Huaba and Project Huangjinmei in Shaanxi province:



Source: Independent Technical Report

The following table set forth information regarding the estimation of Mineral Resource of Project Huaba and Project Huangjinmei as of 2 August 2011:

Project name	**Classification**	**Quantity**	**Au Grade**	**Au metal**
		(kt)	*(g/t)*	*(t)*
Project Huangjinmei *(Note 1)*	Measured	—	—	—
	Indicated	1,310	2.84	3.7
	Inferred	1,870	3.00	5.6
Sub-total		3,180	2.95	9.4

Project name	**Classification**	**Quantity**	**V_2O_5 Grade**	**V_2O_5 metal**
		(kt)	*(%)*	*(t)*
Project Huaba (Vanadium) *(Note 2)*	Measured	—	—	—
	Indicated	49,900	0.80	398,410
	Inferred	53,360	0.76	403,660
Sub-total		103,250	0.78	802,080

Project name	**Classification**	**Quantity**	**Cu Grade**	**Cu metal**
		(kt)	*(%)*	*(t)*
Project Huaba (Copper) *(Note 3)*	Measured	—	—	—
	Indicated	1,330	1.50	19,870
	Inferred	1,210	1.23	14,970
Sub-total		2,540	1.37	34,840

Source: Independent Technical Report (Rounding errors affect the total metal amounts reported above)

Notes:

(1) Reported at a 1.0 g/t Au cut-off grade.

(2) Reported at a 0.5% V_2O_5 cut-off grade.

(3) Reported at a 0.5% Cu cut-off grade.

OUR FUTURE DEVELOPMENT PLAN ON PROJECT HUABA AND PROJECT HUANGJINMEI

Set out below are the key milestones of our proposed development plan on Project Huaba and Project Huangjinmei:

(i) Project Huaba

Key milestones	Estimate timetable (month/ year)
Submission of land rehabilitation program	January 2012
Approval for environmental impact appraisal report (環境影響評價報告批覆) (copper concentrator)	February 2012
Grant of mining permit	February 2012
Commencement of the construction of copper concentrator	February 2012
Approval for environmental impact appraisal report (環境影響評價報告批覆) (Mine)	April 2012
Approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆) (Mine)	July 2012
Completion of construction of main structures of copper concentrator	July 2012
Grant of safety production permit (Mine)	July 2012
Approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆) (copper concentrator)	August 2012
Grant of safety production permit (Tailing storage facility)	August 2012
Approval for environmental impact appraisal report (環境影響評價報告批覆) (vanadium concentrator)	August 2012
Commencement of commercial production (copper concentrator)	September 2012
Commencement of the construction of vanadium concentrator	September 2012
Completion of construction of vanadium concentrator	June 2013
Approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆) (vanadium concentrator)	August 2013
Commencement of commercial production (vanadium concentrator)	September 2013

We plan to invest approximately RMB 84.1 million, RMB 7.9 million, RMB 10.4 million and RMB 8.5 million as capital expenditure for Project Huaba (Copper) during the four years ending 31 December 2015. Through the above investment, we target to commence commercial production of Huaba Cu concentrator in September 2012.

The timeline below highlights our key development and expansion milestones for our expansion plan on Project Huaba (Copper).

Development phase	Time schedule	Estimated new monthly production capacity	Capital expenditure (RMB million)
Phase One	February 2012 — August 2012	30,000 tonnes	82.1
Phase Two	September 2012 — December 2013	50,000 tonnes	9.9
Phase Three	January 2014 — December 2015	100,000 tonnes	18.9

Our expansion plans to achieve the improvement in mining capacities of Project Huaba (Copper) are set forth below:

Phase one — Mine construction:

Excavate ventilation courtyards upward from a level 380m of the 1065m adit and a level 620ml of the 980m adit for ventilation and emergency exit purposes; develop and construct the 1065m and 980m adits, and construct 16 mining fields to achieve the mining capacity of 1,000 tonne/day for 300 days a year (or 30,000 tonne/month, or 300,000 tonne/annum)

Processing plant:

Complete phase I construction works of the processing plant to achieve its production capacity of 1,000 tonne/day for 300 days a year (or 30,000 tonne/month, or 300,000 tonne/annum)

Phase two — Mine construction:

Continue to develop and construct the 1065m and 980m adits, and construct 20 new mining fields to achieve the mining capacity of 1,667 tonne/day for 300 days a year (or 50,000 tonne/month, or 500,000 tonne/annum); also begin to open up and construct the 1025m adit

	Processing plant:
	Improve phase I construction works of the processing plant, and carry out technical innovation and upgrading to enhance its production capacity to 1,667 tonne/day for 300 days a year (or 50,000 tonne/month, or 500,000 tonne/annum) by the end of 2013
Phase three	Mine construction:
	Continue to develop and construct the 1065m, 980m and 1025m adits and forma total of 106 mining fields by the end of 2015; achieve the capacity of 3,333 tonne/day for 300 days a year (or 100,000 tonne/month, or 1,000,000 tonne/year)
	Processing plant:
	Complete further technical innovation and upgrading of the processing plant to enhance its production capacity to 3,333 tonne/day for 300 days a year (or 100,000 tonne/month, or 1,000,000 tonne/year) by the end of 2015

We plan to invest approximately RMB 37.1 million, RMB 185.4 million, RMB 11.9 million and RMB 32.4 million as capital expenditure for Project Huaba (Vanadium) during the four years ending 31 December 2015. Through the above investment, we target to commence commercial production of Huaba V_2O_5 concentrator in September 2013.

The timeline below highlights our key development and expansion milestones for our expansion plan on Project Huaba (vanadium).

Development phase	**Time schedule**	**Estimated new monthly production capacity**	**Capital expenditure (RMB million)**
Phase One	July 2012 — September 2013	60,000 tonnes	222.5
Phase Two	October 2013 — December 2014	60,000 tonnes	11.9
Phase Three	January 2015 — December 2015	120,000 tonnes	32.4

Our expansion plans to achieve the improvement in mining capacities Project Huaba (vanadium) of are set forth below:

Phase one	Mine construction: Excavate ventilation courtyards upward from a level 620m of the 980m adit and a level 300m of the 780m adit for ventilation and emergency exit purposes; develop and construct the 980m and780m adits, and construct 33 mining fields to achieve the mining capacity of 2,000 tonne/day for 300 days a year (or 60,000 tonne/month, or 600,000 tonne/annum) Processing plant: Complete phase I construction works of the processing plant to achieve its production capacity of 2,000 tonne/day for 300 days a year (or 60,000 tonne/month, or 600,000 tonne/annum)
Phase two	Mine construction: Continue to develop and construct the 980m and 780m adits, and construct 14 new mining fields; begin to develop and construct the 580m adit and construct 8 mining fields to maintain a mining capacity of 2,000 tonne/day for 300 days a year (or 60,000 tonne/month, or 600,000 tonne/annum), and prepare for the works to enhance the production capacity to 1,200,000 tons/year Processing plant: Supplement and refine the phase I construction works of the processing plant to maintain the production capacity of 2,000 tonne/day for 300 days a year (or 60,000 tonne/month, or 600,000 tonne/annum)
Phase three	Mine construction: Continue to develop and construct the 980m, 780m and 580m adits to form total of 105 mining fields by the end of 2015; achieve the capacity of 4,000 tonne/day for 300 days a year (or 120,000 tonne/month, or 1,200,000 tonne/annum) Processing plant: Complete further technical innovation and upgrading of the processing plant to enhance its production capacity to 4,000 tonne/day for 300 days a year (or 120,000 tonne/month, or 1,200,000 tonne/annum) by the end of 2015

(ii) Project Huangjinmei

Key milestones	Estimate timetable (month/ year)
Approval for environmental impact appraisal report (環境影響評價報告批覆) (gold concentrator)	January 2012
Commencement of the construction of gold concentrator	January 2012
Submission of land rehabilitation program	January 2012
Grant of mining permit	January 2012
Approval for environmental impact appraisal report (環境影響評價報告批覆) (Mine)	January 2012
Approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆) (Mine)	March 2012
Completion of construction of main structures of gold concentrator	April 2012
Grant of safety production permit (Mine)	April 2012
Grant of safety production permit (Tailing storage facility)	April 2012
Approval for environmental protection inspection and acceptance (竣工環境保護驗收批覆) (gold concentrator)	April 2012
Commencement of commercial production (gold concentrator)	May 2012

We plan to invest approximately RMB9.5 million, RMB64.9 million, RMB 9.4 million and RMB 6.6 million as capital expenditure for Project Huangjinmei during the four years ending 31 December 2014. Of the total capital expenditure, approximately RMB2.5 million was incurred during the period from May to September 2011 for preparatory work for phase one development plan. Through the above investment, we target to commence commercial production of Huangjinmei gold concentrator in May 2012.

The timeline below highlights our key development and expansion milestones for our expansion plan on Project Huangjinmei.

Development phase	Time schedule	Estimated new monthly production capacity	Capital expenditure (RMB million)
Phase One	October 2011 — April 2012	18,000 tonnes	63.3
Phase Two	May 2012 — December 2013	30,000 tonnes	18.0
Phase Three	January 2014 — December 2014	36,000 tonnes	6.6

Our expansion plans to achieve the improvement in mining capacities of Project Huangjinmei are set forth below:

Phase one	Mine construction: Develop and construct the 1054m, 1060m and 1029m adits to establish mining conditions; begin to develop and construct the 1010m, 1104m and 935m adits, to achieve the mining capacity of 600 tonne/day for 300 days a year (or 18,000 tonne/month, or 180,000 tonne/annum) Processing plant: Complete phase I construction works of the processing plant to achieve its production capacity of 600 tonne/day for 300 days a year (or 18,000 tonne/month, or 180,000 tonne/annum)
Phase two	Mine construction: Continue to develop and refine the 1010m and 1104m adits to establish mining conditions; begin to develop and construct the 1260m adit, 1160m adit and 1110m adit to establish mining conditions; begin to develop and construct shaft No.1, shaft No.2 and the vertical blind shaft; continue to develop and construct the 935m adit, to achieve the mining capacity of 1,000 tonne/day for 300 day a year (or 30,000 tonne/month, or 300,000 tonne/annum) Processing plant: Improve phase I construction works of the processing plant, and carry out technical innovation and upgrading to enhance its production capacity to 1,000 tonne/day for 300 day a year (or 30,000 tonne/month, or 300,000 tonne/annum) by the end of 2013
Phase three	Mine construction: Continue to develop and refine the 935m adit to establish mining conditions; begin to develop and construct the 790m adit and 850m adit and establish mining conditions; begin to develop and construct shaft No.3 and shaft No.4, to achieve the mining capacity of 1,200 tonne/day for 300 days a year (or 36,000 tonne/month, or 360,000 tonne/annum) Processing plant: Complete further technical innovation and upgrading of the processing plant to enhance its production capacity to 1,200 tonne/day for 300 days a year (or 36,000 tonne/month, or 360,000 tonne/annum) by the end of 2014

The estimated capital expenditure for phase one of Project Huangjinmei and Project Huaba (Copper) is approximately RMB145.4 million, which is expected to be financed by our internal resources and bank borrowing.

Given that (i) our Group has not incurred any bank borrowing during the Track Record Period and up to the Latest Practicable Date; and (ii) our Group is able to provide its mining license and concentrators to relevant banks as pledge for the proposed bank loans, our Directors do not foresee any difficulty in obtain sufficient bank loan to finance the estimated capital expenditure for phase one of Project Huangjinmei and Project Huaba (Copper).

Furthermore, we intend to use its internal resource to finance the estimated capital expenditure for (i) phase one of Project Huaba (Vanadium); and (ii) later development phases of Project Huangjinmei and Project Huaba (Copper), as Project Huangjinmei and Project Huaba (Copper) are expected to commence commercial operation in the second quarter and third quarter of 2012, respectively.

FORECASTED OPERATING COSTS

The table below sets forth a summary of the estimated production costs for Project Huangjinmei, Project Huaba (Copper) and Project Huaba (Vanadium) during the four years ending 31 December 2015:

	Project Huangjinmei				Project Huaba (Copper)				Project Huaba (Vanadium)			
	2012	**2013**	**2014**	**2015**	**2012**	**2013**	**2014**	**2015**	**2012**	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mining Cost												
Mining and hauling	10,080	12,600	21,000	25,200	6,000	15,000	25,000	25,000	—	12,000	30,000	30,000
Workforce Employment	545	817	817	817	409	1,226	1,226	1,226	—	428	1,284	1,284
Consumables	2,294	2,867	4,779	5,735	1,912	4,779	7,965	7,965	—	2,834	7,085	7,085
Fuel, Electricity and Water	1,512	1,890	3,150	3,780	1,260	3,150	5,250	5,250	—	2,160	5,400	5,400
Safety Production	296	370	407	407	148	370	407	407	—	123	407	407
Non-income Taxes, Royalties and Other Governmental Charges	216	270	450	540	1,200	3,000	5,000	5,000	—	2,400	6,000	6,000
Total Mining Cost	**14,943**	**18,814**	**30,603**	**36,479**	**10,929**	**27,525**	**44,848**	**44,848**	**—**	**19,945**	**50,176**	**50,176**
Total Mining Volume (Tonne)	144,000	180,000	300,000	360,000	120,000	300,000	500,000	500,000	—	240,000	600,000	600,000
Unit Mining Cost (RMB/t of ore)	103.77	104.52	102.01	101.33	91.08	91.75	89.70	89.70	—	83.10	83.63	83.63
Processing Cost									—			
Workforce Employment	2,410	3,616	3,616	3,616	1,572	4,716	4,716	4,716	—	1,873	5,620	5,620
Consumables	3,096	3,870	6,450	7,740	5,486	13,716	22,860	22,860	—	46,634	116,586	116,586
Fuel, Electricity and Water	5,688	7,110	11,850	14,220	9,072	22,680	37,800	37,800	—	7,704	19,260	19,260
Ore Transportation	2,880	3,600	6,000	7,200	2,400	6,000	10,000	10,000	—	4,800	12,000	12,000
Total Processing Cost	**14,074**	**18,196**	**27,916**	**32,776**	**18,530**	**47,112**	**75,376**	**75,376**	**—**	**61,011**	**153,466**	**153,466**
Total Processing Volume (Tonne)	144,000	180,000	300,000	360,000	120,000	300,000	500,000	500,000	—	240,000	600,000	600,000
Unit Processing Cost (RMB/t of ore)	97.74	101.09	93.05	91.04	154.42	157.04	150.75	150.75	—	254.21	255.78	255.78
Total Mining and Processing Cost	**29,017**	**37,010**	**58,519**	**69,255**	**29,459**	**74,637**	**120,224**	**120,224**	**—**	**80,956**	**203,642**	**203,642**
Administrative	3,534	4,273	5,973	6,823	3,321	6,957	9,951	9,951	—	4,509	6,567	6,567
Total Cash Cost	**32,551**	**41,283**	**64,492**	**76,078**	**32,780**	**81,594**	**130,175**	**130,175**	**—**	**85,465**	**210,209**	**210,209**
Depreciation and Amortization (Note)	7,239	9,949	15,237	18,163	7,549	17,120	30,130	36,179	—	2,755	12,701	12,772
Total Production Cost	**39,790**	**51,232**	**79,729**	**94,241**	**40,329**	**98,714**	**160,305**	**166,354**	**—**	**88,220**	**222,910**	**222,981**

Note: Depreciation and amortization includes depletion charges arising from the capital expenditures for the mining structures and mining right of the above mining projects, which are depreciated and amortized based on the production plans and the estimated resources quantity as of 2 August 2011 using the unit-of-production method. The depletion charges arising from the capital expenditures for the mining structures and mining right of the above mining projects will amount to approximately RMB4.7 million and RMB4.6 million, representing approximately 65% and 61% of total depreciation and amortization of Project Huangjinmei and Project Huaba (Copper), respectively, in 2012.

The above cost estimation, which has not been reviewed by the Independent Technical Adviser, is prepared by our Directors and subject to change. Our Directors provide no assurance that our actual production costs will not differ materially from the above estimated production costs.

As no detailed mining study with sufficient detail to enable Ore Reserves to be estimated has been completed for Project Huangjinmei and Project Huaba, the Independent Technical Adviser is unable to provide commentary on our forecasted production cost or mine life of Project Huangjinmei and Project Huaba as no reserves have been estimated.

DIRECTORS

Our Board consists of five executive Directors, two non-executive Directors, and three independent non-executive Directors. The following table sets forth certain information in respect of our Directors:

Name	Age	Management Position	Responsibilities within the Group
Executive Directors			
Mr. WANG Dayong (王大勇)	45	Chairman, Executive Director	Corporate and group business strategies formulation and implementation and major management decisions
Mr. LU Qi (盧琦)	49	Executive Director	Overseeing overall strategies and major management decisions
Mr. ZHAO Guangsheng (趙廣勝)	46	Executive Director, Chief Executive Officer	Overall operations management
Mr. WU Guangsheng (吳光升)	60	Executive Director	Overall operations of Hami Jiatai Concentrator and Hami Jinhua Concentrator
Mr. ZHAO Bochen (趙波臣)	49	Executive Director, Chief Mine Manager	Daily mine operations and productions
Non-executive Director			
Mr. XUE Di'an (薛迪安)	73	Non-executive Director	Ore surveying and exploration and mine engineering design
Mr. LIU Tongyou (劉同有)	69	Non-executive Director	Advisory to resource strategies decisions
Independent non-executive Directors			
Mr. CAO Shiping (曹仕平)	62	Independent non-executive Director	Overseeing management independently
Mr. CAO Kuangyu (曹貺予)	61	Independent non-executive Director	Overseeing management independently
Mr. SIN Lik Man (冼力文)	33	Independent non-executive Director	Overseeing management independently

Executive Directors

Mr. WANG Dayong (王大勇)

Mr. WANG, aged 45, is an executive Director and the Chairman of our Company. Mr. WANG joined us in January 2008. He graduated from the University of Nanjing (南京大學) with a Bachelor degree in Economics. He also holds a Master degree in Commerce and Economics major in Money and Banking from Graduate University of Chinese Academy of Social Sciences (中國社會科學院研究生院) and a Doctor of Economics from the Business School of Jilin University (吉林大學). With over 20 years' experience in investment, finance and management, Mr. WANG is familiar with corporate merger and acquisition and direct investment. He has comprehensive and in-depth knowledge of coal, coal chemical, metal mineral resources industries and maintains strong networks in business field and with central and local government agencies in the PRC.

Leveraging on his extensive experience in corporate merger and acquisition, direct investment and mineral resources industry, Mr. WANG oversees our operations and is generally responsible for the following matters: collectively with Mr. LU, he decides on major decisions of the Group and monitors the implementation of strategies; explores strategic investors and sources and introduces to our Group; solicits new cooperation opportunities and business development for our Group; and designs, develops and implements overall strategic plans for the Group. As such, Mr. WANG is responsible for formulating our major corporate and business strategies of our Group at the group level.

During July 1988 to December 1998, Mr. WANG had been worked with the China State Farm Agribusiness Group Corp. (中國農墾集團總公司), the PRC. During the period from November 2003 to December 2008, Mr. Wang served as a managing director of China Coal and Coke Investment Fund L.P. (the "Partnership") and China Coal and Coke Investment Holding Company Limited. He was in charge of the foundation of the Partnership which was established on 4 February 2005. His main responsibilities included investment structuring, strategic development and investors relationship. Mr. Wang involved in the investment in Fortune Dragon Group Limited ("Fortune Dragon"), a company with major investment in coking coal mine operations in Shanxi, the PRC. The Partnership exited its investment in Fortune Dragon in July 2008 with satisfactory return on investment. He was an executive director and CEO of E-Life International Limited (Stock Code: 370) (now known as "China Best Group Holding Limited"), from 16 September 2004 to 5 June 2007. During the period from January 2005 to August 2008, Mr. Wang served as a director and chief executive officer of Fortune Dragon. During his tenure with Fortune Dragon, Mr. Wang was responsible for the strategic financing, direct investment and merger and acquisition. Mr. Wang successfully procured a fund raising exercise of USD160 million through an international bank for the investment of three coking coal mines in Shanxi in March 2006. Such three coking coal mines were subsequently sold to Fushan International Energy Group Limited (Stock Code: 639) at the consideration of HK$10.53 billion in July 2008. Since 1 July 2009, Mr. Wang was appointed as an executive director and chief executive officer of King Stone Energy Group Limited ("King Stone") (Stock Code: 663) (previously known as "Yun Sky Chemical (International) Holdings Limited"). With effect from 26 February 2010, Mr. Wang was appointed as the chairman of King Stone. During the tenure with King Stone, Mr. Wang was responsible for managing the overall expansion and development in coal mining business of King Stone and chaired the strategy and investment committee of King Stone.

Mr. Wang was appointed as a Director on 19 February 2010.

Mr. LU Qi (盧琦)

Mr. LU, aged 49, is an executive Director. Mr. LU joined us in April 2009. He graduated from the Northeastern University of Technology (東北工學院)(now known as Northeastern University(東北大學)) with a Bachelor degree in Engineering. With over 10 years experience of management, Mr. LU oversees our operations and is generally responsible for the following matters: collectively with Mr. WANG, he decides on the major decisions of the Group; supervises the internal controls of the Group; meets with and listens to reports from senior management of our Group; explores investment projects and to sources and introduces to our Group; solicits new business opportunities and business development for our Group; and designs, develops and implements overall project plans for the Group. As such, Mr. LU is responsible for internal controls, new venture investment and projects development at the group level.

From July 1986 to April 1989, Mr. LU was served as the assistant engineer in the electromechanical engineering department of Dalian Refractory Material Co., Ltd. (大連耐火材料廠). For the period from April 1989 to May 2001, Mr. LU served in various positions of Mabuchi Motor (Dalian) Ltd. (萬寶至馬達(大連)有限公司). During the tenure, he was first in the position of the material engineer and was mainly responsible for mechanical processing, electronic testing and ultrasonic cleaning of magnet manufacturing. Mr. LU was then promoted to the team leader of one engineering team, he was responsible for the heating process of magnet manufacturing. He was promoted to the leader of the workshop and was responsible for the technical management of the workshop. Mr. LU migrated to Canada in 2002. From 2004 to February 2007, Mr. LU worked as a quality control assembly operator in Cam-Slide Manufacturing Newmarket. Since 2006, Mr. Lu has been returning to the PRC and exploring business and investment opportunities.

Mr. LU was appointed as a Director on 16 December 2011.

Mr. ZHAO Guangsheng (趙廣勝)

Mr. Zhao, aged 46, is an executive Director and chief executive officer of our Company and is responsible for the Group's overall operations including technology and production. Mr. Zhao joined us in April 2002. He graduated from the Shenyang Institute of Gold (沈陽黃金學院) specialized in mining geology. He is qualified as an engineer specialized in geology by the Personnel Bureau of Yanbian Korean Autonomous Prefecture (延邊朝鮮族自治州人事局) in 1990. He is specialized in exploration and mining of non-ferrous metals and he has approximately 23 years of experience and extensive knowledge on geological conditions of different mining locations and mineralization conditions and solid experience in mining and ore production management. Prior to joining us, Mr. Zhao served as the supervisor of the geological department and production technology and geological engineer in Hunchun Zijin Mining Co., Ltd. (琿春紫金礦業有限公司) for the period from August 1988 to March 2002. During his employment with Hunchun Zijin Minging Co., Limited and served as the supervisor of the geological department, Mr. Zhao, with a team of experts, conducted analysis on the mineralization patterns and geological surveying of the veins in Beishan area (北山), the findings of which eventually led to the successful discovery of No. 0 mine and increased the gold reserves of over

1,000 kilograms and copper reserves of over 1,200 tonnes. He was also in charge of compiling the exploration and surveying report of the middle part of the Beishan area (北山中段), the findings of which had successfully extended the mining life of the mines in Beishan area. In 1993, Mr. Zhao, in the position of production technology and geological engineer, conducted a thorough mineralization patterns study and surveying of the veins area and the surrounding areas of the veins. Mr. Zhao discovered No. 24 vein of Nanshan (南山24號脈), Yangjingou mining areas (楊金溝採礦場) and Shajinping mining areas (沙金坪採礦場), the discovery increased total reserves of 1.5 million tonnes with gold reserves of 4,000 kilograms and copper reserves of 7,500 tonnes. With the new discovered metals, he also participated in the design and construction of the new mines with daily production capacity of 200 tonnes and the new ore processing plant with daily production capacity of 200 tonnes.

From April 2002 to December 2009, Mr. Zhao has held the position as the mine manager, production technology manager and chief engineer of Hami Jiatai. During the period, Mr. Zhao, with a team of experts, has been responsible for analyzing the geological conditions of our exploration and mining areas, compiling raw data to assist the design of various development systems of mines, preparing the monthly production plan and annual production plan for different mines and extracting samples for laboratory testing. Mr. Zhao has to oversee the mining progress on-site and compile reports including the production plan report, the report on mineral preservation management and the report on statistics of existing resources to the management of the Group. Mr. Zhao is also a member of our senior management team responsible for the detailed geological surveying and reserve analysis, and the design of the exploration and mine construction of Project Baiganhu, Project No.2 and Project No. 20, and thus is experienced in, among other things, lead and zinc mining. Mr. Zhao is responsible for liaising with the relevant government bureaus for obtaining necessary exploration permits and/or mining permits for our mines. Mr. Zhao is also involved in the negotiation of the acquisition of Shaanxi Jiarun and Shaanxi Jiahe.

Mr. Zhao was appointed as a Director on 16 December 2011.

Mr. WU Guangsheng (吳光升)

Mr. Wu, aged 60, is an executive Director, and is responsible for the overall operations of our Hami Jiatai Concentrator and Hami Jinhua Concentrator. Mr. Wu joined us in November 2002. He graduated from the University of Changchun (長春大學) specialized in operation and management in 1992. Prior to joining us, Mr. Wu served as a plant manager to a knitting company in Jilin.

Since November 2002, Mr. Wu has held the position as deputy general manager and the head of the processing plants of Hami Jiatai and Hami Jinhua. He is mainly responsible for overseeing and monitoring all aspects of the daily operation of ore processing of Hami Jiatai Concentrator. Mr. Wu on-site monitors the daily operational flow, production capacity, safety measures, environmental protection and quality control of Hami Jiatai Concentrator. Mr. Wu and the heads of other departments formulate and/or decide the yearly production plan, design the operational flows and safety measures, environmental protection and budget the cost of production at the beginning of each year and monthly meetings will be held among the senior management to evaluate the operation and production efficiency. Mr. Wu oversees the daily and monthly production reports, analyses and compares with the planned production and discusses with the production team in Hami Jiatai Concentrator on how to improve the efficiency of the production flow. He suggests to have upgraded processing facilities and machineries and to select appropriate chemicals and/or advanced chemical prescription for ore processing which can effectively reduce the costs of production. He also evaluates the existing safety and environmental protection measures and implements new measures if necessary. Mr. Wu is involved in the preparation of the construction and design of production flow of Hami Jinhua Concentrator and will be responsible for overseeing the overall daily operation and production of Hami Jinhua Concentrator when it has commercial production in future. Mr. Wu has been promoted to general manager of Hami Jiatai and Hami Jinhua in April 2010.

Mr. Wu was appointed as a Director on 16 December 2011.

Mr. ZHAO Bochen (趙波臣)

Mr. Zhao, aged 49, is an executive Director and chief mine manager, is responsible for the daily operations and production of our mines. Mr. Zhao joined us in November 2002. He graduated from the Wuhan Steel College (武漢鋼鐵學院) (now known as Wuhan University of Science and Technology (武漢科技大學)) specialized in mining geology in 1984. Prior to joining us, Mr. Zhao served as a geologist engineer and mine manager and participated in ore processing and mining work in Hunchun Zijin Mining Co., Ltd. (琿春紫金礦業有限公司) for over 20 years. During the period, Mr. Zhao participated in several geological surveying and mapping for compiling the report of mine no. 24 of Nanshan mine (南山礦) and designed on the mine construction of Beishan mine (北山礦) and the yearly production planning for each mines. He was also responsible for the mining work of Beishan mine. Mr. Zhao has about 30 years of experience in the industry.

Mr. Zhao has been the chief mine manager of our Project No. 2, Project No. 20 and Project Baiganhu since joining us. He is mainly responsible for monitoring the day-to-day operations of our mines, including production, safety, mining technology, quality control and mining geology. Mr. Zhao with other senior management lays down the yearly production plan and closely monitors the production progress on-site. He monitors the safety measures, environmental protection and working environment in mines, for example, the sufficiency of ventilation shafts in mines, properly use of safety tools by mining workers, daily checking of the working environment in mines and arranging regular seminars and/or talks on mining safety to mining workers by the relevant regulations or by the Company. He also monitors the repair and maintenance of the mining facilities and machinery and the relevant machinery operations. Mr. Zhao participated in the design, preparation and construction of our Project No. 20 and the design of our Project Baiganhu.

Mr. Zhao was appointed as a Director on 16 December 2011.

Non-executive Directors

Mr. XUE Di'an (薛迪安)

Mr. Xue, aged 73, is a non-executive Director. Mr. Xue joined Hami Jiatai in November 2002. He was the Chief engineer and deputy general manager of Hami Jiatai. Mr. Xue graduated from Shaanxi Geology College (陝西省地質學校) specialized in mining geology and exploration in 1959 and is qualified as a senior engineer in 1993. Mr. Xue has over 50 years of experience in geological surveying, exploration and design of mines.

Between 1965 and 1983, Mr. Xue worked in Geology team one of Gansu Province Geology Bureau (甘肅省地質局第一地質隊), held the position as geology technician. During his tenure with Gansu Province Geology Bureau, Mr. Xue was responsible for surveying and exploration of iron ore, uranium ore, chromite ore, lead and zinc ore, antimony ore and phosphorite ore in the areas of western Qinling Mountain (秦嶺甘南) and Longnan (隴南). He is one of the finders of the No. 104 uranium ore in Gannan (甘南) of Gansu Province. He participated in compiling the report on the early-stage exploration of Heila (黑拉) medium size iron ore, the report on the early-stage exploration of Shui Yantou (水眼頭) stibium ore, the report on the exploration of Wushan (武山) chromite ore and the report on the exploration of Hua Shi (滑石) ore.

During the period of 1984 to 1998, Mr. Xue worked in Team six of Henan Non-ferrous Metals Geological Bureau (河南省有色金屬地質礦產公司的地質六隊) and held various positions as engineer and senior engineer. He participated in the surveying and exploration work in the areas of bauxite ore, lead and zinc ore, gold ore and silver ore in Yu Xi (豫西) and the areas of sliver and lead in Tie Luping (鐵爐坪); the exploration work in the areas of bauxite ore in Gu Jiawa (賈家窪); and the surveying in the areas of gold ore in Qing Guangping (青崗坪). Mr. Xue was the chief editor in charge of the surveying and exploration report of large-scale lead and zinc ore and silver metal ore in Tie Luping (鐵爐坪) in 1995.

Mr. Xue was the advisor to various projects, including the advisory on the exploration and development of lead and zinc ore and silver ore in Yu Xi (豫西) and the surveying work of vanadium ore, gold ore and other non-ferrous ores in central Qinling Mountain in Shaanxi Province (陝西中秦嶺).

During 2002 to 2006, Mr. Xue was responsible for the surveying and exploration of nickel ore, copper ore and lead and zinc ore for Hami Jiatai and Hami Jinhua. He was responsible for the engineering design of our Project No. 2, Project No. 20 and Project Baiganhu. Currently, Mr. Xue provides advice, on an ad hoc basis, to the Group in the surveying, exploration and management of our mines in Shaanxi.

Mr. Xue was appointed as a Director on 16 December 2011.

Mr. LIU Tongyou (劉同有)

Mr. Liu, aged 69, is a non-executive Director. Mr. Liu graduated from the Beijing University of Iron and Steel Technology (北京鋼鐵學院) (now known as University of Science and Technology Beijing (北京科技大學)) majoring in mining engineering in 1965. Mr. Liu obtained the qualification as senior engineer specialised in the mining industry in 1994 and has approximately 40 years of relevant experience.

He worked with Jinchuan Group Ltd. (金川集團有限公司) during 1965 to 2002 and held various positions from technician to Deputy General Manager of Jinchuan Non-Ferrous Metal Company (金川有色金屬公司) (JNMC). During his tenure with JMNC, Mr. Liu participated and led various projects and research. His contribution to technology advancement is broadly recognized and reflected by eleven awards from the State Bureau of Nonferrous Metal Industry (國家有色金屬工業局). In 1987, through the successful leadership and management of Project Integrated Use of Jinchuan Resources (金川資源綜合利用), Mr. Liu and the project was granted with an Award in Excellence issued by China National Nonferrous Metals Industry Corporation (中國有色金屬工業總公司). Since 1993, the State Council of the People's Republic of China (中華人民共和國國務院) has granted Mr. Liu the prestigious government special allowance in recognition of his contribution in engineering technology. In 1996, Mr. Liu received an Award of Science and Technology (Ministerial) Advancement Division Three (科學技術進步獎(部級)三等獎) by the Ministry of Environmental Protection of the People's Republic of China (國家環境保護局) and an Award of Science Advancement Division Two (科技進步獎二等獎) granted by the State Scientific Technology Commission (國家科學技術委員會). In 2001, the State Council of the People's Republic of China also honored Mr. Liu with the National Award of Science Technology Advancement Division Two (國家科學技術進步獎二等獎).

In 1995, Mr. Liu was appointed as researcher of Engineering Geomechanics Laboratory Institute of Geology, Chinese Academy of Sciences (中國科學院工程地質力學開放研究實驗室). In 1998, Mr. Liu was appointed as vice president of the Fifth Council of Gansu Institute of Mechanics (甘肅省力學學會), and in 2000 he was hired as invited member of Institute of Engineering Mechanics, CSB (中國力學學會). During 2000 to 2004, Mr. Liu was a council member of the 4th Committee of the Nonferrous Metals of Society of China (NMSC) (中國有色金屬學會) and elected as the Deputy Director of the Mining Society Committee under NMSC. He was also the Deputy Director of Safety Society Committee under NMSC in 1995. In 2000, Mr. Liu was also appointed as the vice president of the Third Committee of China Mining Association (中國礦業聯合會).

Mr. Liu has been involved in mining publications. In 1986, Mr. Liu was a member of the editorial board of the Mining Handbook (採礦手冊). He was the editorial board Deputy Director for the magazine of West-China Exploration Engineering Magazine in 1993 and an editorial board member of Metal World (金屬世界) in 1994. In 1995, Mr. Liu was the vice chairman of the committee of China Mining Magazine (中國礦業) and World Mining Newspaper (世界採礦快報).

During 1991 to 2003, Mr. Liu was a professor for doctorate and master degrees for universities of Kunming University of Science and Technology (昆明工學院), University of Science & Technology Beijing (北京科技大學), Central South University (中南大學) and Liaoning Technical University (遼寧工程技術大學) in the PRC. Mr. Liu was also a part-time professor for Central South University (中南大學) during 1993 to 1998, Lanzhou University (蘭州大學) during 1997 to 2000, Northeastern University (東北大學) during 1998 to 2003 and Liaoning Technical University (遼寧工程技術大學) in 1999. He was a senior consultant in science and technology in Changsha Kuangyuan (長沙礦山研究院) in 1996.

Mr. Liu was appointed as a Director on 16 December 2011.

Independent non-executive Directors

Mr. CAO Shiping (曹仕平)

Mr. Cao, aged 62, is an independent non-executive Director. He graduated from the Kunming University of Science and Technology (昆明工學院) (now known as Kunming University of Science and Technology (昆明理工大學)) in 1975 majoring in mining. Mr. Cao has the qualification of chief senior engineer and approximately 30 years of experience in mining industry. From 1975 to 1998, Mr. Cao worked for various positions in Dayao Copper Mine (大姚銅礦). During his tenure, Mr. Cao obtained several awards of Yunnan Province Science and Technology Advancement Division Three (雲南省科學技術進步三等獎) granted by Yunnan Province government in the years of 1990, 1992, 1996 and 1997 for his contribution towards technology advancement in various projects. In 1993, Mr. Cao was also awarded as a Model Worker (勞動模範) in the PRC nonferrous metal industry by China Nonferrous Metals Industry Company (中國有色金屬工業總公司) and China National Machinery Metallurgy Union (中國機械冶金工會). The significant contributions by Mr. Cao in engineering also resulted him in receiving the prestigious governmental special allowance granted by the State Council of the People's Republic of China from 1993. Since 1998, Mr. Cao joined Yunnan Copper (Group) Company Limited (雲南銅業(集團)有限公司) for various senior technical positions and currently holds the consultant position. Mr. Cao was admitted as a certified senior Enterprise Risk Manager in 2006.

Mr. Cao was appointed as a Director on 16 December 2011.

Mr. CAO Kuangyu (曹貺予)

Mr. Cao, aged 61, is an independent non-executive Director. He graduated from the Hunan College of Finance and Economics (湖南財經學院) (now known as University of Hunan (湖南大學)) with a Bachelor degree in Finance in 1982. He also holds a Master of Science degree in Financial Management from the University of London. Mr. Cao has extensive experience in the area of banking and finance. For the period from July 1981 to February 1996, Mr. Cao worked in Bank of China, Hunan Province branch and his last position was the deputy president of the branch. For the period from February 1996 to September 1999, he was the deputy general manager of Bank of China, Singapore branch. Mr. Cao was the president of China Citic Bank, Shenzhen branch for the period from September 1999 to September 2003. He was then the managing director of the investment banking division of BOCI Asia Limited from September 2003 to September 2007.

He serves as an independent non-executive director of JLF Investment Company Limited (former name as MACRO-LINK International Holdings Limited; Stock Code: 472) since February 2004, an independent non-executive director and member of audit committee and remuneration committee and strategy and investment committee of King Stone Energy Group Limited (Stock Code: 663) (previously known as "Yun Sky Chemical (International) Holdings Limited") since February 2010 and a non-executive director of Continental Holdings Limited (Stock Code: 513) since April 2010. He served as an independent non-executive director of Simsen International Corporation Limited (Stock Code: 993) from April 2010 to June 2010 and currently not holding the position.

Mr. Cao was appointed as a Director on 16 December 2011.

Mr. SIN Lik Man (冼力文), aged 33, is an independent non-executive Director. Mr. Sin received a bachelor's degree of Business Administration, with a major in accounting from the Hong Kong University of Science and Technology in November 2000 and further received a master's degree in accounting from Curtin University of Technology, Australia in April 2007. Mr. Sin is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a fellow member of the Association of Chartered Certified Accountants (ACCA). Mr. Sin possesses about 10 years of experience in financial control, corporate finance, capital market relations, corporate governance and compliance, and company secretarial practice through his past working history.

Mr. Sin served as an auditor at an international accounting firm from September 2000 to April 2003. From May 2003 to September 2005, Mr. Sin served as an accounting services officer of HSBC International Trustee Limited, responsible for preparing the financial accounts, and internal audit officer of Delta Asia Financial Group, responsible for performing the internal audit and preparing internal audit report. During April 2006 to May 2010, Mr. Sin was a senior finance manager of a subsidiary and an associated company of Norstar Founders Group Limited (北泰創業集團有限公司) (stock code: 2339), responsible for the overall finance and treasury functions and also provided technical supports to financial control and corporate governance. Since May 2010, Mr. Sin joined West China Cement Limited (中國西部水泥有限公司) (stock code: 2233) for the position of company secretary and acted as an authorised representative.

Mr. Sin was appointed as a Director since 16 December 2011.

Please refer to the section headed " Disclosure of interests — Particulars of service contracts" in Appendix VII to this prospectus for further information on our Directors' service agreements.

Save as disclosed above, there is no other information in respect of our Directors to be disclosed pursuant to rules 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

The following table sets forth certain information in respect of our senior management:-

Name	Age	Position/Title	Responsibilities within the Group
Mr. IP Wing Wai (葉永威)	33	Company Secretary, Chief Financial Officer	Overall finance operations, financial reporting management and company secretarial administration functions
Mr. HUANG Kenian (黃可年)	36	Vice President	Direct investment and corporate finance
Ms. HUANG Yongmei (黃永梅)	47	Chief Financial Officer of China region	Overall finance operation and financial reporting management for China region
Mr. LI Jianguo (李建國)	47	Procurement and Sales Manager	Procurement for mining and ore processing and sales of mine productions
Mr. LI Xidong (李喜東)	38	Engineer of ore processing plants	Management of ore processing plants and the related technical issues
Mr. ZHANG Li (張理)	51	Manager of Project No. 20	Overall management of Project No. 20 for production, quality control, safety and environmental protection
Mr. LI Muxiang (李木香)	59	Engineer of Mining	Ongoing design of systems of pit development, ventilation and safety for Project No. 2 and Project No. 20
Mr. WANG Wenhan (王文漢)	45	Engineer, Project Manager	Overall management of Project Huangjinmei and Project Huaba
Mr. WANG Jin (王勁)	48	Engineer of Geology	Overseeing Project Huangjinmei and Project Huaba

Mr. IP Wing Wai (葉永威)

Mr. Ip, aged 33, is qualified accountant, company secretary and the chief financial officer of our Company. He works for our Company on a full-time basis. Mr. Ip holds a Bachelor degree in Business Administration in Accounting from the The Hong Kong University of Science and Technology. He is a member of The Hong Kong Institute of Certified Public Accountants since 2004. He joined our Company since August 2011. Mr. Ip is responsible for the Group's overall financial reporting and company secretarial functions of our Group. Mr. Ip possesses approximate 10 years of experience in accounting, auditing and corporate field. Mr. Ip worked in an international accounting firm for auditing and Beijing Enterprises Holdings Limited (Stock Code: 392) as an accounting manager. During September 2006 to August 2008, Mr. Ip served as a finance manager and company secretary in a Chinese coal investment company. He was in charge of financial reporting, corporate finance, merger and acquisition and company secretarial matters and he also coordinated the audit work and due diligence work of a transaction in selling the company's interest in three coal mines in Shanxi to Shougang Fushan Resources Group Limited (Stock Code: 639) (previously known as Fushan International Energy Group Limited). He then worked with Shougang Fushan Resources Group Limited as a senior finance manager from September 2008 to March 2010. During the tenure, he was mainly responsible for the group's financial reporting, project evaluation, regulatory compliance and investors relationship.

Prior joining us, Mr. Ip was the chief investment officer of King Stone Energy Group Limited (Stock Code: 663) since April 2010.

Mr. HUANG Kenian (黃可年)

Mr. Huang, aged 36, has been the vice president of the Company since January 2008, and is responsible for direct investment and corporate finance. Mr. Huang holds a Bachelor degree in Economics from the Finance and Banking Institute of China (中國金融學院) (now University of International Business and Economics (對外經濟貿易大學)). Mr. Huang has over 12 years experience in corporate finance and merge and acquisition field. During the period from November 2003 to October 2009, Mr. Huang served as a vice president of China Coal and Coke Investment Fund L.P. (the "Partnership") and China Coal and Coke Investment Holding Company Limited. He was one of responsible persons in charge of the foundation of the Partnership which established on 4 February 2005. His main responsibilities included due diligence work on target companies, preparation for business development plan and liaison with different professional parties. Mr. Huang involved in the investment in Fortune Dragon Group Limited ("Fortune Dragon"), a company with major investment in coking coal mine operations in Shanxi, the PRC in mid of 2005. The Partnership exited its investment in Fortune Dragon in July 2008 with satisfactory return on investment. From January 2005 to July 2008, Mr. Huang worked as a general manager of capital market department in Fortune Dragon. During his tenure with Fortune Dragon, he successfully procured a fund raising exercise of USD160 million through an international bank for the investment of three coal mines in Shanxi in March 2006, led a task force of the initial public offerings of the company during the period from June 2006 to May 2007 and coordinated the deal of selling the company's interest in three coal mines to Fushan

International Energy Group Limited (Stock Code: 639), which is listed on the Main Board. Between 1998 to 2003, he worked in various companies, including Guofu Investment Management Co., Ltd. (國富投資管理有限公司), Beijing Xintong Media & Cultural Investment Co., Ltd. (北京信通傳之媒文化投資有限公司) and Beijing Jianhao Industrial Co., Ltd. (北京建昊實業有限公司).

Ms. HUANG Yongmei (黃永梅)

Ms. Huang, aged 47, is the chief financial officer of China region. She joined us in 2003 and was the deputy general manager of the subsidiaries of the Group in the PRC. She was also responsible for reviewing and checking the periodic financial statements, improving the internal controls of finance system, supervising the daily operations of the finance department, monitoring and allocating the internal resources and communicating with local tax bureaus. Ms. Huang also reviewed the financial position and the feasibility of new projects. Ms. Huang passed the accounting qualification exam under The Examination Committee for High Education Self-Learning of the Xinjiang Uygur Autonomous Region (新疆維吾爾自治區高等教育自學考試委員會) in 1994 and was qualified as a certified accountant in 2002.

From September 1984 to November 2003, Ms. Huang worked in several departments of Hami Chemical Factory (哈密地區化工廠) (now known as Hami Nanhao Chemical Co., Ltd. (哈密地區南昊化工有限責任公司)) as a workshop settlement clerk, an accountant and a chief finance accountant.

Mr. LI Jiangguo (李建國)

Mr. Li, aged 47, joined us as deputy manager of procurement and sales in 2002 and then was promoted as procurement and sales manager. He is responsible for the Group's procurement of mining raw materials, chemicals for ore processing, processing facilities and machinery, sales and marketing and customer relationships. Mr. Li graduated from School of Xinjiang Hami Agriculture Mechanics (新疆哈密農業機械化學校) in 1985.

Mr. Li procured chemicals for mining and ore processing on a timely basis, usually once a month. Mr. Li leads the procurement and sales departments and works closely with the production heads of the mines and the ore processing plants to understand the monthly production plan of the mines and the ore processing plants. He will plan for the quantity of chemicals that need to be consumed during the mining and ore processing and then place purchase orders to selected vendors. He also helps on procurement of processing facilities and machinery for the mines and ore processing plants with the production and technical department. Mr. Li is also responsible for the sales and marketing of our nickel concentrates, copper concentrates, lead concentrates and zinc concentrates to our customers. Our major customers usually place sales contracts with us for terms of one year to five years. Mr. Li solicits with our customers and renew such sales contracts and negotiate terms. The sales department will also arrange the delivery schedule of our concentrates to the designated delivery point as specified by our customers.

Mr. LI Xidong (李喜東)

Mr. Li, aged 38, has been our engineer of the ore processing plants since 2002. He graduated from Xi'an Mining Institute (西安礦業學院) (now known as Xi'an University of Science and Technology (西安科技大學)) specialized mineral processing in 1997. Mr. Li has over 14 years of experience in infrastructure design and mineral selection.

During the period from 1997 to 1999, Mr. Li worked in Longnan Chengxian Huangzhuxindu of Gansu Province (甘肅省隴南市成縣黃渚鋅都) and Chengxian Yaxing of Gansu Province (甘肅省成縣亞興) as the supervisor of various ore processing plants. The locations of ore processing plants which shall be in a geological location that would not cause material pollution to the environment and the infrastructure design of the ore processing plants to increase processing capacity. He was also responsible for overseeing and managing the ore processing operations, including the crashing and grading of lump ore and concentrations, as well as separating of various non-ferrous metal concentrates.

Mr. Li is responsible for on-going monitoring and management of the engineering design and mineral selection of Hami Jiatai Concentrator and Hami Jinhua Concentrator. He had been worked on several infrastructure design, construction and installation, reports compiling and mineral selection projects since 2002. In 2004, Mr. Li, with a team of experts, compiled a feasibility study and testing report on copper and nickel concentrates selection of Hami Jiatai Concentrator, which led to the success installation of facilities and implementation of the plan to increase the daily processing capacity to 1,500 tonnes of copper and nickel ore in Hami Jiatai Concentrator in 2005. In 2006, Mr. Li led a team to compile a feasibility study and testing report on lead and zinc concentrates selection of Hami Jinhua Concentrator, which led to the success installation of facilities and implementation of the plan to increase the daily processing capacity to 1,500 tonnes of lead and zinc ore in Hami Jinhua Concentrator in 2006. Mr. Li is also experienced in the installation, tuning and testing of automation systems and is skilled in handling technical problems of mechanical and electrical integration in our ore processing plants.

Leveraging on his expertise in system design, installation of ore processing facilities and tuning and testing of ore processing plant, he will be responsible for the selection of ore processing plants in Project Huangjinmei and Project Huaba and the machinery and technical issues and installation of such ore processing plants.

Mr. ZHANG Li (張理)

Mr. Zhang, aged 51, has been the manager of Project No. 20 since June 2006 responsible for the daily operation of Project No. 20. Mr. Zhang has approximately 33 years of experience in mining, mine operation management and safety and environmental protection of mines. Prior joining us, Mr. Zhang held several positions in China National Gold Group Corporation JiaPiGou Mining Co., Ltd. (中國黃金集團夾皮溝礦業有限公司), including mining worker, production team leader and the head of safety and environmental protection for the period from 1978 to 2006. In the position of the production zone leader, Mr. Zhang had extensive experience on mining processing of gold ores and on-site supervision of mining production. He was responsible for supervising a team of mining workers on mining techniques, mining quality and the production progress which shall be in line with the scheduled production plan. In the position of the environmental safety tem leader, Mr. Zhang was responsible for the compliance of relevant rules and regulations on the environmental protection in the mining areas and the safety measures were well-established and such measures were well-enforced on-site. Mr. Zhang organized regular talks to mining workers on safety issues and a compulsory seminar that was organized for newly joined mining staff.

Leveraging on Mr. Zhang's extensive experience in mining, mine operation management and safety measures of mines, he was responsible for the overall management of our Project No. 20 in areas of mining, production, quality control and safety and environmental protection measures.

Mr. Li Muxiang (李木香)

Mr. Li, aged 59, has been our mining engineer and deputy manager of technical department of mines since 2003. He graduated from Wuhan University of Iron and Steel (武漢鋼鐵學校) (now known as Wuhan University of Science and Technology (武漢科技大學)) specialized in mining. Mr. Li has been a qualified as an engineer by the Intermediate Jury for Engineering of Provincial Metallurgy Corporation (省冶金總公司工程中級評委會) since 1999. He has approximately 33 years of experience in managing the overall construction and mining design, safety measures of gold mines and copper mines.

Mr. Li was responsible for the pre-mining preparation work, mining design and construction design of our Project No. 2 and Project No. 20. Mr. Li participated in the design of medium-and-deep hole stoping method (中深孔回採) and single orepillar mining method (單體底柱回收) of our Project No. 2. He was also responsible for the design of horizontal drilling method (平孔) and upward inclined shaft drilling method (向上斜孔) of our Project No. 20. He is responsible for the on-going design of pit development systems, ventilation systems and safety system of our Project No. 2 and Project No. 20 ensuring the system designs are approved by the quality units.

Mr. WANG Wenhan (王文漢)

Mr. Wang, aged 45, is our engineer and project manager. He was responsible for the operation of Project No. 20 since 2004 and was responsible for the surveying, design and construction of Project Huangjinmei and Project Huaba. Mr. Wang has approximately 17 years of experience in the non-ferrous metal mineral exploration, surveying and mine industry. Mr. Wang graduated from Changchun Metallurgical Geology School (長春冶金地質專業科校), specialized in geologist exploration in 1989. Mr. Wang is qualified as a geologist engineer from Gold Management Bureau of Henan Province (河南省黃金管理局) in 1996.

Prior to joining us, Mr. Wang worked with Luoyang Kunyu Mining Co., Ltd. (洛陽坤宇礦業有限公司) from 1989 to 1998. He served as a geologist and then a production technical supervisor in Gan Shu gold mine (幹樹金礦) in Luoning County (洛寧縣) and a deputy manger of Qing Gangping gold mine (青崗坪金礦) in Luoning County (洛寧縣). During his tenure, he led a team of experts and successfully explored and evaluated Liu Xiuguo gold mine area (劉秀溝金礦區) and Zheng Nangou gold mine area (正南溝金礦區), and discovered available reserves of gold of 3.03 metric tonnes and prospective reserves of over 10 metric tonnes. He and the team designed the production plan and were able to extend the mining life of Gan Shu gold mine from 8 years to approximately 20 years. Gan Shu gold mine is currently still under operation. He was responsible for the design and construction of the mine and ore processing plant of Qing Gangping gold mine. Through effective management, training to technical staff use of advanced technical methods and well coordination between departments, the team led by him was able to shorten the trail production period to eight months and the production of Qing Gangping gold mine was able to run in full scale.

For the period from 2004 to 2006, Mr. Wang was responsible for the design of production, monitoring the geology condition change and mining technology of Project No. 20. Currently, Mr. Wang is responsible for Project Huangjinmei and Project Huaba in Shaanxi Province. He assisted in the geological surveying and mapping, compiling exploration and mineral reserves report and other required reports to be submitted to the relevant governmental bureaus for obtaining the mining permits of Project Huangjinmei and Project Huaba. Gold reserves and copper and vanadium reserves are discovered in Project Huangjinmei and Project Huaba respectively. Project Huaba is the first copper and vanadium marine deposit discovered in Shaanxi Province. Mr. Wang is also responsible for the design of mining, selection the processing plants location, design for processing plants and relevant preparation works for trial production in Project Huangjinmei and Project Huaba.

Mr. WANG Jin (王勁)

Mr. Wang, aged 48, has been our geology engineer since 2005. Mr. Wang graduated from Party School of the Hami Regional Committee of Chinese Communist Party (中國共產黨哈密地區委員會黨校), specialized in Economic Management, in 2004. He has approximately 28 years of experience in the non-ferrous metal exploration, surveying and mining industry.

From October 1982 to August 1999, Mr. Wang worked in 704 nonferrous geophysical team in Xinjiang Uygur Autonomous Region (新疆有色地質704隊), as assistant geology engineer.

From September 1999 to March 2004, Mr. Wang worked as a technical supervisor of Hami Huangshan copper and nickel mine (哈密黃山銅鎳礦礦山) in Xinjiang Yakesi Mining Co. Ltd. (新疆亞克斯礦業公司).

Started from 2005, Mr. Wang has been engaged by our Group to monitor the progress of various non-ferrous metal mineral exploration projects. Mr. Wang undertook the underground geological surveying and the on-site supervisory work of Project No. 2. He also participated in the detailed geological surveying and reserve analyses, the design of the mining construction and trial production of Project Baiganhu and trial production of Hami Jinhua on concentrator.

Currently, Mr. Wang is responsible for Project Huangjinmei and Project Huaba in Shaanxi Province. He is assisting in the geological surveying and mapping, compiling exploration and mineral reserves report and other required reports to be submitted to the relevant governmental bureaus for obtaining the mining permit of Project Huangjinmei and Project Huaba. Copper and vanadium reserves are discovered in Project Huaba. Mr. Wang with a team of experts, after thorough study and examination, decided to use adit method which is a cost effective and efficient way to explore copper and vanadium ore since vanadium ore bedding is usually laying below the copper ore bedding. He is also responsible for examining the gold reserves and testing the grade of gold ore of Project Huangjinmei.

COMPANY SECRETARY

Mr. IP Wing Wai (葉永威) is the secretary to the Company. He works for our Company on a full-time basis. His biographical details are set out under the paragraph headed "Senior Management" above.

MANAGEMENT EXPERIENCE AS REQUIRED BY RULE 18.04

We have been granted a waiver under Rule 18.04 of the Listing Rules (which applies to mineral companies) from the profit or other financial standards requirements set out in Rule 8.05 of the Listing Rules. Under Rule 18.04 of the Listing Rules, the requirements of Rule 8.05 of the Listing Rules may not apply if the Stock Exchange is satisfied that our Directors and senior management taken together have sufficient experience relevant to the exploration and/or extraction activity that we are pursuing.

Details of the relevant experience of certain members of the senior management team (upon which the Company is relying for the purposes of Rule 18.04) are set out below:

Name	**Role within our Group**	**Responsibilities within our Group and details of relevant mining experience**	**Mining and/or exploration experience for below metals**
Mr. ZHAO Guangsheng (趙廣勝)	Executive Director and Chief Executive Officer	Mr. Zhao is responsible for our Group's overall operations including technology and production. Prior to joining our Group in April 2002, Mr. Zhao served as the supervisor of the geological department and production technology and geological engineer in Hunchun Zijin Mining Co., Ltd. (琿春紫金礦業有限公司) for the period from August 1988 to March 2002. From April 2002 to December 2009, Mr. ZHAO has held the position as the mine manager, production technology manager and chief engineer of Hami Jiatai. Mr. Zhao has to oversee the mining progress on-site and compile reports including the production plan report, the report on mineral preservation management and the report on statistics of existing resources to the management of the Group. Mr. Zhao is responsible for the detailed geological surveying and reserve analysis, and the design of the exploration and mine construction of Project Baiganhu, Project No.2 and Project No. 20, and thus is experienced in, among other things, lead and zinc mining.	Nickel, copper, lead, zinc and gold

Name	Role within our Group	Responsibilities within our Group and details of relevant mining experience	Mining and/or exploration experience for below metals
Mr. ZHAO Bochen (趙波臣)	Executive Director and chief mine manager	Mr. ZHAO is responsible for the daily operations and production of our mines. Prior to joining our Group in November 2002, Mr. ZHAO served as a geologist engineer and mine manager and participated in ore processing and mining work in Hunchun Zijin Mining Co., Ltd. (琿春紫金礦業有限公司) for over 20 years. Since November 2002, Mr. ZHAO has been the chief mine manager of the Project No. 2, Project No. 20 and Project Baiganhu. Mr. Zhao also participated in the design, preparation and construction of Project No. 20 and the design of Project Baiganhu.	Nickel, copper, lead, zinc and gold

Name	Role within our Group	Responsibilities within our Group and details of relevant mining experience	Mining and/or exploration experience for below metals
Mr. WANG Jin (王勁)	Geology engineer	Currently, Mr. WANG is assisting in the geological surveying and mapping, compiling exploration and mineral reserves report and other required reports to be submitted to the relevant governmental bureaus for obtaining the mining permit of Project Huangjinmei and Project Huaba. From October 1982 to August 1999, Mr. Wang worked in 704 nonferrous geophysical team in Xinjiang Uygur Autonomous Region (新疆有色地質704隊), as assistant geology engineer. Started from 2005, Mr. Wang has been engaged by our Group to monitor the progress of various non-ferrous metal mineral exploration projects. Mr. Wang undertook the underground geological surveying and the on-site supervisory work of Project No. 2. He also participated in the detailed geological surveying and reserve analyses, the design of the mining construction and trial production of Hami Jinhua Concentrator.	Nickel, copper, lead and zinc

Name	Role within our Group	Responsibilities within our Group and details of relevant mining experience	Mining and/or exploration experience for below metals
Mr. WANG Wenhan (王文漢)	Engineer and project manager	Currently, Mr. Wang is responsible for the design of mining, selection the processing plants location, design for processing plants and relevant preparation works for trial production in Project Huangjinmei and Project Huaba. Prior to joining us, Mr. Wang worked with Luoyang Kunyu Mining Co., Ltd. (洛陽坤宇礦業有限 公司) from 1989 to 1998. He served as a geologist and then a production technical supervisor in Gan Shu gold mine (幹樹金礦) in Luoning County (洛寧縣) and a deputy manger of Qing Gangping gold mine (青崗坪金礦) in Luoning County (洛寧縣). For the period from 2004 to 2006, Mr. Wang was responsible for the design of production, monitoring the geology condition change and mining technology of Project No. 20.	Nickel, copper and gold

Name	Role within our Group	Responsibilities within our Group and details of relevant mining experience	Mining and/or exploration experience for below metals
Mr. ZHANG Li (張理)	Manager of Project No. 20	Mr. Zhang is responsible for the daily operation of Project No. 20. Prior to joining us, Mr. Zhang held several positions in China National Gold Group Corporation JiaPiGou Mining Co., Ltd. (中國黃金集團夾皮溝礦業有限公司), including mining worker, production team leader and the head of safety and environmental protection for the period, from 1978 to 2006. In the position of the production zone leader, Mr. Zhang had extensive experience on mining processing of gold ores and on-site supervision of mining production.	Nickel, copper and gold
Mr. Li Muxiang (李木香)	Mining engineer and deputy manager of technical department	Mr. Li has been our mining engineer and deputy manager of technical department of mines since 2003. Mr. Li has been a qualified as an engineer by the Intermediate Jury for Engineering of Provincial Metallurgy Corporation (省冶金總公司工程中級評委會) since 1999. He has approximately 33 years of experience in managing the overall construction and mining design, safety measures of gold mines and copper mines. Mr. Li is responsible for the on-going design of pit development systems, ventilation systems and safety system of our Project No. 2 and Project No. 20 ensuring the system designs are approved by the quality units.	Nickel and copper

We will complete the acquisition of Project Huaba (Copper-vanadium ore) upon the Listing, and the extraction of vanadium, which is expected to commence in the second half of 2013, is only one of the future plans of our Group.

As advised by中國有色金屬工業協會 (The China Non-ferrous Metals Industry Association), the exploration and extraction process on vanadium is similar to other non-ferrous minerals, including copper, nickel, zinc and lead. Given that non-ferrous metals include nickel, copper, lead, zinc, gold, vanadium, silver and other metals and their characteristics in terms of and the industry expertise required for their exploration and mining are the same, therefore, our management's extensive experience and expertise in exploration and mining of nickel, copper, lead and zinc are transportable to vanadium.

BOARD COMMITTEES

Audit committee

Pursuant to Rule 3.21 of the Listing Rules, an audit committee was established by our Board on 16 December 2011 with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our Group's financial reporting process and internal control system. The audit committee comprises three independent non-executive Directors, namely SIN Lik Man, CAO Shiping and CAO Kuangyu. SIN Lik Man is the chairperson of the audit committee.

Remuneration committee

We established the remuneration committee on 16 December 2011 with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to our Board on the remuneration policies and structure of the remuneration for the Directors and senior management and to set up a formal and transparent procedure for determination of such remuneration policies. The remuneration committee comprises two independent non-executive Directors and one executive Director, namely CAO Kuangyu, SIN Lik Man and Mr. LU. CAO Kuangyu is the chairperson of the remuneration committee.

Nomination Committee

We established the nomination committee on 16 December 2011 2011 with written terms of reference. The primary duties of the nomination committee are to make recommendations to the Board on appointment of Directors and the management of the Board succession. The nomination committee comprises two independent non-executive Directors and one executive Director, namely CAO Kuangyu, SIN Lik Man and Mr. WANG. Mr. WANG is the chairperson of the nomination committee.

DIRECTORS' REMUNERATION

Our Company was incorporated on 19 February 2010. During the Track Record Period, the aggregate amount of fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the pension scheme on behalf of the Directors) or any bonuses paid by our Group to our Directors for the three years ended 31 December 2010 and the six months ended 30 June 2011 were approximately RMB74,000, RMB113,000, RMB113,000 and RMB49,000, respectively.

In addition to the fees, salaries, housing allowances, other allowances, benefits in kind or bonuses, our Company has conditionally adopted the Share Option Scheme pursuant to which our Directors' remuneration shall include the options to be granted under the Share Option Scheme.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five largest paid individuals as an inducement to join or upon joining the Group. No compensation was paid by our Group to, or receivable by, our Directors, past Directors or the five highest paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Group.

Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors and the five highest paid individuals during the Track Record Period.

Our Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of our Group. The aggregate remunerations including fees, salaries, housing allowances, other allowances, benefits in kind and discretionary bonuses of the executive Directors, the non-executive Directors and the independent non-executive Directors for the year ending 31 December 2011 are estimated to be approximately HK$160,000.

SHARE OPTION SCHEME

Our Directors and employees, among others, are entitled to participate in the Share Option Scheme at the discretion of our Board. The purpose of the Share Option Scheme is to provide the eligible participants who have been granted options under the Share Option Scheme to subscribe for Shares with the opportunity to acquire proprietary interests in our Company and to encourage eligible participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and its Shareholders as a whole. The principal terms of the Share Option Scheme are summarized in the paragraph headed "Share Option Scheme" in Appendix VII to this prospectus.

EMPLOYEES

Staff composition

As of 30 June 2011, our Group employed a total of 68 employees. During the Track Record Period, our staff costs were approximately RMB3.3 million, RMB2.6 million, RMB2.1 million and RMB0.9 million respectively. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, our Group participates in a pension contribution plan, a work-related injury insurance plan, an unemployment insurance plan, a medical insurance plan and an accident insurance plan for our employees. The contributions paid for the three years ended 31 December 2010 and six months ended 30 June 2011 were approximately RMB0.8 million, RMB0.7 million, RMB0.6 million and RMB0.3 million, respectively.

The table below sets forth the number of employees in the respective functions of our Group as at 30 June 2011:-

	Number of employees	% of total
Production	21	31
- Mining (Note 1)	*9*	*13*
- Ore processing (Note 2)	*12*	*18*
Management, finance and administrative (Note 3)	22	32
Ancillary mining activities (Note 4)	10	15
Other (Note 5)	15	22
Total	68	100

Notes:

1. Excludes Independent Third Party contractors who perform mining and hauling work.

2. Includes employees at the Hami Jiatai Concentrator.

3. Includes managers for processing, mining, supply and safety, as well as personnel within the accounting and booking departments.

4. Includes engineers, electricians and personnel in the quality control and equipment repair departments.

5. Includes transportation team personnel, weigh house personnel and cook staff.

Relationship with our employees

During the Track Record Period, we did not experience any strikes or other labour disturbances that have materially interfered with our operations and we did not experience any difficulties in the recruitment and retention of experienced staff. Our Directors believe we have a good working relationship with our employees.

Remuneration and training

We provide our employees with employees benefits, including pension, medical scheme and other applicable social insurance. Apart from regular on-job training, we provide training to new employees including an introduction to relevant regulations and general safety awareness and a workshop specific training to the work area and the role of individual within the workshop.

COMPLIANCE ADVISER

We intend to appoint China Everbright Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to our Company pursuant to the requirements thereunder. It is expected that China Everbright Capital Limited will, amongst other things, provide advice to our Company with due care and skill on a timely basis in the following circumstances:

- before the publication by our Company of any regulatory announcement (whether required by the Listing Rules or requested by the Stock Exchange or otherwise), circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 or 14A of the Listing Rules, is contemplated by our Company including share issues and share repurchases;
- where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus;
- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules;
- if required by the Stock Exchange, deal with the Stock Exchange in respect of any or all matters listed in the foregoing paragraph above;
- in relation to an application by our Company for a waiver from any of the requirements in Chapter 14A of the Listing Rules, advise our Company on its obligations and in particular the requirement to appoint an independent financial advisor; and
- assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and, to the extent to compliance advisor forms an opinion that the new appointees' understanding is inadequate, discuss the inadequacies with the Board and make recommendations to the Board regarding appropriate remedial steps such as training.

The term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

FUTURE PLANS

Please refer to the section headed "Business — Business Strategies" in this prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$390 million from the Share Offer after deducting the underwriting commissions and other estimated offering expenses payable by us, based on an Offer Price of HK$1.70 per Share set forth on the cover page of this prospectus.

We intend to use the proceeds from the Share Offer for the purposes and in the amounts set out below:

- approximately 39%, or HK$152 million to finance the planned capital expenditure on Project No. 20, Project Baiganhu and Project H-989 during the two years ending 31 December 2013; of which approximately HK$50 million, approximately HK$56 million and approximately HK$46 million for the capital expenditure on Project No. 20, Project Baiganhu and Project H-989, respectively;

- approximately 2%, or HK$9 million to finance the technical modification on the tailings storage facilities of Hami Jinhua Concentrator by the first half of 2012;

- approximately 4%, or HK$16 million to finance the planned capital expenditure on our exploration activities during the two years ending 31 December 2013 in order to further expand our resources;

- approximately 45%, or HK$174 million to finance the acquisition of Shaanxi Jiarun and Shaanxi Jiahe under the Acquisition Agreements. According to the Acquisition Agreements, the total consideration of RMB210 million payable by our Group will be divided into five equal annual installments upon the completion of the Acquisition Agreements. For the details concerning the Acquisition Agreements, please refer to the section headed "Acquisition — Acquisition Agreements" in this prospectus. The remaining consideration payable by our Group will be funded by our internal resource and/or debt financing; and

- approximately 10%, or HK$39 million, to fund our working capital.

To the extent that the net proceeds from the Share Offer are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing and non-interest-bearing bank accounts with licensed commercial banks and/or authorized financial institutions in Hong Kong or the PRC.

Should the Over-allotment Option be exercised in full our Company will receive additional net proceeds of approximately HK$61.8 million. Our Directors intend to apply the additional net proceeds to general working capital by increasing the amount of which to up to 10% of the aggregate net proceeds from the Share Offer; and the remaining additional net proceeds to finance the payment of consideration under the Acquisition Agreements.

In August 2010, our Company, Mr. Lu and Mr. WANG entered into various agreements with CCBIAM in connection with the CCBIAM Exchangeable Bonds.

CCBIAM and High Inspiring

CCBIAM is a limited liability company incorporated in Hong Kong and is principally engaged in asset management and investment businesses. The ultimate beneficial owner of CCBIAM is China Construction Bank Corporation, a company listed on the Main Board of the Stock Exchange (stock code: 0939) and the Shanghai Stock Exchange (stock code: 601939). CCBIAM is a licensed investment management company in Hong Kong and regulated by the SFC.

Pursuant to the Exchangeable Bonds Subscription Agreement, CCBIAM (through its wholly owned subsidiary, namely High Inspiring) subscribed for HK$85.47 million in principal amount of the redeemable exchangeable bond issued by King Award and HK$69.93 million in principal amount of the redeemable exchangeable bond issued by Sky Circle. Subscription of the CCBIAM Exchangeable Bonds was completed on 30 August 2010 (the "Issue Date"). CCBIAM is a financial investor of the Company.

CERTAIN PRINCIPAL TERMS OF THE CCBIAM EXCHANGEABLE BONDS AND THE RELATED AGREEMENTS

The CCBIAM Exchangeable Bonds were issued on 30 August 2010 pursuant to the Exchangeable Bonds Subscription Agreement in an aggregate principal amount of HK$155.4 million ("Subscription Price").

In connection with the CCBIAM Exchangeable Bonds, each of King Award and Sky Circle executed a share charge on 30 August 2010, respectively, in favour of CCBIAM and/or any entity designated by it to hold the CCBIAM Exchangeable Bonds (together the "Investor"), for securing the performance of the obligations of King Award, Sky Circle, Mr. LU, Mr. WANG and our Company to the Investor, pursuant to the Exchangeable Bonds Subscription Agreement. Pursuant to such share charges, King Award and Sky Circle have separately created security interests over certain number of Shares held by each of them, amounting to 22.55% and 18.45%, respectively of the total issued and outstanding share capital of our Company immediately after completion of the subscription of the CCBIAM Exchangeable Bonds, and the number of such Shares charged by King Award and Sky Circle to the Investor shall at all times equal to 22.55% and 18.45%, respectively of the total issued and outstanding share capital of our Company prior to the Listing (on a fully diluted basis without taking into account (i) those Shares issued or to be issued to public and institutional investors pursuant to the Listing; (ii) those Shares issued or to be issued pursuant to any over-allotment option granted by our Company in connection with the Listing; and (iii) any Shares that may be issued pursuant to any option granted under any post-Listing employee share option scheme), in favour of the Investor as security over the obligations and liabilities of King Award, Sky Circle, Mr. LU, Mr. WANG and our Company under the transaction documents in relation to the CCBIAM Exchangeable Bonds. Unless discharged pursuant to the terms of such share charges, such share charges will remain in full force and effect until the date on which a Qualified IPO takes place.

In connection with the CCBIAM Exchangeable Bonds, Mr. LU, Mr. WANG, King Award, Sky Circle and CCBIAM executed the Guarantee pursuant to which Mr. LU, Mr. WANG, King Award and Sky Circle jointly and severally guaranteed, among other matters, the performance of their obligations under the transaction documents in relation to the CCBIAM Exchangeable Bonds in favour of the Investor.

King Award has applied 50% of its relevant portion of the Subscription Price (being HK$42.735 million) to subscribe for 20,625,000 Shares (which constituted 2.75% of the then total issued share capital of our Company) and Sky Circle has applied 50% of its relevant portion of the Subscription Price (being HK$34.965 million) to subscribe for 16,875,000 Shares (which constituted 2.25% of the then total issued share capital of our Company) with such subscription moneys being applied for production and corporate purposes.

The CCBIAM Exchangeable Bonds have a term commencing on the issue date ("Issue Date"), being 30 August 2010, and shall mature on 29 May 2012 or the day on which CCBIAM exchanges the entire principal amount of the CCBIAM Exchangeable Bonds, whichever is earlier ("Maturity Date"). The CCBIAM Exchangeable Bonds are not transferable.

The holder of the CCBIAM Exchangeable Bonds may exchange all (but not part) of the CCBIAM Exchangeable Bonds into Shares at any time and from time to time after the Issue Date up to the business day prior to the Maturity Date, and such exchange right may be exercised once only. In addition, all the CCBIAM Exchangeable Bonds will be automatically exchanged to Shares pursuant to the Automatic Exchange on the Automatic Exchange Date. Details of the Automatic Exchange and the Automatic Exchange Date are set out in the paragraph headed "Automatic Exchange" below.

The number of Shares to be delivered to the bondholder hereunder upon exchange will be determined:

(i) where the exchange right is exercised prior to an Automatic Exchange, by dividing the principal amount of the CCBIAM Exchangeable Bonds to be exchanged by the initial Exercise Price (as referred to below); or

(ii) where the exchange right is exercised pursuant to the Automatic Exchange, by dividing the principal amount of the CCBIAM Exchangeable Bonds and the Return referred to below from the Issue Date to the Automatic Exchange Date by the Qualified IPO price per Share (which, in the case of this Share Offer, is the Offer Price).

In the event that the exchange right is exercised prior to an Automatic Exchange, the initial Exercise Price shall be a price that would enable 100% of the aggregate principal amount of HK$155.4 million of the CCBIAM Exchangeable Bonds to be exchanged for 10.0% of the Shares in issue.

Prior to the Listing or an acquisition of all or substantially all the Shares or Share Equivalent (as defined below) by a third party purchaser, the holder of the CCBIAM Exchangeable Bonds may exercise the right to require King Award and Sky Circle to redeem the CCBIAM Exchangeable Bonds if the aggregate direct and indirect shareholding of Mr. LU and Mr. WANG in our Company falls below 51%, or upon the occurrence of an event of default under the CCBIAM Exchangeable Bonds. The term "Share Equivalent" means the Shares and any security or obligation which is by its terms convertible into or exchangeable or exercisable for Shares.

Unless previously redeemed or exchanged in accordance with terms of the CCBIAM Exchangeable Bonds, the outstanding principal amount of the CCBIAM Exchangeable Bonds shall automatically be redeemed in whole on the Maturity Date. The bondholder shall not be entitled to exercise the redemption rights on the principal amount of the bond after the Maturity Date. However, in the event that it is confirmed that a Listing does not constitute a Qualified IPO, the Bondholder's redemption rights shall not be affected nor prejudiced by the Listing.

The redemption price payable upon redemption of the CCBIAM Exchangeable Bonds shall be (a) the principal amount of the relevant CCBIAM Exchangeable Bonds so redeemed together with (b) the Return (as defined below) from the Issue Date up to and including the day the holder of the CCBIAM Exchangeable Bonds actually receives the redemption price, deducting therefrom the aggregate amount of all the distributions (if any) already paid to the bondholder in relation to the relevant portion of the principal amount of the relevant CCBIAM Exchangeable Bond so redeemed.

The term "Return", in relation to a given period, means the return to the bondholder on the outstanding principal amount of the bond to be redeemed at the simple interest rate of 30% per annum (including any cash, shares and other dividends and the distribution of the Shares received by CCBIAM). The Return shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed and a 365-day year.

If, prior to the Listing, there occurs a return of capital upon liquidation and/or winding-up or a Deemed Liquidation Event (being (i) any merger or consolidation other than one in which King Award, Sky Circle and the holder of the Shares derived from the CCBIAM Exchangeable Bonds ("Exchanged Ordinary Shares") combined own a majority by voting power of the outstanding shares of the surviving or acquiring corporation or (ii) any transaction involving a sale, lease, transfer or other disposition of all or substantially all of the assets of the Group) of our Company, Sky Circle and/or King Award prior to the Listing, and subject to applicable laws, the assets of Sky Circle, King Award and/or our Company shall be applied first in paying up the following amount to the holder of the CCBIAM Exchangeable Bonds and/or the holder of the Exchanged Ordinary Shares in priority to King Award, Sky Circle, the other Shareholders or holder of any other bonds issued by the Company (if any):

(a) the principal amount of the outstanding bond plus a return equal to simple interest of 30% per annum from the Issue Date in respect thereof but having deducted therefrom an amount equal to the aggregate amount of all the interest and other distribution already paid to the bondholder in relation to the relevant portion of principal amount of the CCBIAM Exchangeable Bonds so redeemed;

(b) the amount equal to the value of the Exchanged Ordinary Shares (as held and unsold by the holder of the Exchanged Ordinary Shares at the time of such liquidation and/or winding up) plus a return equal to simple interest of 30% per annum from the Issue Date but having deducted therefrom (i) the aggregate amount of all the interest and other distribution already paid to the holder of the Exchanged Ordinary Shares in relation to the relevant portion of the principal amount of the CCBIAM Exchangeable Bonds; and (ii) the aggregate amount of dividends and distributions already paid to the holder for such number of the Exchanged Ordinary Shares as then held and unsold by such holder,

and thereafter, the holder of the CCBIAM Exchangeable Bonds shall cease to have any interest in or entitlement to the remaining assets of Sky Circle, King Award and our Company.

No return of capital upon liquidation and/or winding-up or Deemed Liquidation Event has occurred.

RIGHTS GRANTED TO THE INVESTOR

Pursuant to the Investor's Rights Agreement and the Exchangeable Bonds Subscription Agreement, the Investor was granted, inter alia, the following rights as an indirect investor of our Company (as bondholder of the CCBIAM Exchangeable Bonds), which will terminate upon Listing (other than as set forth below in the section headed "Obligations that survive the Listing and/or the Qualified IPO"):

Information rights

Prior to the Listing, the Investor is entitled to receive from the Company periodic financial information and information in relation to our business affairs, operations and financial condition of our Group as well as information and documents relating to the preparation of the Listing.

Right of first refusal

Prior to the Listing, except for certain permitted transfers, if any of Mr. LU, Mr. WANG, King Award and Sky Circle proposes to transfer any or all of the Shares held by any of them, the Investor shall have the right of first refusal to purchase such Shares.

Transfer restrictions

Except for certain permitted transfers or with the consent from the Investor and subject to any right of first refusal as may be available to the Investor as described above, (i) each of Mr. LU, Mr. WANG, Sky Circle, King Award and the Company jointly and severally undertakes to procure, among other matters, that the Shares shall not be transferred, sold or disposed of prior to the Listing; and (ii) each of Mr. LU, Mr. WANG, Sky Circle and King Award jointly and severally undertakes, among other matters, not to transfer, sell or dispose of the Shares held by them prior to the Listing.

The Investor undertakes to and shall procure its affiliates or permitted assigns to undertake to procure that the CCBIAM Exchangeable Bonds or the Shares exchanged from the CCBIAM Exchangeable Bonds held by it or its affiliates or permitted assigns (if any) not to, among other matters, transfer, sell or dispose of the CCBIAM Exchangeable Bonds or the Shares exchanged from the CCBIAM Exchangeable Bonds prior to the Listing.

Tag-along right

Without prejudice to the transfer restrictions mentioned above and if consent is given by the Investor in respect of a proposed transfer of Shares held by Sky Circle or King Award or by the Company of any of its Shares prior to the Listing or the Buyout, the Investor shall have a right to transfer its Shares on a pro-rata basis based on its holding of the Share Equivalent (on an as-exchanged to Shares basis) at the time of the proposed transfer and at the same price and on the same terms and conditions as offered by Sky Circle and/or King Award to the relevant transferee prior to the Listing.

Corporate governance

For so long as the Investor's percentage holding of the Share Equivalent in our Company (on an as-exchanged to Shares basis) is equal to or greater than five percent, the Investor shall be entitled to appoint a Director or an observer to attend all meetings of the board of the Company and all directors meeting of other companies within our Group. Our Company will provide to such Director or observer notice of directors meeting and all related documentation.

In addition, certain actions by our Company and its subsidiaries require prior written consent of the Investor.

Anti-dilution

Except as certain permitted issue or with the consent from the Investor, our Company shall not, and each of Sky Circle and King Award shall exercise its right as a shareholder to ensure that the Company shall not, issue any Share Equivalent to any person prior to the Listing.

Co-sale right in IPO

In the event of a Qualified IPO, the Investor shall have the right to sell its Shares (if any) together with any Shares to be offered by Sky Circle and King Award in such Qualified IPO on a pro-rata basis based on its then shareholdings in our Company. Further, if an over-allotment option is granted to the underwriters in connection with the Qualified IPO, the Investor shall have the right (but not obligation) to sell its Shares under the over-allotment option. The number of Shares that may be sold by the Investor under the over-allotment option shall be agreed by Mr. LU, Mr. Wang, Sky Circle, King Award, ourselves and the Investor in conjunction with the sponsors and underwriters of the Listing. As none of Sky Circle and King Award will be disposing of any Shares in connection with the Share Offer, the Investor will not be disposing of any Shares.

Pre-IPO put option

If the Investor exercises its right to exchange under the CCBIAM Exchangeable Bonds prior to the Qualified IPO, the Investor shall be entitled to give at least 30 days prior notice to each of Sky Circle and King Award in writing, at any time and from time to time from the Issue Date up to the date of the Qualified IPO, to require them to purchase (such right shall be referred to as the "Pre-IPO Put Option") all or a portion of the Shares ("Pre-IPO Put Shares") then held and/or controlled by the Investor at a price per Share equal to the Pre-IPO Put Price free from any encumbrance, if (a) the aggregate direct and indirect shareholding of Mr. LU and Mr. WANG in our Company falls below 51% or (ii) the occurrence of any event of default. Within 30 days after the issuance of such notice, King Award and Sky Circle shall purchase such Pre-IPO Put Shares specified in such notice in the proportion as to 45% by Sky Circle and 55% by King Award and shall complete the purchase and transfer of such shares at the date specified in such notice. If King Award and/or Sky Circle fail to pay any portion of the Pre-IPO Put Price, a late payment charge will be imposed. The Pre-IPO Put Option shall cease to be effective on the date of the Qualified IPO.

The "Pre-IPO Put Price" shall be the sum of (a) an amount representing a simple interest rate of 30% per annum (accruing from day to day and shall be calculated on the basis of the actual number of days elapsed and a 365-day year) on the Subscription Price Per Share multiplied by the number of the Pre-IPO Put Shares plus (b) the Subscription Price Per Share multiplied by the number of Pre-IPO Put Shares minus (c) the value of any cash, shares and other dividends and distribution paid to the Investor in respect of such Pre-IPO Put Shares. Such calculation shall be for the period from 30 August 2010 to the date on which the Pre-IPO Put Price is received by the Investor. The term "Subscription Price Per Share" shall mean the quotient of (a) the Subscription Price (being HK$155.4 million) divided by (b) the number of Shares exchanged pursuant to the CCBIAM Exchanged Bonds on the basis that all the CCBIAM Exchangeable Bonds have been exchanged in full in accordance with their terms into Shares.

Obligations that survive the Listing and/or the Qualified IPO

— **Lock-up undertakings**

Each of Mr. LU, Mr. WANG, Sky Circle and King Award jointly and severally undertakes to procure the shares held by Mr. Lu and Mr. WANG in Sky Circle and King Award be subject to the same lock-up requirement as set out under Rule 10.07(1)(a) of the Listing Rules for a period of six months from the Listing Date and any longer period as may be imposed by the relevant underwriter for Listing.

The Investor has undertaken that it shall procure that the Shares received and held by it (and/or its affiliates) pursuant to the Automatic Exchange shall be subject to lock-up for a period commencing on the date of the Automatic Exchange Date and ending on the date which is six (6) months from the Listing Date.

AUTOMATIC EXCHANGE

In the event that the Company makes an application to an Eligible Exchange for a listing of its Shares, the CCBIAM Exchangeable Bonds shall be automatically exchanged (such exchange is referred to as the "Automatic Exchange") for Shares on the business day ("Automatic Exchange Date") before the commencement of the period during which each of Sky Circle and King Award would be restricted by the rules of such Eligible Exchange from dealing in Shares. Thus, the CCBIAM Exchangeable Bonds were automatically and fully exchanged (at HK$1.70 per Share, being the Offer Price) into 126,348,589 Shares on 8 December 2011, being the Automatic Exchange Date. Based on the information supplied by CCBIAM, its effective investment cost per Share upon such exchange is approximately HK$1.23.

You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set out in the Accountant's Report of the Company included in Appendix I to this prospectus. Our financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

OVERVIEW

We are a nickel-oriented diversified metal mining company principally engaged in mining and ore processing of nickel and copper in Hami, Xinjiang. Our overall strategic objective is to exploit our competitive advantages to become one of the leading diversified metal mining companies in the PRC.

Nickel is a chemical element with the chemical symbol Ni. The valuable properties of nickel are its hardness and resistance to oxidation. According to the 2010 Yearbook, the global consumption of refined nickel in 2009 was approximately 1.23 million metric tonnes, and the PRC was the largest refined nickel consumption country in the world during 2007 to 2009. Although the annual production volume of (i) nickel content in ore and concentrates; and (ii) refined nickel products in the PRC have been increasing during the past decade, its domestic production still cannot satisfy its fast-growing demand. In 2009, the annual production volume of refined nickel amounted to approximately 164.8 thousand metric tonnes in the PRC, which was well behind its domestic consumption of approximately 442.0 thousand metric tonnes, thus, resulting in a shortage of 277.2 thousand metric tonnes and, according to the 2010 Yearbook, the PRC imported a net amount of USD 4.43 billion worth of nickel in 2009, with a CAGR of 47.01% from 2000 to 2009. We believe that (i) the sustainable growth in the demand for nickel in the PRC, and (ii) the demand-supply imbalance in the nickel market have created a favourable business environment for suppliers of nickel concentrates and refined nickel.

Our Xinjiang mining and exploration projects are located within close proximity to the regional city of Hami, Xinjiang, which is approximately 400 km south east of Urumqi, the capital of Xinjiang Uygur Autonomous Region. Urumqi and Hami are connected via a national highway, a railway and also by air services.

During the period from late 2008 to the first half of 2009, the price of nickel and copper plummeted significantly following the global financial crisis. For example, the LME cash nickel price and the LME cash copper price, which peaked in May 2007 and July 2007 respectively, decreased by approximately 84% to USD8,934 per metric tonne in December 2008, and by approximately 68% to

USD2,810 per metric tonne in December 2008, respectively. Although both the LME cash nickel price and the LME cash copper price gradually increased to approximately USD15,700 per metric tonne and approximately USD5,000 per metric tonne in June 2009 respectively, demand for nickel and copper was dampened as a result of the economic slowdown after the global financial crisis.

Taking into account that (i) Mineral Resources and Ore Reserves are non-renewable in nature; (ii) the collapse in market prices of nickel and copper was temporary in nature, our Directors consider that it was not in the interest of our Company to sell any metal concentrates in the then prevailing market conditions in late 2008 and 2009, and we strategically suspended our sales for the period from October 2008 to December 2009.

We still carried out small-scale mining and ore processing activities in November and December 2008 after we suspended our sales from October 2008. In 2009, we continued to scale down our operations in mining and ore processing. Therefore the total amount of ores extracted from Project No. 2 and No. 20 was significantly decreased from approximately 121,420 tonnes in 2008 to approximately 48,803 tonnes in 2009. In addition to the production scale, we also postponed our proposed investment on capital expenditure of Project No. 2 and No. 20 during the 18 months ended 31 December 2009 to the first half of 2010. As a result, the total amount of ores extracted from Project No. 2 and No. 20 further decreased to approximately 29,926 tonnes in 2010 as the normal operation of Project No. 2 and No. 20 was negatively affected by the delay of our capital expenditure investment on Project No. 2 and No. 20.

We have resumed our sales of metal concentrates in January 2010 and recorded a gross profit of RMB4.5 million for the year. Upon the Listing, our management will continue to review our sales strategies from time to time based on the following criteria:

Prevailing market prices

Our management make reference to the prevailing market prices of metal products to formulate our selling price. Our management also review the profitability for each sales order and our Group's cost structure.

Trend of market prices of non-ferrous metal products

Our management analyse and forecast the trend of market prices of different metal products and review our production costs and production schedule.

Liquidity position and capital expenditure of the Company

Our mining projects have different capital expenditure requirement in different development stages. Our management lay down our Group's sales plan by taking into account (i) our liquidity position; (ii) the capital expenditure required for our mine projects; and (iii) the market demand of our metal products.

To monitor the implementation of the above sales strategies, a review committee, comprising all of our independent non-executive Directors, has been formed to review our sale strategies periodically. If there is any material change in our sale strategies or suspension of our sale activity, we will seek an approval from the review committee in advance.

Currently, our Group has three mining projects with valid mining and safety production permits, namely Project No.2, Project No. 20 and Project Baiganhu. However, Project No. 20 and Project Baiganhu are only expected to recommence/ commence commercial operation in the third quarter of 2012. Regarding Project No.2, we received verbal notification from the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in January 2011 to suspend our production in Project No.2 as a result of the implementation of the Consolidation Program. We were informed by the Hami Municipal Bureau of Land and Resources (哈密市國土資源局) in October 2011 that 新疆新鑫礦業股份有限公司 (Xinjiang Xinxin Mining Industry Co., Ltd.) (Stock Code: 3833) has been selected as the main integration entity (整合主體). As at the Latest Practicable Date, no concrete plan, including the pricing terms and timetable of the Consolidation Program, was formulated, so it is not feasible for our Directors to predict the completion date of the Consolidation Program. Our Directors consider that it is unlikely for us to resume mining activities on Project No.2. For the background and details of the Consolidation Program, please refer to the paragraph headed "The Impact of Mine Consolidation Policy of the PRC on Our Mining Projects" in the Business section of this prospectus.

Set out below is a summary of our concentrators and mining and exploration projects:

(i) **Concentrators**

Name of concentrators	Type of metal concentrate produced	Source of ores	Designed annual production capacity	Notes
Hami Jiatai Concentrator	Nickel concentrate and copper concentrate	Copper-nickel ores from Project No.2 and Project No.20	450,000 tonnes	1, 2 and 3
Hami Jinhua Concentrator	Lead concentrate and zinc concentrate	Lead-zinc ores from Project Baiganhu	450,000 tonnes	1 and 4

Notes:

1. *Our attributable share of the above concentrators is 90% as we only hold a 90% equity interest in Hami Jinhua.*

2. *Upon the commencement of commercial production of Project H-989, which is expected to be in the first half of 2013, it will supply copper-nickel ores to the Hami Jiatai Concentrator for processing. In addition, we also plan to purchase copper-nickel ores from independent suppliers in Hami for processing at the Hami Jiatai Concentrator.*

3. *The Hami Jiatai Concentrator commenced commercial operation in 2002. However, the scale production of the Hami Jiatai Concentrator has been suspended since January 2011 as we received verbal notification from the Hami Municipal Bureau of Land and Resources in January 2011 to suspend our production in Project No.2 as a result of the implementation of the Consolidation Program and is expected to resume in the third quarter of 2012.*

4. *Certain requisite approvals from the relevant authorities are pending before commencement of commercial production, which is expected in the second quarter of 2012.*

(ii) Mining and exploration projects

Project name	Type of ore under exploration/ mining	Type of permit obtained	Permit expiry date (month/ year)	Exploration area (km^2)	Annual operation scale	Whether covered by the Independent Technical Report	Notes
Project No. 2	Copper-nickel ore	Mining permit and safety production permit	June 2013 (Mining permit) and August 2013 (safety production permit)	0.32	30,000 tonnes	Yes	5, 6 and 7
Project No. 20	Copper-nickel ore	Mining permit and safety production permit	June 2018 (Mining permit) and January 2012 (safety production permit)	0.22	150,000 tonnes	Yes	5, 7 and 8
Project Baiganhu	Lead-zinc ore	Mining permit and safety production permit	November 2013 (Mining permit) and March 2014 (safety production permit)	0.96	300,000 tonnes	Yes	5, 7 and 9
Project Baiganhu Gold	Gold ore	Exploration permit	May 2014	1.28	Not applicable	No	5 and 10
Project H-989	Copper-nickel ore	Exploration permit	May 2014	1.91	Not applicable	Yes	5, 7 and 11
Project Heishan	Copper-nickel ore	Exploration permit	January 2014	20.26	Not applicable	No	5 and 10
Project Hongshanpo	Lead-zinc ore	Exploration permit	December 2013	3.98	Not applicable	No	5 and 10
Project Huangshan	Copper-nickel ore	Exploration permit	December 2012	3.49	Not applicable	No	5 and 10
Project Xidagou	Lead-zinc ore	Exploration permit	January 2014	4.78	Not applicable	No	5 and 10
Project Yinaoxia	Copper-gold ore	Exploration permit	January 2014	8.93	Not applicable	No	5 and 10

Notes:

5. *Our attributable share of the above mining and exploration projects is 90% as we only hold a 90% equity interest in Hami Jinhua.*

6. *In January 2011, we received verbal notification from the Hami Municipal Bureau of Land and Resources to suspend our production in Project No.2 as a result of the implementation of the Consolidation Program. For the background and details of the Consolidation Program, please refer to the paragraph headed "The Impact of Mine Consolidation Policy of the PRC on Our Mining Projects" in the Business section of this prospectus.*

7. *The estimation of the Mineral Resources and/or Ore Reserves of the relevant projects is included in the Independent Technical Report.*

8. *The mining activity of Project No.20 has not been active since January 2011 as it is under development to extract ores at a lower part of the ore bodies. We expect the scale production of Project No.20 will resume after the completion of the current mine development in the third quarter of 2012.*

9. *Project Baiganhu has not commenced commercial operation as its mine construction has not yet been completed.*

10. *The Independent Technical Report does not include the estimation of the Mineral Resources and/or Ore Reserves of the relevant projects as these projects are still at an early stage of exploration. Therefore, there is not sufficient information available for the Independent Technical Adviser to conduct JORC compliant geological and exploration review on such projects.*

11. *After almost six years of exploration effort, we have applied to the competent authority for a mining permit for Project H-989 in September 2011. It is expected that the valid mining permit for Project H-989 will be granted to us by January 2012.*

As Mineral Resources and Ore Reserves are non-renewable in nature, we believe the control of sizable Mineral Resources and Ore Reserves is fundamental to long-term sustainable expansion of our business. We believe that we are well-positioned to expand our Mineral Resources and Ore Reserves.

Currently, our Group holds seven exploration permits in Hami, Xinjiang. As advised by our PRC Legal Advisers, in accordance with the Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey (礦產資源勘查區塊登記管理辦法), the maximum duration of an exploration permit for mineral resources (other than petroleum and natural gas) is three years. When a renewal of exploration permit is needed, an application must be submitted to the competent authority for renewal of such exploration permit at least 30 days prior to the expiration date. According to Xinjiang Uygur Autonomous Region Administration Measures of Exploration Right and Mining Right (新疆維吾爾自治區探礦權采礦權管理辦法), each renewal term cannot exceed three years. There is no specific restriction or limitation on the number of times an exploration permit may be renewed. Upon obtaining satisfactory exploration results and if we consider these mineralisations are economically and commercially viable for mining, we will apply to the PRC government for a mining permit for the relevant area. In September 2011, we have applied to the competent authority for a mining permit for Project H-989. It is expected that the valid mining permit for Project H-989 will be granted to us by January 2012. Save for the above, we have no concrete timetable to apply for mining permits for the remaining exploration projects as the exploration results of these exploration projects do not yet satisfy the requirements for commercial mining activities.

In addition, through the Acquisition Agreements, we have conditionally agreed to acquire the entire equity interest of Shaanxi Jiarun and Shaanxi Jiahe, which will hold the mining permits for Project Huaba and Project Huangjinmei, respectively, before completion of the Acquisition Agreements.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 19 February 2010 as an exempted company with limited liability under Companies Law (Cap 22, as amended and revised) of the Cayman Islands. Pursuant to the Reorganisation, the Company obtained control of the companies comprising our Group by issuing its own shares in exchange for shares of Right Source and Fortune In; the assets and liabilities of the companies comprising the Group are the same immediately before and after the Reorganisation; and the ultimate shareholders before the Reorganisation have the same absolute and relative interests in the net assets of the companies comprising our Group immediately before and after the Reorganisation. For details of the Reorganisation, please refer to the section headed "Reorganisation" in this prospectus.

The financial information is presented using predecessor value accounting in a manner similar to the uniting of interests method. Under predecessor value accounting, the financial information consolidates the results and the carrying amounts of assets and liabilities of the companies comprising our Group as if our Group had always been existed. A single uniform set of accounting policies is adopted by all group companies. The carrying amounts of the companies comprising our Group are included as if the consolidated financial statements had been prepared for all periods presented, including adjustments required for conforming these group companies' accounting policies and applying those policies to all periods presented.

In our Company's balance sheet, the deemed cost of investment in subsidiaries recognised upon the Reorganisation is the existing book values of net assets of the group companies comprising our Group as at the date of Reorganisation.

Inter-company transactions, balances and unrealised gains or losses on transactions between group companies have been eliminated upon consolidation.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

Price of products

The selling price of our metal concentrates is determined by factors such as the average market prices of the relevant non-ferrous metal in standard form and quality for a certain period of time and changes in demand and supply of such non-ferrous metal concentrates in market. Price volatility of major non-ferrous metals is closely related to the global economy, the economic cycle in the PRC and the fluctuation of commodity markets.

During the period from late 2008 to 2009, the price of nickel and copper plummeted significantly following the global financial crisis. The prices of non-ferrous metals started to pick up in early 2009. In view of the collapse in market price of nickel and copper, and the dampened demand for nickel and copper as a result of the economic slowdown after the global financial crisis. Although the prices of non-ferrous metals started to pick up in early 2009, our Directors consider that it was not in the interest of our Company to sell any metal concentrates in the then prevailing market conditions, we strategically suspended our sales for a period from October 2008 to December 2009. And we have resumed our sales in January 2010.

As of January 2010, the prices of non-ferrous metal have increased gradually and we have resumed our sales in January 2010. For the year ended 31 December 2010, we sold 236.89 tonnes of nickel in nickel concentrates for approximately RMB24.0 million and 204.85 tonnes of copper in copper concentrates for RMB9.3 million. Although our operation in 2010 was limited, we sold our stocks produced during the two years ended 31 December 2009.

During the six months ended 30 June 2011, the prices of non-ferrous metal increased further. Although our production in Project No. 2 was suspended as a result of the implementation of the Consolidation Program, we still recorded sales volume of 141.61 tonnes of nickel in nickel concentrates for RMB16.1 million and 66.32 tonnes of copper in copper concentrates for RMB3.3 million by selling our inventories produced previously.

The following table sets forth the breakdown of our average price of the metal content in our metal concentrates and turnover by the metal content in our metal concentrates for the period indicated:

	For the year ended 31 December 2008	For the year ended 31 December 2009	For the year ended 31 December 2010	For six months ended 30 June 2010	For six months ended 30 June 2011
Average price of nickel in nickel concentrates (RMB per metric tonne)	105,300	—	101,404	99,710	113,582
Turnover of nickel in nickel concentrates (RMB)	11,279,773	—	24,021,582	20,244,074	16,084,322
Average price of copper in copper concentrates (RMB per metric tonne)	48,414	—	45,216	45,216	50,195
Turnover of copper in copper concentrates (RMB)	4,815,735	—	9,262,516	9,262,516	3,328,703
Average price of lead in lead concentrates (RMB per metric tonne)	—	—	11,208	—	—
Turnover of lead in lead concentrates (RMB)	—	—	3,202,333	—	—
Average price of zinc in zinc concentrates (RMB per metric tonne)	5,856	—	6,743	—	—
Turnover of zinc in zinc concentrates (RMB)	1,487,888	—	630,976	—	—
Average price of gold in copper concentrates (RMB/gram)	120.52	—	169.83	169.83	216.12
Turnover of gold in gold concentrates (RMB)	37,963	—	213,985	213,985	102,164
Average price of silver in copper concentrates (RMB/gram)	2.48	—	2.48	2.48	4.70
Turnover of silver in copper concentrates (RMB)	250,283	—	234,992	234,992	95,501

Note: In line with the market practice, we price our metal concentrates based on (i) the amount of metals contained in our metal concentrates; and (ii) the prevailing market prices of such metals. For details of our pricing policy, please refer to the section headed "Business — Sales and Marketing — Pricing Policy" of this prospectus. Our average grade of nickel concentrate, copper concentrate, zinc concentrate and lead concentrate are approximately 6%, 25%, 53.4% and 50.1%, respectively.

The sales prices of different concentrates are determined primarily based on the market prices. During the Track Record Period, the market prices for these metals have fluctuated significantly. The prices may be influenced by numerous factors beyond our control such as world supply and demand, selling and purchase activities by central banks and other macro-economic factors such as expectations regarding inflation rates, interest rates, currency exchange rates, as well as general global economic conditions and political trends. We do not currently employ any financial instruments to hedge market fluctuations. Fluctuations in market prices will have a material adverse impact on our profitability, results of operations and financial condition and future development plans.

Sales volume

Our sales volume is largely dependent upon a number of factors, primarily the demand for our products, our mineral reserves and our production capacity. In March 2010, we entered into sales contract with Nickel City for a term of 5 years expiring in December 2014. Nickel City has agreed to purchase 500 tonnes of nickel in nickel concentrates per annum. We have secured a stable customer for our nickel concentrates. On 15 December 2011, we entered into a 3-year sales agreement with 哈密欽泊利金屬有限公司 (Hami Qin Bo Li Metal Co. Ltd.) for the sales of copper in copper concentrates. For the details, please refer to the section headed "Business — Sales and Marketing — Customers" of this prospectus.

Save for the above, we have not entered into any long term sales contracts for our metal concentrates.

The following table sets forth the sales volume of the metal content in our metal concentrates for the period indicated:

	For the year ended 31 December 2008	**For the year ended 31 December 2009**	**For the year ended 31 December 2010**	**For six months ended 30 June 2010**	**For six months ended 30 June 2011**
Nickel in nickel concentrates (tonne)	107.12	—	236.89	203.03	141.61
Copper in copper concentrates (tonne)	99.47	—	204.85	204.85	66.32
Lead in lead concentrates (tonne)	—	—	285.71	—	—
Zinc in zinc concentrates (tonne)	254.09	—	93.59	—	—
Gold in copper concentrates (gram)	315	—	1,260	1,260	472.72
Silver in copper concentrates (gram)	100,930	—	94,492	94,492	20,302

Our future growth will largely be dependent on our capital investment plan to increase our mineral reserves and our production capacity. Hami Jinhua Concentrator is expected to commence commercial production in the second quarter of 2012 which will produce lead concentrate and zinc concentrate.

Dependent on certain major customers

For the year ended 31 December 2008, our sales were mainly derived from sales of nickel in nickel concentrates to Xinjiang Zhongxin, a nickel smelter in Hami, which accounted for approximately 63% of our sales. In March 2010, we entered into a sales contract with Nickel City for a term of 5 years expiring in December 2014. Nickel City has agreed to purchase 500 tonnes of nickel in nickel concentrates per annum. Nickel City is a procurement agent appointed by Jinchuan Group for sourcing nickel concentrates. For the year ended 31 December 2010, all of our sales were contributed by three customers and approximately 63.9% of our sales were made by our largest customer Nickel City. For the six months ended 30 June 2011, Nickel City accounted for approximately 84.0% of our sales. We anticipate that Nickel City will contribute a large percentage of our revenue onwards and up to 2014. In the event that Nickel City experiences unfavourable business conditions or we fail to sell metal concentrates to them on favourable terms and should we fail to identify new customers, there may be a material adverse impact on our profitability, results of operations and financial condition.

Cost of production

Major components of our costs of production are directly related to our production volume. The key factors impacting our costs of production include variations in production volume, raw materials and consumables used in production, hauling ore to the processing facilities, the costs of processing ore into concentrates, depreciation and amortization and staff costs.

We subcontracted our exploration and mining work to Independent Third Parties with relevant expertise and qualifications. Exploration activities carried out by subcontractors typically include geophysical prospecting (物探), chemical prospecting (化探), geological mapping (地質填圖), discovery of geological anomalies, trenching (槽探), exploration drilling (鑽探) and adit (平硐). Subcontracting fee will be paid in fixed amount by installments in accordance with the exploration progress. We also subcontracted the mine design and construction work and the haulage of ore from underground to ground surface of Project No. 2 to third-party subcontractors. For the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2011, we paid a total subcontracting fee of RMB4.6 million, RMB2.7 million, RMB1.7 million and nil respectively in relation to the labour cost on mining and hauling activities. Although we engage contractors for exploration and mining works, development and mining operations of mines are carried out under the supervision of our management and technical teams.

We expect our cost of production may increase in the future after the commence of operation of Project No. 20, Project Baiganhu and Project H-989, which will vary materially due to many factors, including the production volume, location and physical characteristics of the projects and different costs in subcontracts. Fluctuations in the cost of production will have a material adverse impact on our profitability.

Development, construction and mining operations

Our plans for expanding our business and operations are largely dependent on our ability to meet production, timing and cost estimates for our current mine development projects. The ability to obtain regulatory approval from the relevant government bureaus and financing are important factors what will affect the outlook of our current and future mine projects. For the period from the Acquisition Dates to 31 December 2008, capital expenditure on the acquisition of Hami Jinhua and Hami Jiatai was RMB143.8 million and upgrading of property, plant and equipment was RMB9.6 million. Capital expenditure on upgrading property, plant and equipment was approximately RMB0.7 million for the year ended 31 December 2009. During the year ended 31 December 2010, we paid deposit of RMB18 million in acquiring 100% equity interests of Shaanxi Jiahe and Shaanxi Jiarun for Project Haungjinmei and Project Hauba. For the six months ended 30 June 2011, we further paid a down payment of RMB10.0 million for the acquisition of Shaanxi Jiarun. We expect to incur capital expenditure for our mine projects and acquisitions of Shaanxi Jiarun and Shaanxi Jiahe are RMB36 million, RMB299 million and RMB272 million for the three years ending 31 December 2013 respectively.

PRC Government control and policies

Our operations are subject to extensive PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, development, production, taxation, labour standards, occupational health and safety, waste treatment and environmental protection and operation management. The PRC Government has full authority to grant, renew and terminate exploration, mining permits and safety production permits pursuant to relevant laws and regulations. While we expect to be able to renew our mining permit, production safety limits and convert any exploration permit into a mining permit, as necessary, at our mines, if for any reason we are unable to do so, our results of operations would be materially and adversely affected.

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial information of our Group are set out below. These policies have been consistently applied throughout the Track Record Period.

Our financial statements have been prepared in accordance with HKFRSs. Our significant accounting policies are set forth in note 3 to the Accountant's Report, as set out in Appendix I to this prospectus. We have identified below the accounting policies that we believe are the most critical to our consolidated financial statements.

Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sales of goods in the ordinary course of our Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within our Group.

Our Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of our Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Our Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) **Sales of goods**

Sales of goods are recognised when a Group entity has delivered products and transferred the significant risks and rewards of ownership of the product to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) **Interest income**

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, our Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of asset comprises of its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation of buildings, machinery and equipment, office equipment and others, and motor vehicles is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Machinery and equipment	10 years
Office equipment and others	3 to 7 years
Motor vehicles	4 to 6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Mining structures comprise the main and auxiliary mine shafts and underground tunnels. Depreciation of mining structures is provided to write off the cost of the mining structure using the unit-of-production method. Unit-of-production rate is based on reserves estimated to be recovered from existing facilities using current operating methods.

Construction in progress represents buildings, mining structure or machinery and equipment on which construction work has not been completed. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost. No depreciation is provided for construction in progress until they are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other (losses)/gains — net" in consolidated statements of comprehensive income.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of our Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

Land use rights

Land use rights are stated at cost less accumulated amortization and impairment losses. Cost represents consideration paid for the rights to use the land and expenditure that is directly attributable to the acquisition. Amortisation of land use rights is calculated on a straight-line basis over its useful lives.

Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses. Amortisation of mining rights is calculated to write off the cost less accumulated impairment losses over useful lives of the mines in accordance with the production plans and proved reserves of the mines on the unit-of-production method.

Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. The amount of fixed overhead allocated to each unit of production is based on normal operating capacity. Unallocated overheads resulted from low production or idle plant are recognised as cost of sales in the period in which they are incurred. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Provisions

Provisions for environmental restoration, reorganisation costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs which are directly attributable to: researching and analyzing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation costs are expensed as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised as property, plant and equipment if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in consolidated statements of comprehensive income.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Our Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Our critical accounting estimates and assumptions are set forth in Note 5 to the Accountant's Report as set out in Appendix I to this prospectus. We have set out below the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Carrying value of non-current assets

Our Group tests whether property, plant and equipment, land use rights and mining rights have been impaired due to events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount, in accordance with our accounting policies.

As at 31 December 2008, 2009 and 2010 and 30 June 2011, there was no impairment for property, plant and equipment, land use rights and mining rights. The recoverable amounts of different cash generating units to which the property, plant and equipment, land use rights and mining rights belong, have been determined based on value-in-use calculations using cash flow projections, based on financial budgets approved by our senior management covering a five-year period and management's assumptions and estimates including forecast of selling price of nickel, copper, lead and zinc, discount rates and inflation rate. Cash flows beyond the five-year period are assumed to be equal to the cash flow of year 2015 for cash generating units. The discount rates used in cash flow projections varied with different cash generating units.

Useful lives of property, plant and equipment

Our management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Mineral reserves

Engineering estimates of our Group's mineral reserves are inherently imprecise and represent only approximate amounts because of the subjective judgments involved in developing such information.

There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mineral reserves can be designated as "proved" and "probable". Proved and probable mineral reserve estimates are updated at regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mineral reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses and impairment losses. Depreciation rates are determined based on estimated proved mineral reserve quantity (the denominator) and capitalised costs of mining structures (the numerator). The capitalised cost of mining structures is amortised based on the units of products produced.

Income tax

Our Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Mining licenses

As at the Latest Practicable Date, our Group had mining permit for Project No.2, Project No. 20 and Project Baiganhu, which will expire in June 2013, June 2018 and November 2013, respectively. Our management believes that our Group will be able to renew these licenses at their option and at minimal cost, provided our Group complies with the terms of the license. The useful life of some of our Group's tangible and intangible assets would be reduced and our Group's operation results would be affected accordingly if any licenses could not be renewed.

OUR OPERATING RESULTS

Selected profit and loss data

The information presented below during the Track Record Period is derived from our consolidated financial statements included in the accountant's report as set out in Appendix I to this prospectus.

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	17,872	—	37,566	29,956	19,611
Cost of sales	(19,767)	(5,434)	(33,036)	(25,695)	(15,049)
Gross (loss)/profit	(1,895)	(5,434)	4,530	4,261	4,562
Distribution costs	(95)	—	(1,821)	(1,609)	(938)
Administrative expenses	(6,579)	(3,620)	(15,737)	(6,859)	(5,288)
Gains from bargain purchases	32,199	—	—	—	—
Other (losses)/gains — net	(643)	278	(345)	(340)	156
Operating profit/(loss)	22,987	(8,776)	(13,373)	(4,547)	(1,508)
Finance income	263	12	13,134	13,075	4,670
Finance costs	(116)	(89)	(4,002)	(559)	(3,306)
Finance income/(costs) — net	147	(77)	9,132	12,516	1,364
Profit/(loss) before income tax	23,134	(8,853)	(4,241)	7,969	(144)
Income tax credit	1,172	2,136	1,501	10	154
Profit/(loss) for the year/period	24,306	(6,717)	(2,740)	7,979	10
Other comprehensive income	—	—	—	—	—
Total comprehensive income/(loss)	24,306	(6,717)	(2,740)	7,979	10

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Profit/(loss)/ Total comprehensive income/(loss) attributable to:					
Equity holders of the Company	23,377	(6,050)	(3,374)	6,743	(220)
Non-controlling interests	929	(667)	634	1,236	230
	24,306	(6,717)	(2,740)	7,979	10
Earnings/(loss) per share attributable to the equity holders of the Company (expressed in Renminbi per share)					
- Basic and diluted	0.033	(0.008)	(0.005)	0.009	(0.0003)

Description of selected income statement line items

Revenue

Revenue represents the invoiced value of goods sold, net of trade discounts and/or returns. Our revenue is derived primarily from the sale of metal concentrates to customers. Our revenue is affected by our total sales volume, which is subject to our production capacity, and the average selling price of our concentrates.

The following table sets forth the breakdown of our revenue for the period indicated:

	Year ended 31 December									Six months ended 30 June					
	2008			2009			2010			2010			2011		
	Hami Jiatai	Hami Jinhua	Total	Hami Jiatai	Hami Jinhua	Total	Hami Jiatai	Hami Jinhua	Total	Hami Jiatai	Hami Jinhua	Total	Hami Jiatai	Hami Jinhua	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Nickel concentrate	11,280	—	11,280	—	—	—	24,022	—	24,022	20,245	—	20,245	16,084	—	16,084
Copper concentrate	1,197	3,619	4,816	—	—	—	9,262	—	9,262	9,262	—	9,262	3,329	—	3,329
Zinc concentrate	—	1,488	1,488	—	—	—	—	631	631	—	—	—	—	—	—
Lead concentrate	—	—	—	—	—	—	—	3,202	3,202	—	—	—	—	—	—
Others	84	204	288	—	—	—	449	—	449	449	—	449	198	—	198
	12,561	5,311	17,872	—	—	—	33,733	3,833	37,566	29,956	—	29,956	19,611	—	19,611

We recorded revenue of RMB17.9 million, nil, RMB37.6 million and RMB19.6 million for the years ended 31 December 2008, 2009 and 2010, and for the six month ended 30 June 2011 respectively. During the Track Record Period, we sold products including nickel concentrates and copper concentrates, which are intermediate products for smelting and refinery into refined nickel and refined copper. We mainly sold our products to smelters and trading companies. Among which, Nickel City is a procurement agent appointed by Jinchuan Group, a large integrated non-ferrous metallurgic and chemical engineering enterprise engaged in mining, concentration metallurgy and chemical engineering.

Cost of sales

Cost of sales includes subcontracting costs, cost of auxiliary materials used in the production process, staff costs, depreciation, electricity and water costs, production safety fee.

The following table sets forth the breakdown of the cost of sales for the period indicated:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Depreciation	4,654	7,160	7,795	4,724	2,789
Amortisation	2,069	1,180	715	199	34
Employee benefit expenses	1,964	1,358	1,116	238	—
Subcontracting expenses	4,602	2,685	1,685	679	—
Raw materials and consumable used	8,274	4,259	2,300	514	—
Consumption of semi-finished goods and finished goods acquired from business combinations	10,728	—	5,038	3,679	—
Changes in inventories of semi-finished goods and finished goods	(17,819)	(13,810)	11,170	14,638	11,852
Electricity consumed	3,278	1,885	1,354	260	—
Transportation expenses	1,286	—	124	—	—
Resources tax	485	332	166	35	—
Sales tax levies	95	—	419	61	372
Others	151	385	1,154	668	2
	19,767	5,434	33,036	25,695	15,049

Gross (loss)/profit

We recorded gross loss of RMB1.9 million for the year ended 31 December 2008, gross loss of RMB5.4 million for the year ended 31 December 2009 and gross profit of RMB4.5 million for the year ended 31 December 2010. Such fluctuations were mainly due to the fact that we strategically suspended our sales of metal concentrates for a period from October 2008 to December 2009 in response to the collapse in market price of nickel and copper and the dampened demand for nickel and copper as a result of the economic slowdown after the global financial crisis. We recorded gross loss of RMB1.9 million in 2008 was mainly due to the reasons that we incurred fixed overheads of RMB0.6 million including depreciation costs and amortisation costs for the period from October to December 2008; and the market selling prices of non-ferrous metals started to drop since early 2008, our cost of sales could not be adjusted and corresponded as quick as the decreasing trend of the market selling prices of non-ferrous metals.

We recorded gross profit of RMB4.6 million for the six months ended 30 June 2011.

Administrative expenses

Administrative expense primarily consist of professional fees associated with the preparation of the Listing, depreciation on property, plant and equipment and amortization expenses of land use rights, staff costs, resources compensation fees, office expenses and rental fees, exploration and evaluation expenses and other miscellaneous.

The following table sets forth the breakdown of the administrative expenses for the period indicated:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Depreciation	1,315	1,235	646	336	277
Amortisation of land use rights	—	221	220	74	77
Employee benefit expenses	1,325	1,268	1,024	553	917
Resources compensation fees	1,922	—	751	629	375
Resource tax	—	—	133	—	—
Auditors' remuneration	60	8	8	8	14
Office expenses and operating lease payments	569	481	497	227	200
Consulting fees	202	92	2,173	228	200
Exploration and evaluation expenses	785	45	4,395	245	697
Raw materials and consumables used	18	—	—	7	993
Industrial accident compensation	289	166	196	—	—
Expenses for preparation of initial public offering	—	—	5,366	4,370	864
Others	94	104	328	182	674
	6,579	3,620	15,737	6,859	5,288

Gains from bargain purchases

Gains from bargain purchases represent the negative goodwill, mainly arose from the acquisition of Hami Jiahua and Hami Jiatai in 2008. The former shareholders of the acquiree did not want to invest further capital expenditure in mining the residual mineral reserves but to cash in the investment through sale of business, as such, we acquired Hami Jiahua and Hami Jiatai at a bargain consideration.

For the year ended 31 December 2008, we recorded gains from bargain purchases of RMB32.2 million, of which RMB15.0 million arose from the acquisition of Hami Jinhua in March 2008 and RMB17.2 million arose from the acquisition of Hami Jiatai in May 2008.

Other (losses)/gains - net

Other (losses)/gains mainly represented (losses)/gains on disposal of property, plant and equipment, donations, penalty and other miscellaneous expenses. We had deducted the VAT on imported explosive materials for VAT calculation and payment for the years, 2007 to 2009, however, such deduction were not allowed. As such, we incurred penalty of RMB417,000 on our late tax payment of VAT to the local tax bureau in 2010. As confirmed by our Directors, we submitted VAT calculation and made VAT payment in accordance with the relevant rules and regulations after 2009 and no notice of penalty was received by us from the local tax bureau thereafter.

Finance income/(costs) - net

Our net finance income mainly included interest income from bank deposits, the net fair value gain of long term dividend payable after unwinding of discount on pre-acquisition dividend payable due to the re-measurement of the long-term portion using appropriate discount rate, exchange losses and unwinding of discount on provision for close down, restoration and environmental costs. Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in consolidated statements of comprehensive income within ‘finance income/(costs)-net’.

The following table sets forth the breakdown of finance income and finance costs for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Finance income					
- Interest income from bank deposits	263	12	64	5	85
- Fair value adjustment of pre-acquisition dividend payable	—	—	13,070	13,070	4,585
	263	12	13,134	13,075	4,670
Finance costs					
- Borrowings	(54)	—	—	—	—
- Exchange losses	—	—	(1,827)	—	(1,505)
- Unwinding of discount - provision for close down, restoration and environmental costs	(62)	(89)	(156)	(55)	(30)
- Unwinding of discount - pre-acquisition dividend payable	—	—	(2,019)	(504)	(1,771)
	(116)	(89)	(4,002)	(559)	(3,306)
Finance income/(costs)-net	147	(77)	9,132	12,516	1,364

Income tax credit

The following table sets forth the breakdown of our income tax credit for the period indicated:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit/(loss) before income tax	23,134	(8,853)	(4,241)	7,969	(144)
Tax calculated at domestic tax rates applicable to results in the respective countries	5,791	(2,208)	1,205	3,086	538
Tax effects by:					
- Income not subject to tax	(8,050)	—	(3,268)	(3,265)	(1,146)
- Expense not deductible for tax purposes	814	69	559	167	452
- Income tax exemption/deductions	271	—	—	—	—
- Tax losses for which no deferred income tax asset was recognised	2	3	3	2	2
Income tax credit	(1,172)	(2,136)	(1,501)	(10)	(154)

Our Company is an exempted company incorporated in the Cayman Islands and, as such, is not liable for taxation in the Cayman Islands on its non-Cayman Islands income.

Realty Investment was subject to Hong Kong profits tax at the tax rate of 16.5% for the period from 4 January 2008 (date of incorporation) to 31 December 2008 and each of the years ended 31 December 2009 and 2010. Realty Investment did not have any assessable profit for such periods.

Effective from 1 January 2008, Hami Jiatai and Hami Jinhua determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the PRC (the "new CIT Law") as approved by the National Congress on 16 March 2007. Under the new CIT Law, the corporate income tax rate applicable to Hami Jiatai and Hami Jinhua is 25% since 2008.

Hami Jiatai was entitled to a reduced tax rate of 15% from 2007 to 2008 pursuant to the approval obtained from the local tax bureau of Xinjiang Uygur Autonomous Region, the PRC. The applicable tax rate for Hami Jiatai for each of the years ended 31 December 2009 and 2010 and the six months ended 30 June 2011 was 25%.

Hami Jinhua was exempted from corporate income tax from 2007 to 2008 pursuant to the approval obtained from the local tax bureau of Hami City, Xinjiang Uygur Autonomous Region, the PRC. The applicable tax rate for Hami Jinhua for each of the years ended 31 December 2009 and 2010 and the six months ended 30 June 2011 was 25%.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATION

Six months ended 30 June 2011 compared to six months ended 30 June 2010

Revenue

We recorded revenue of RMB19.6 million for the six months ended 30 June 2011 compared to approximately RMB30.0 million for the six months ended 30 June 2010 represented a decrease of approximately RMB10.4 million or 34.7%. Such decrease was mainly due to a drop in total sales volume which fell by 49.0% as compared to the six months ended 30 June 2010. This was due to our suspension in production of our Project No. 2 for the period as a result of the implementation of the Consolidation Program. We sold our inventories produced in the previous years. The decrease in sales volume was partially offset by the increase in sales price. Our average selling price for nickel concentrate rose by 13.92%, copper concentrate by 11.01%, gold concentrate by 27.26% and silver concentrate by 89.52% for the six months ended 30 June 2011 as compared to that in the same period of 2010.

Cost of sales

Cost of sales decreased by RMB10.7 million or 41.6% from RMB25.7 million for the six months ended 30 June 2010 to RMB15.0 million for the six months ended 31 June 2011. The decrease in cost of sales was in line with the decrease in our sales due to the suspension of production of our Project No. 2 since January 2011.

Gross profit

As a result of the foregoing, we derived a gross profit of RMB4.6 million for the six months ended 30 June 2011, represented an increase of RMB0.3 million or 7.0%, from that of RMB4.3 million for the six months ended 30 June 2010.

Administrative expenses

Administrative expenses decreased by RMB1.6 million or 23.2% from RMB6.9 million for the six months ended 30 June 2010 to RMB5.3 million for the six months ended 30 June 2011. Such decrease was mainly due to the recognition of RMB4.4 million as expenses for preparation of initial public offering for the six months ended 30 June 2010 whereas only RMB0.9 million was recognised for the six months ended 30 June 2011.

Other (losses)/gains-net

We recorded RMB0.2 million as other gains-net for the six months ended 30 June 2011 reversing from a loss of RMB0.3 million for the six months ended 30 June 2010. During the six months ended 30 June 2010, the Group recognised RMB417,000 arose from penalty related to our late tax payment of VAT. During the six months ended 30 June 2011, no such penalty was incurred.

Finance income-net

For the six months ended 30 June 2011, the Group recorded a net finance income of RMB1.4 million as compared to RMB12.5 million for the six months ended 30 June 2010. For the six months ended 30 June 2010, the Group recorded a net fair value gain of RMB 13.1 million on re-measurement of the non-current portion of the pre-acquisition dividend payable after unwinding of discount pursuant to an agreement entered with the previous equity holders on 28 April 2010. For the six months ended 30 June 2011, a supplementary agreement was then entered on 9 March 2011 and further revised the terms of the dividend payable resulting a net fair value adjustment after unwinding of discount of RMB2.8 million. Such a gain was partially offset by an exchange loss of RMB1.5 million.

Income tax credit

Our income tax credit increased by RMB144,000 or 1,440% from approximately RMB10,000 for the six months ended 30 June 2010 to RMB154,000 for the six months ended 30 June 2011. Our income tax credit represented our deferred tax which were mainly for depreciation and carry-forward tax loss.

Profit/(loss) and total comprehensive income/(loss) attributable to our equity holders

As a result of foregoing, loss attributable to our equity holders was RMB0.2 million for the six months ended 30 June 2011 and as compared to profit attributable to our equity holders of RMB6.7 million for the six months ended 30 June 2010.

Year ended 31 December 2010 compared to year ended 31 December 2009

Revenue

We recorded revenue of RMB37.6 million for the year ended 31 December 2010 as compared to nil for the year ended 31 December 2009. In 2010, we entered into the sales contract with Nickel City for a term of 5 years expiring in December 2014. For the year ended 31 December 2010, we sold 236.89 tonnes of nickel in nickel concentrates to Nickel City for approximately RMB24.0 million and 204.85 tonnes of copper in copper concentrates to one trading company for RMB9.3 million. We also sold RMB4.3 million of lead in lead concentrates, zinc in zinc concentrates, gold in copper concentrates and silver in copper concentrates to some other trading companies. Although our operation in 2010 was limited, we sold our stocks accumulated from 2008 to 2009.

In 2009, due to the collapse in market price of nickel and copper, and the dampened demand for nickel and copper as a result of the global economic slowdown in late 2008 and 2009, we strategically suspended our sales for a period from October 2008 to December 2009 and we did not record any revenue for the year ended 31 December 2009.

Cost of sales

Cost of sales increased by RMB27.6 million, or 511.1% to RMB33.0 million for the year ended 31 December 2010 from RMB5.4 million for the year ended 31 December 2009. In 2010, our cost of sales mainly included depreciation of RMB7.8 million, cost of inventories acquired from Hami Jinhua and Hami Jiatai of RMB5.0 million and cost of finished goods we sold of RMB11.2 million. Since we had suspended our sales activities for a period from October 2008 to December 2009, costs in relation to mining and ore processing are capitalised into inventories. Our cost of sales for the year ended 31 December 2009 were mainly represented depreciation of idle capacity incurred during the period.

Gross (loss)/profit

As a result of the foregoing, we derived gross profit of RMB4.5 million for the year ended 31 December 2010 and gross loss of RMB5.4 million for the year ended 31 December 2009.

Administrative expenses

Administrative expenses increased by RMB12.1 million, or 336.1%, to RMB15.7 million for the year ended 31 December 2010 from RMB3.6 million for the year ended 31 December 2009.

Such increase in administrative expenses was mainly contributable to: (i) an increase in our exploration and evaluation expense of RMB4.4 million due to we engaged and paid an independent exploration company to start the exploration activities of our Project H-989 in the year; (ii) an increase in professional fees in relation to preparation of the Listing of RMB5.4 million in 2010; and (iii) an increase in consulting fees of RMB2.2 million in relation to professional fees paid on advising and incorporation of our group companies for the Listing.

For the year ended 31 December 2009, since we scaled down our operation, our administrative expenses were limited, included mainly depreciation of RMB1.2 million, staff costs of RMB1.3 million, amortisation of land use rights of RMB0.2 million and office expenses and rental fees of RMB0.5 million.

Other (losses)/ gain - net

We recorded other net losses of RMB0.3 million for the year ended 31 December 2010, which included penalty of RMB0.4 million represented the penalty we paid in relation to our late tax payment of VAT offset by gain on disposal of property, plant and equipment of RMB45,000 and subsidy income of RMB36,000. For the year ended 31 December 2009, other net gains of RMB0.3 million mainly included gain on disposal of motor vehicles of approximately RMB0.4 million, offset by donations and other losses of approximately RMB0.2 million.

Finance income / (costs) - net

Net finance income were RMB9.1 million for the year ended 31 December 2010 as compared to net finance costs of RMB77,000 for the year ended 31 December 2009. We recorded net fair value gain of pre-acquisition dividend payable of RMB11.1 million after unwinding of discount on pre-acquisition dividend payable of RMB2.0 million due to the re-measurement of the long-term portion using appropriate discount rate, and offset by exchange losses of RMB1.8 million in 2010. Net finance costs in 2009 mainly included unwinding of discount on provision for close down, restoration and environmental costs.

Income tax credit

Our income tax credit decreased by RMB 0.6 million, or 28.6%, to RMB1.5 million for the year ended 31 December 2010 from that of RMB2.1 million for the year ended 31 December 2009. Our income tax credit represented our deferred tax which were mainly for depreciation, pre-operating expenses and carry-forward tax loss.

Loss and total comprehensive loss attributable to our equity holders

As a result of foregoing, loss attributable to our equity holder decreased by RMB2.7 million, or 44.2%, to RMB3.4 million for the year ended 31 December 2010 from that of RMB6.1 million for the year ended 31 December 2009. Although our operation in 2010 was limited, we sold some of our accumulated stocks to Nickel City pursuant to the long-term sales contract. However in 2009, we strategically scaled down our operations and suspended our sales. As such, we recorded greater loss attributable to our equity holders in 2009 than in 2010.

Year ended 31 December 2009 compared to year ended 31 December 2008

Revenue

We began exploration, mining, and ore processing activities after acquiring control of Hami Jinhua through Realty Investment in March 2008 and Hami Jiatai through Hami Jinhua in May 2008. For the year ended 31 December 2008, we recognised revenue of RMB17.9 million, among which, we sold approximately 107.12 tonnes of nickel in nickel concentrates, 99.47 tonnes of copper in copper concentrates, 254.08 tonnes of zinc in zinc concentrates, 315 grams of gold in copper concentrates and 100,921 grams of silver in copper concentrates. In the same period, the average selling price of nickel in nickel concentrates, copper in copper concentrates, zinc in zinc concentrates, gold in copper concentrates and silver in copper concentrates was approximately RMB105,300 per tonne, RMB48,414 per tonne, RMB5,856 per tonne, RMB120.52 per gram and RMB2.48 per gram.

For the year ended 31 December 2009, we strategically suspended our sales and we did not record any revenue.

Cost of sales

Cost of sales, decreased by RMB14.4 million, or 72.7%, to RMB5.4 million for the year ended 31 December 2009 from that of RMB19.8 million for the year ended 31 December 2008.

In 2008, our cost of sales primarily included depreciation of RMB4.7 million, amortisation of RMB2.1 million, staff costs of RMB2.0 million, subcontracting labour cost on mining and hauling operation of RMB4.6 million, raw materials and consumable used during ore processing of RMB8.3 million and cost of inventories acquired from Hami Jinhua and Hami Jiatai of RMB10.7 million which was offset by the cost of inventories of finished goods capitalised of RMB17.8 million. .

In 2009, we continued to scale down our operations in mining and ore processing and suspended our sales of metal concentrates. As such our cost of sales amounted to RMB5.4 million and mainly represented depreciation expenses.

Gross loss

As a result of the foregoing, we derived gross loss of RMB5.4 million for the year ended 31 December 2009 and gross loss of RMB1.9 million for the year ended 31 December 2008.

Administrative expenses

Administrative expenses, decreased by 3.0 million or 45.5%, from RMB6.6 million for the year ended 31 December 2008 to RMB3.6 million for the year ended 31 December 2009.

The decrease in administrative expenses was mainly due to (i) no resources compensation fees was paid in 2009 as compared to RMB1.9 million in 2008, as we did not sell any of our metal concentrates; (ii) decrease in exploration and evaluation expenses to RMB45,000 in 2009 from RMB785,000 in 2008 as we scaled down of our exploration activities in 2009.

Other (losses)/gains — net

Other net gains amounted to RMB0.3 million for the year ended 31 December 2009 as compared to other net losses of RMB0.6 million for the year ended 31 December 2008. Our other net gains mainly included gains on disposal of property, plant and equipment in 2009. Our other net losses mainly included losses on disposal of property, plant and equipment and donations for the year ended 31 December 2008.

Finance income/(costs) — net

Net finance costs amounted to RMB77,000 for the year ended 31 December 2009 which mainly included unwinding of discount on provision for close down, restoration and environmental costs of RMB89,000 offset by interest income from bank deposits of RMB12,000.

Net finance income amounted to RMB147,000 for the year ended 31 December 2008 which mainly included interest income from bank deposits of RMB263,000 offset by unwinding of discount on provision for close down, restoration and environmental costs of RMB62,000 and interest expense for borrowings of RMB54,000.

Income tax credit

Our income tax credit were RMB2.1 million and RMB1.2 million for the year ended 31 December 2009 and for the year ended 31 December 2008 respectively which represented our deferred tax assets mainly for depreciation, pre-operating expenses and carry-forward tax loss.

Profit/(loss) and total comprehensive income/(loss) attributable to our equity holders

As a result of our scaled down of operations and suspended sales activities, we recorded loss attributable to our equity holders for the year ended 31 December 2009 of RMB6.1 million. Since we recorded once-off gains from bargain purchases of Hami Jinhu and Hami Jiatai in 2008, profit attributable to our equity holders were RMB23.4 million for the year ended 31 December 2008.

ANALYSIS OF CERTAIN BALANCE SHEET ITEMS

The following table sets forth certain balance sheet items for the period indicated:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	89,747	77,958	70,238	67,173
Mining rights	131,606	130,426	129,711	129,711
Land use rights	10,271	10,050	9,830	10,431
Available-for-sale financial assets	3,480	—	—	—
Prepayments for investments	—	—	18,000	28,000
Current assets				
Inventories	27,345	40,068	23,020	11,112
Other receivables and prepayments	25,290	22,970	2,730	3,284
Non-current liabilities				
Pre-acquisition dividend payable — non-current portion	—	—	50,949	63,135
Provision for close down, restoration and environmental costs	1,774	1,863	2,019	2,049
Current liabilities				
Pre-acquisition dividend payable — current portion	92,000	92,000	30,000	15,000
Trade payables	4,831	4,997	5,982	1,823
Other payables and accruals	26,070	32,785	13,093	15,971

Note: Except for the dividend declared by Hami Jiatai to its former equity holders prior to the date of its acquisition by the Group in May 2008, no dividend has been paid or declared by our Company or the companies comprising our Group during the Track Record Period. The fair value gain of pre-acquisition dividend payable of RMB13.1 million derived from the re-measurement of the long-term portion for the year ended 31 December 2010 did not represent any cash inflow to our Group, and which would not be available for dividend distribution.

Property, plant and equipment

Our property, plant and equipment amounted to RMB89.7 million, RMB78.0 million, RMB70.2 million and RMB67.2 million as at 31 December 2008, 2009, 2010 and 30 June 2011 respectively. Our property, plant and equipment mainly included buildings owned by us in Hami Jinhua Concentrator and Hami Jiatai Concentrator, machinery and equipment, mining structures and construction in progress. The decreasing trend of our property, plant and equipment was mainly due to the depreciation expenses charged.

Mining rights

Our mining rights amounted to RMB131.6 million, RMB130.4 million, RMB129.7 million and RMB129.7 million as at 31 December 2008, 2009, 2010 and 30 June 2011 respectively. As a result of the acquisitions of Hami Jinhua and Hami Jiatai in April 2008 and May 2008 respectively, we obtained mining rights of Project Baiganhu at fair value of RMB84.5 million and mining rights of Project No.2 and Project No. 20 at fair value of RMB49.0 million. We recognised amortisation charge on mining rights of RMB0.2 million, RMB0.1 million, RMB0.1 million and nil for the years ended 31 December 2008, 2009 and 2010, and the six months ended 31 June 2011, respectively.

Land use rights

Our land use rights amount to RMB10.3 million, RMB10.1 million, RMB9.8 million and RMB10.4 million as at 31 December 2008, 2009, 2010 and 30 June 2011 respectively, which represented the land use rights we acquired from Hami Jinhua and Hami Jitai in 2008. We recognised amortisation charge on land use rights of RMB0.2 million, RMB0.2 million, RMB0.2 million and RMB0.1 million for the years ended 31 December 2008, 2009 and 2010, and the six months ended 31 June 2011, respectively. During the six months ended 30 June 2011, we acquired additional land use right of RMB0.7 million in relation to the land use rights of our concentrators.

Available-for-sale financial assets

As at 31 December 2008, the available-for-sale financial assets of RMB3.5 million represented 6% equity interest in Xinjiang Zhongxin held by Hami Jinhua. Since Hami Jinhua only held minority interest in Xinjiang Zhongxin, when an Independent Third Party offered to acquire the stake, Hami Jinhua took the chance to exit the investment. The investment in Xinjiang Zhongxin was disposed of in June 2009 at a consideration of RMB3.5 million. Such disposal was negotiated and conducted on an arm's length basis and on normal commercial terms.

Prepayment for investments

In May 2010, we entered into Acquisition Agreements with Shaanxi Jiatai Hengrun to acquire 100% equity interest of Shaanxi Jiarun and Shaanxi Jiahe. We paid consideration of RMB18 million in 2010, which represented our prepayment of investments under non-current asset.

In June 2011, our Group, Shaanxi Jiatai and Shaanxi Jiarun entered into a supplementary agreement pursuant to which we further prepaid a down payment of RMB10 million to Shaanxi Jiatai for the acquisition of Shaanxi Jiarun, and other conditions of the deal remain unchanged. As at 30 June 2011, total down payments paid for acquisition of the Shaanxi Jiarun and Shaanxi Jiahe amounted to RMB28 million.

Inventories

Our inventory mainly consists of raw materials spare parts and consumables to be used in production, semi-finished goods raw ore exploited from our mines and finished goods metal concentrates produced from our concentrators. The following table sets forth breakdown of our inventories for the period indicated:

	As at 31 December			**As at 30 June**
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	4,518	3,431	2,634	2,578
Semi-finished goods	3,942	2,574	2,531	2,531
Finished goods	18,885	34,063	17,855	6,003
	27,345	40,068	23,020	11,112

The following table sets forth the aging analysis of our inventories as at 31 December 2008:

	Raw materials	**Semi-finished goods**	**Finished goods**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-180 days	4,518	3,942	18,885	27,345
181-365 days	—	—	—	—
Over 1 year	—	—	—	—
	4,518	3,942	18,885	27,345

The following table sets forth the aging analysis of our inventories as at 31 December 2009:

	Raw materials	Semi-finished goods	Finished goods	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-180 days	640	406	8,410	9,456
181-365 days	2,177	—	6,768	8,945
Over 1 year	614	2,168	18,885	21,667
	3,431	2,574	34,063	40,068

The following table sets forth the aging analysis of our inventories as at 31 December 2010:

	Raw materials	Semi-finished goods	Finished goods	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-180 days	1,558	363	9,202	11,123
181-365 days	462	—	—	462
Over 1 year	614	2,168	8,653	11,435
	2,634	2,531	17,855	23,020

The following table sets forth the aging analysis of our inventories as at 30 June 2011:

	Raw materials	Semi-finished goods	Finished goods	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-180 days	—	—	—	—
181-365 days	1,558	363	6,003	7,924
Over 1 year	1,020	2,168	—	3,188
	2,578	2,531	6,003	11,112

As at 31 December 2008, 2009 and 2010, inventories were approximately RMB27.3 million, RMB40.1 million and RMB23.0 million respectively, among which, around 70% of the inventories were metal concentrates. The inventory balance of metal concentrates increased by approximately RMB15.2 million, or 80.4%, to approximately RMB34.1 million as at 31 December 2009 as we continued the production of copper concentrates and nickel concentrates but no sales of which was conducted during the year ended 31 December 2009. For the year ended 31 December 2010, we sold nickel concentrates and copper concentrates pursuant to Nickel City and a trading company. The inventory balance of metal concentrates, therefore, decreased by approximately RMB16.2 million, or 47.5%, to approximately RMB17.9 million as at 31 December 2010.

The balance of inventories decreased to RMB11.1 million as at 30 June 2011 as a result of production suspension when the sales were supported by the previously produced inventories. The value of metal concentrates dropped to approximately 54% of our total inventory value.

As at 31 October 2011, the subsequent usage of our Group's inventory as at 31 December 2010 was RMB11.9 million and the subsequent usage of our Group's inventory as at 30 June 2011 was RMB115,000.

Other receivables and prepayments

The following table sets forth breakdown of our other receivables and prepayments for the period indicated:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from Beijing Jiatai Hengrun Investment Co. Ltd.	600	1,932	—	—
Amounts due from Mr. Wei Xing	1,140	552	313	341
Amounts due from Hami Jiahua	19,748	18,314	—	—
Others	760	765	2,244	2,770
Less: impairment provision	(30)	(48)	(39)	(39)
	22,218	21,515	2,518	3,072
Advances to suppliers — third parties	3,072	1,455	212	212
	25,290	22,970	2,730	3,284

As at 31 December 2008, 2009 and 2010 and 30 June 2011, other receivables and prepayments were RMB25.3 million, RMB23.0 million, RMB2.7 million and RMB3.3 million respectively.

Beijing Jiatai Hengrun Investment Co. Ltd. ("Beijing Jiatai") is ultimately controlled by Mr. Wang Dianyun, the former director of Hami Jinhua. As at 31 December 2008, amounts due from Beijing Jiatai of RMB0.6 million represented money advanced to Beijing Jiatai. The balance increased by RMB1.3 million to RMB1.9 million as at 31 December 2009, which represented the receivables on the sale of sedans to Beijing Jiatai. As at December 2010 and 30 June 2011, all the receivables due from Beijing Jiatai were settled.

Amounts due from Mr. Wei Xing, an Independent Third Party, were RMB1.1 million, RMB0.6 million, RMB0.3 million and RMB0.3 million as at 31 December 2008, 2009, 2010 and 30 June 2011 respectively, which represented advances to Mr. Wei Xing. The amounts due from Mr. Wei Xing will be fully settled prior to the Listing.

Amounts due from Hami Jiahua were RMB19.7 million and RMB18.3 million as at 31 December 2008 and 2009 respectively, which represented money advanced to and payment on behalf of Hami Jiahua. As at 31 December 2010 and 30 June 2011, all the receivables due from Hami Jiahua were settled.

Others were RMB0.8 million, RMB0.8 million, RMB2.2 million and RMB2.8 million as at 31 December 2008, 2009, 2010, and 30 June 2011. The increase in others as at 31 December 2010 and 30 June 2011 was in relation to the prepayments of professional fees in relation to the preparation of the Listing.

As advised by our PRC Legal Advisers, it is not allowed for an enterprise without loan provision permit to provide loans to other enterprises pursuant to the General Lending Provisions (貸款通則), issued by People's Bank of China ("**PBOC**") in 1996. Any enterprise breaches it through providing loans to other enterprises may receive punishment from PBOC, including being imposed on a fine equivalent to one time to five times of its income derived from such loan transactions. We have made certain advances to the above third parties during the Track Record Period. However, no written agreements were entered into by such third parties and us, and no interests were agreed on or collected by us. We made such advances without collecting any interest. As such, our PRC Legal Advisers are of the opinion that the General Lending Provisions are not applicable to such advances of us.

Our purchase of raw materials from suppliers was in a decreasing trend for the three years ended 31 December 2010 as we slowed down our operation, especially in 2009, during these years. Therefore, the balance of prepayments to suppliers decreased from RMB3.1 million as at 31 December 2008 to RMB1.5 million as at 31 December 2009, and further decreased to RMB0.2 million as at 31 December 2010 and 30 June 2011.

Pre-acquisition dividend payable

Our pre-acquisition dividend payable in total amounted to RMB92.0 million, RMB92.0 million, RMB80.9 million and RMB78.1 million as at 31 December 2008, 2009, 2010 and 30 June 2011 respectively. On 28 April 2010, Hami Jiatai and its previous shareholders, namely Mr. Wei Xing, Ms. Wei Xuedan and Mr. Xie Weidong, entered into an agreement pursuant to which Hami Jiatai will pay dividends of RMB92.0 million due to such shareholders in instalments up to 31 December 2014 and the amount to be paid in each year will not be less than RMB15.0 million. A net fair value gain of pre-acquisition dividend payable of RMB11.1 million after unwinding of discount of RMB2.0 million due to the re-measurement of the long-term portion using appropriate discount rate was credited to consolidated statements of comprehensive income as finance income for the year ended 31 December 2010. On 9 March 2011 and 11 July 2011, Hami Jiatai and its previous shareholders further entered into two supplementary agreements, pursuant to which (i) Hami Jiatai will pay the dividends in instalments during the period from 31 December 2011 to 31 December 2015, and the amount to be paid in each year will not be less than RMB15.0 million; and (ii) Hami Jiatai will pay the first instalment within six months from the Listing Date or on 31 December 2012, whichever is earlier. As a result, the non-current portion was re-measured and a gain of RMB4.6 million was recognised as finance income.

Provision for close down, restoration and environmental costs

Provision for close down, restoration and environmental costs amounted to RMB1.8 million, RMB1.9 million, RMB2.0 million and RMB2.0 million as at 31 December 2008, 2009, 2010 and 30 June 2011 respectively. The provision was recognised for the present value of costs to be incurred for the restoration of tailings dam and mining structures which was determined by our management based on their past experience and best estimate of future expenditure by discounting the expected expenditures to their net present value.

Trade payables

Our trade payables amounted to RMB4.8 million, RMB5.0 million, RMB6.0 million and RMB1.8 million as at 31 December 2008, 2009, 2010 and 30 June 2011 respectively, which represented our purchase of spare parts and consumables from third parties suppliers.

The following table sets forth the ageing analysis of trade payables for the period indicated:

	As at 31 December			**As at 30 June**
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-90 days	211	11	3,767	158
91-180 days	530	108	169	261
181-365 days	1,873	858	172	135
Over 365 days	2,217	4,020	1,874	1,269
	4,831	4,997	5,982	1,823

Our suppliers usually granted us a credit period ranging from 30 days to 60 days. As confirmed by our Directors, the balances of trade payables over 365 days amounted to RMB2.2 million, RMB4.0 million, RMB 1.9 million and RMB1.3 million as at 31 December 2008, 2009, 2010 and 30 June 2011 mainly represented the balance of retention money payable to our subcontractors and suppliers of equipment and materials. The payment of retention money is subject to the inspection and acceptance of subcontractors' work and/or machinery and materials by us, work and/or product quality provided by the subcontractors and suppliers within a specific period and negotiation between the subcontractors and suppliers and us.

Other payables and accruals

The following table sets forth a breakdown of other payables and accruals for the period indicated:

	As at 31 December			**As at 30 June**
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	15,136	24,501	3,008	1,978
Customer deposits and receipts in advance	2,019	—	—	—
Salary and welfare payables	3,687	4,137	4,329	4,429
Accrued taxes other than income tax	5,228	4,147	5,756	9,564
	26,070	32,785	13,093	15,971

Other payables and accruals amounted to RMB26.1 million, RMB32.8 million, RMB13.1 million and RMB16.0 million as at 31 December 2008, 2009, 2010 and 30 June 2011 respectively.

Our accrued taxes other than income tax amounted to RMB5.2 million, RMB 4.1 million, RMB5.8 million and RMB9.6 million as at 31 December 2008, 2009, 2010 and 30 June 2011 respectively, which mainly represented value added tax, resources tax and resource compensation tax payable.

The following table sets forth a breakdown of our other payables for the period indicated:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables				
Amounts due to Beijing Jiatai	10,316	20,786	1,221	—
Amounts due to Mr. Wei Xing	1,847	1,221	—	—
Amounts due to other third parties	2,973	2,494	1,787	1,978
	15,136	24,501	3,008	1,978

Amounts due to Beijing Jiatai were RMB10.3 million, RMB20.8 million, RMB1.2 million and nil as at 31 December 2008, 2009, 2010 and 30 June 2011 respectively. Beijing Jiatai is ultimately controlled by Mr. Wang Dianyun, the former director of Hami Jinhua. As such, in 2008 and 2009, certain expenses including capital expenditure on procuring property, plant and machinery, construction expenses and purchase of raw materials were paid by Beijing Jiatai on behalf of our Group. We repaid a large portion of the amounts due to Beijing Jiatai during the year 2010 with balance decreased to RMB1.2 million as at 31 December 2010. The amounts due to Beijing Jiatai were fully settled as at 30 June 2011 and our Directors confirm that such payment by Beijing Jiatai on behalf of our Group will not continue after the Listing.

As at 31 October 2011, the subsequent settlement of trade payables and other payables and accruals as at 31 December 2010 was RMB7.7 million and the subsequent settlement of trade payables and other payables and accruals as at 30 June 2011 was RMB3.8 million.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we funded our operations principally with the loans from shareholders, disposal of available-for-sale financial assets and capital contribution of an equity holder. Our primary uses of funds included our operation expenses, purchase of property, plant and equipment and the acquisition of our subsidiaries, Hami Jinhua and Hami Jiatai. Our Directors confirm that our Group did not encounter any liquidity problems during the Track Record Period. Going forward, we expect that cash generated from operations, bank borrowing together with the proceeds of the Share Offer, will be our primary sources of liquidity as well as funding for capital expenditures.

As at 30 June 2011, our current assets of RMB76.2 million was comprised of inventories of RMB11.1 million, trade receivables of RMB0.6 million, other receivables and prepayments of RMB3.3 million, cash and cash equivalents of RMB59.8 million and restricted cash at banks of RMB1.4 million. Our current liabilities of RMB33.5 million was mainly comprised of the current portion of pre-acquisition dividend payable of RMB15.0 million, trade payables of RMB1.8 million, other payables and accruals of RMB16.0 million and income tax payable of RMB0.7 million respectively.

Consolidated statements of cash flows

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Net cash (used in)/generated from operating activities	(4,143)	(7,360)	12,653	24,472	8,189
Net cash (used in)/generated from investing activities	(83,087)	7,141	(18,553)	(674)	(10,703)
Net cash generated from financing activities	89,000	—	67,947	—	—
Net increase/(decrease) in cash and cash equivalents	1,770	(219)	62,047	23,798	(2,514)
Cash and cash equivalents at beginning of the year/period	—	1,770	1,551	1,551	63,598
Exchange differences on cash and cash equivalents	—	—	—	—	(1,296)
Cash and cash equivalents at end of the year/period	1,770	1,551	63,598	25,349	59,788

Net cash (used in)/generated from operating activities

Net cash generated from operating activities for the six months ended 30 June 2011 was RMB 8.2 million. Our net cash used in operating activities for the six months ended 30 June 2011 was attributable to the cash generated from operations before working capital changes of RMB1.7 million; a decrease in inventory of RMB11.9 million; an increase in trade and other receivables and prepayments of RMB1.3 million; a decrease in trade and other payables and accruals of RMB1.3 million; an increase in restricted cash of RMB1.4 million and income tax paid of RMB1.4 million.

Net cash generated from operating activities for the year ended 31 December 2010 was RMB12.7 million. Our net cash used in operating activities for the year ended 31 December 2010 was attributable to the cash used in operations before working capital changes of RMB4.1 million, decrease in inventories of RMB17.0 million; a decrease in trade and other receivables and prepayments of RMB19.9 million; and a decrease in trade and other payables and accruals of RMB20.3 million.

Net cash used in operating activities for the year ended 31 December 2009 was RMB7.4 million. Our net cash used in operating activities for the year ended 31 December 2009 was attributable to the generated from operations before working capital changes of RMB0.6 million, an increase in inventories of RMB12.7 million as we suspended our sales in 2009; a decrease in trade and other receivables and prepayments of RMB2.3 million; an increase in trade and other payables and accruals of RMB7.1 million and income tax paid of RMB4.7 million.

Net cash used in operating activities for the year ended 31 December 2008 was RMB4.1 million. Our net cash used in operating activities for the year ended 31 December 2008 was attributable to the cash used in operations before working capital changes of RMB0.6 million; an increase in inventories of RMB5.1 million, a decrease in trade and other receivables and prepayments of RMB16.2 million, a decrease in trade and other payables and accruals of RMB14.6 million.

Net cash (used in)/generated from investing activities

For the six months ended 30 June 2011, our net cash used in investing activities was RMB10.7 million consisted primarily of down payment of RMB10.0 million to Shaanxi Jiatai for the acquisition of Shaanxi Jiarun under a supplementary agreement pursuant to the Acquisition Agreement.

For the year ended 31 December 2010, our net cash used in investment activities was RMB18.6 million, consisted primarily of the deposit paid in acquiring 100% equity interests of Shaanxi Jiahe and Shaanxi Jiarun of RMB18.0 million pursuant to the Acquisition Agreements.

For the year ended 31 December 2009, our net cash generated from investment activities was RMB7.1 million, consisted primarily of purchase of property, plant and equipment and land use rights of RMB0.7 million; and offset by (i) proceeds from disposal of property, plant and equipment of RMB4.4 million; (ii) proceeds from disposal of the 6% equity interest in Xinjiang Zhongxin of RMB3.5 million; and (iii) interest received on bank deposits of RMB12,000.

For the year ended 31 December 2008, our net cash used in investment activities was RMB83.1 million, consisted primarily of (i) purchase of property, plant and equipment and land use rights of RMB9.6 million; (ii) total cash consideration of RMB74.8 million paid on acquisition of Hami Jinhua and Hami Jiatai in March 2008 and May 2008, respectively; and offset by (iii) interest received on bank deposits of RMB0.3 million and (iv) proceeds from disposal of property, plant and equipment of RMB1.1 million.

Net cash generated from financing activities

For the six months ended 30 June 2011, there was no cash (used in)/generated from financing activities.

For the year ended 31 December 2010, our net cash generated from financing activities was RMB67.9 million. On 20 August 2010, we allotted 20,625,000 Shares to King Award and 16,875,000 Shares to Sky Circle for cash consideration of HK$42.7 million (equivalent to RMB37.4 million) and HK$35.0 million (equivalent to RMB30.5 million) respectively.

For the year ended 31 December 2009, there was no cash (used in)/generated from financing activities.

For the year ended 31 December 2008, our net cash generated from financing activities was RMB89.0 million, consisted primarily of loans of RMB45.0 million (total of RMB90.0 million) from each of Mr. WANG and Mr. LU and offset by repayment of borrowings of RMB1.0 million.

Cash flow forecast required under Listing Rule 18.03(4)

The following cash flow forecast is provided as a requirement under Listing Rule 18.03(4). In preparing the cash flow forecast, several bases and assumptions were made, including that:

(a) there will be no material changes in existing laws and regulations, government policies or political, legal (including changes in legislation or rules), fiscal or economic conditions in the PRC and the places where the Group carries on its business;

(b) there will be no material changes in the bases or rates of taxation or duties in the PRC;

(c) there will be no changes in legislation, regulations or rules in the PRC which may have a material adverse effect on our business;

(d) there will be no material unforeseen capital expenditures or bad debts; and

(e) there will be no material changes in the existing and expected receipt and payment pattern of sales, purchases, land use rights and construction costs and expenses.

	Estimated for the year ending 31 December 2012	**Estimated for the year ending 31 December 2012**
		(Note)
	RMB million	*RMB million*
Cash and cash equivalents at beginning of the year	36	36
Net cash generated from operating activities (Note)	200	67
Net cash used in investing activities	(303)	(303)
Net cash generated from financing activities	402	402
Net increase in cash and cash equivalents	299	166
Cash and cash equivalents at end of the year	335	202

Note: Having considered that the Acquisitions have not been completed as at the Latest Practicable Date, for the sake of prudence, the Group also calculated the cash flow forecast for the year ending 31 December 2012 without taking into account the net cash generated from operating activities of Shaanxi Jiarun and Shaanxi Jiahe. The Group has not included revenue, production cost and relevant expenses of Shaanxi Jiarun and Shaanxi Jiahe for the computation of estimated cash generated from operating activities. However, capital expenditure for the development of Shaanxi Jiarun and Shaanxi Jiahe has been included in the cash used in investing activities.

Estimated figures above are prepared by our Directors and unaudited. The estimated cash flows assume the application of the estimated net proceeds from the Share Offer calculated at an Offer Price of HK$1.70 per Offer Share. Actual results may vary from the estimates provided.

WORKING CAPITAL

Our Directors expect to finance our working capital requirements for the 12 months following the date of this prospectus with (i) cash inflows generated from our operating activities; (ii) cash and cash equivalents on hand; (iii) net proceeds from the Share Offer; and (iv) proceeds from interest-bearing borrowing. Set out below is a summary of our existing and estimated source of funding and estimated working capital requirements for the 12 months from the date of this prospectus under Rule 18.03(4):

	12 months ending 31 December 2012	**12 months ending 31 December 2012** (Note 5)
	RMB million	*RMB million*
Cash and cash equivalents at the beginning of 2012	36	36
Cash generated from operating activities (Note 5)	402	187
Estimated net proceeds from the Share Offer (Note 1)	332	332
Proceeds from interest-bearing borrowing (Note 2)	86	86
Total available working capital	856	641
General, administrative and operating costs (Note 5)	194	112
Cost of exploration	8	8
Acquisition of Shaanxi Jiarun and Shaanxi Jiahe	12	12
Payment for pre-acquisition dividend to the then Shareholders of Hami Jiatai	15	15
Payment for interest	1	1
Development of Project Huangjinmei and Project Huaba	186	186
Mine development of Project No.20, Project Baiganhu and Project H-989	97	97
Technical modification of tailing storage facility (Note 3)	8	8
Total working capital requirements (Note 4)	521	439
Total available working capital/ total working capital requirements	164.3%	146.0%

Notes:

(1) Represent net proceeds from the Share Offer (based on an Offer Price of HK$1.70 per Offer Share and the exchange rate of HK$1.0 to RMB0.816), net of the underwriting commissions and part of offering expenses which will be paid in 2012.

(2) Our Group obtained a banking facility of US$ 13.5 million granted by the Hong Kong Branch of Taiwan Shin Kong Commercial Bank Co., Ltd. on 15 December 2011. The exchange rate applied in determining the above RMB balance is RMB6.37 to US$1.00.

(3) For the year ending 31 December 2012, the expected capital expenditure for technical modification on the tailing storage facility amount to RMB4 million, which is different from the cash outflow of RMB8 million as set out above, because the payment for technical modification of tailing storage facility is expected to be paid in the next month when the acceptance of works is performed by us.

(4) Represent all estimated cash outflows for the 12 months ending 31 December 2012 including capital expenditures.

(5) Having considered that the Acquisitions have not been completed as at the Latest Practicable Date, for the sake of prudence, we calculate a total available working capital/ total working capital requirements ratio without taking into account the net cash generated from operating activities of Shaanxi Jiarun and Shaanxi Jiahe. We have not included revenue, production cost and relevant expenses of Shaanxi Jiarun and Shaanxi Jiahe for the computation of estimated cash generated from operating activities. However, capital expenditure for the development of Shaanxi Jiarun and Shaanxi Jiahe has been included in the cash used in investing activities.

Taking into account the financial resources available to our Group, including the internally generated funds, the available banking facility and the estimated net proceeds of the Share Offer, our Directors are of the opinion that our Group has sufficient working capital for 125% of its present requirements, that is, for at least the next 12 months from the date of this prospectus.

NET CURRENT (LIABILITIES)/ASSETS

The table below sets forth the breakdown of our current assets and current liabilities as of each of the statement of financial position dates:

	As at 31 December			As at 30 June	As at 31 October
	2008	**2009**	**2010**	**2011**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current assets					
Inventories	27,345	40,068	23,020	11,112	10,876
Trade receivables	107	—	—	564	—
Other receivables and prepayments	25,290	22,970	2,730	3,284	5,198
Cash and cash equivalents	1,770	1,551	63,598	59,788	46,998
Restricted cash at banks	—	—	—	1,441	1,642
	54,512	64,589	89,348	76,189	64,714
Current liabilities					
Pre-acquisition dividend payable — current portion	92,000	92,000	30,000	15,000	15,000
Trade payables	4,831	4,997	5,982	1,823	1,812
Other payables and accruals	26,070	32,785	13,093	15,971	12,960
Income tax payable	4,977	267	1,680	689	689
	127,878	130,049	50,755	33,483	30,461
Net current (liabilities)/assets	(73,366)	(65,460)	38,593	42,706	34,253

We had net current liabilities of RMB73.4 million and RMB65.5 million as at 31 December 2008 and 2009 respectively. We had net current assets of RMB38.6 million as at 31 December 2010, RMB42.7 million as at 30 June 2011 and RMB34.3 million as at 31 October 2011.

As at 30 June 2011, our net current assets position increased by RMB4.1 million to RMB42.7 million as compared to that as at 31 December 2010. The decrease in the current portion of pre-acquisition dividend payable increased of RMB15.0 million outweighed the decrease in inventory of RMB11.9 million.

As at 31 December 2010, we turned our net current liabilities position to net current assets position which was partly due to an increase of RMB62.0 million in our cash and cash equivalents to RMB63.6 million as at 31 December 2010, since we allotted our shares to King Award and Sky Circle for cash consideration of RMB67.9 million in total in August 2010.

As at 31 December 2009, our net current liabilities were RMB65.5 million, which is slightly improved as compared to that of RMB73.4 million as at 31 December 2008. Our current assets increased by RMB10.1 million to RMB64.6 million as at 31 December 2009, which was mainly due to an increase in inventory of RMB12.8 million, offsetting by a decrease in other receivables and prepayments of RMB2.3 million. Our current liabilities increased by RMB2.1 million to RMB130.0 million as at 31 December 2009, which was mainly due to the an increase in other payables and accruals of RMB6.7 million, offsetting by decrease in income tax payable of RMB4.7 million.

As at 31 December 2008, our current assets of RMB54.5 million mainly comprised inventories of RMB27.3 million, other receivables and prepayments of RMB25.3 million and cash and cash equivalents of RMB1.8 million. Our current liabilities of RMB127.9 million mainly comprised trade payables of RMB4.8 million, other payables and accruals of RMB26.1 million and income tax payable of RMB5.0 million respectively.

CAPITAL EXPENDITURES

Capital expenditures are expenditures made for the acquisition or upgrade of property, plant and equipment and the acquisition of Hami Jinhua and Hami Jiatai. The following table sets forth our capital expenditures for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Property, plant and equipment and land use rights	9,628	746	617	679	717
Consideration paid for the acquisition of Hami Jinhua	90,000	—	—	—	—
Consideration paid for the acquisition of Hami Jiatai	53,775	—	—	—	—
	153,403	746	617	679	717

Our expected capital expenditure plans for (1) the mine development of Project No. 20, Project Baiganhu and Project H-989; (2) the acquisition of Shaanxi Jiarun and Shaanxi Jiahe; (3) the development of Project Huaba and Project Huangjinmei; (4) the exploration activities in the mining areas of Project Baiganhu Gold, Project Huangshan, Project Heishan, Project Xidagou, Project Hongshanpo and Project Yinaoxia for the years ending 31 December 2012; and (5) technical modification on the tailing storage facilities are set forth below:

	Forecast Year ending 31 December	
	2011	**2012**
	RMB million	*RMB million*
Mine development of Project No.20, Project Baiganhu and Project H-989	9	97
Acquisition of Shaanxi Jiarun and Shaanxi Jiahe	12	12
Development of Project Huangjinmei and Project Huaba	10	186
Exploration activities	6	8
Technical modification on tailings storage facility (Note)	6	4
	43	307

Note: For the year ending 31 December 2011 and 2012, the forecast cash outflows for technical modification on the tailings storage facility amount to RMB2 million and RMB8 million, respectively, which are different from the capital expenditure plans as set out above, because the payment for technical modification of tailings storage facility is expected to be paid in the next month when the acceptance of works is performed by us.

Please see the section headed "Business — Business Strategies" in this prospectus for detail discussion of our futures plans and the section headed "Future Plans and Use of Proceeds" for our intended use of proceeds in this prospectus.

We plan to fund our capital expenditures through cash generated from our operations, bank borrowing and the net proceeds from the Share Offer. However, the estimated amounts and items of capital expenditures may be subject to change depending on a number of factors, including the implementation of our business plan and the market conditions.

INDEBTEDNESS

As at 31 December 2008, 2009 and 2010 and 30 June 2011, we did not have any short-term or long-term bank loans.

We did not have, at the close of business on 31 October 2011, any loan capital or debt securities issued or agreed to be issued, outstanding bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits, finance leases or hire purchase commitments or guarantees or material contingent liabilities.

BANKING FACILITIES

On 15 December 2011, we obtained a two year non-revolving banking facility of US$13.5 million which will be available for us to draw down within six month from the date of granting of such banking facility. Our Director, Mr. WANG, is the guarantor of the banking facility and such facility is secured by the pledge of the guarantor's (i) cash deposits which amount to 60% of the total drawn-down balance; and (ii) listed equity securities which amount to 40% of the total drawn down balance. Interest on the drawn down balance guaranteed by cash deposits is calculated based on 100 basis points plus the bank's prevailing fixed deposit rate while interest on the drawn down balance guaranteed by listed equity securities is calculated based on 200 basis points plus the prevailing 6-month Singapore Interbank Offered Rate.

Accrued interest on the drawn down balance is repayable at each month end and the drawn-down balance is repayable in 4 quarterly installments 1 year after the date of drawn-down. Up to the date of this prospectus, we have not drawn down the available banking facility.

The guarantee and the pledge of cash deposits and listed equity securities provided by Mr. WANG will be released and, upon the Listing, our Directors intend to replace the guarantee and the asset pledge by the corporate guarantee to be issued by the Company and our cash and bank balances. The basis of determining interest rates charged on the drawn down balance guaranteed by cash deposits will remain the same after the aforesaid changes in arrangements of guarantee and asset pledge upon the Listing.

FINANCIAL RATIOS

The following table sets forth, our current ratios and gearing ratios, as of the dates indicated:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
Current ratio(1)	0.4	0.5	1.8	2.3
Debt to equity ratio(2)	1.6	1.7	0.1	0.1

Notes:

(1) Current ratio is the ratio of total current assets to total current liabilities.

(2) Debt to equity ratio is calculated as net debt divided by total equity attributable to equity holders of the Company. Net debt includes loans from shareholders and pre-acquisition dividend payable, less cash and cash equivalents and restricted cash.

Our current ratios were 0.4, 0.5, 1.8 and 2.3 as at 31 December 2008, 2009, 2010 and 30 June 2011. Our current ratio as at 31 December 2010 was substantially increased due to: (i) increase in cash and cash equivalents as we had issued shares to King Award and Sky Circle for cash consideration of HK$77.7 million (equivalent to RMB67.9 million); and (ii) decrease in current portion of pre-acquisition dividend payable of RMB62.0 million as Hami Jiatai and its then equity shareholders entered into an agreement and agreed to pay the dividends in instalments up to 31 December 2014. Our current ratio as at 30 June 2011 further increase mainly due to the reduction of the current portion pre-acquisition dividend payable by RMB15.0 million as a result of the supplementary agreement entered between Hami Jiatai and its previous equity holders that Hami Jiatai will pay the dividends in instalments during the period from 31 December 2011 to 31 December 2015.

Our debt to equity ratios were 1.6, 1.7, 0.1 and 0.1 as at 31 December 2008, 2009, 2010 and 30 June 2011. We did not have interest-bearing borrowings during the Track Record Period. The significant reduction of the debt to equity ratio at 31 December 2010 was mainly due to the decrease of RMB90.0 million shareholders' loan and the increase in the total balance of cash and cash equivalents and restricted cash for approximately RMB62.0 million by the proceeds of issuance of new shares as mentioned above.

COMMITMENTS

We have certain commitments that are not recorded on our consolidated statements of financial position, but may result in future cash requirements.

Capital Commitments

Capital commitments for property, plant and equipment at the respective balance sheet date but not yet incurred is as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised but not contracted for:				
- Buildings	100,471	100,471	100,471	100,471
- Machinery and equipment	83,757	82,920	82,920	82,920
	184,228	183,391	183,391	183,391

Capital commitments that authorized but not contracted for represented the amount to be used for our mines development and purchase of machinery and equipment in respect to each mine during the mining period.

Operating Lease Commitments

Our Group leases various offices under non-cancelable operating lease agreements. The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
No later than 1 year	30	30	30	30
Later than 1 year and no later than 5 years	120	120	120	120
Later than 5 years	240	210	180	180
	390	360	330	330

Investment Commitment

As at 31 December 2010 and 30 June 2011, our Group has investment commitments with amounts of RMB192.0 million and RMB182.0 million for the acquisitions of Shaanxi Jiarun and Shaanxi Jiahe respectively.

CONTINGENT LIABILITIES

We may be subject to new environmental laws and regulations that may impose contingencies upon us in the future. We may also be subject to the effect of under-insurance on future accidents incurred by our employees. Such (i) new environmental laws and regulations; and (ii) under insurance on our employees may impose significant costs and liabilities on us.

OFF-BALANCE SHEET TRANSACTIONS

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

MARKET RISKS

We are exposed to various types of market risks in the ordinary course of our business, including the following:

Commodity price risk

We principally engage in the mining, ore processing and sales of nickel, copper, lead, zinc and other non-ferrous metal products. Non-ferrous metal markets are influenced by global as well as regional supply and demand conditions. A decline in prices of non-ferrous metal could adversely affect our Group's financial performance.

Foreign exchange risk

We mainly operate in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollar. Foreign exchange risk arises from recognised assets and liabilities in foreign operations. Our Group does not hedge against any fluctuation in foreign currency.

At 31 December 2008 and 2009, we did not have significant assets or liabilities denominated in foreign currency.

At 31 December 2010 and 30 June 2011, if RMB had weakened/strengthened by 1% against Hong Kong dollar with all other variables held constant, loss/profit for the year would have been approximately RMB571,000 and RMB488,000 respectively lower/higher, mainly as a result of foreign exchange gains/losses on translation of Hong Kong dollar denominated cash.

Interest rate risk

Our interest rate risk arises from bank deposits which are bearing floating interest rates. Floating interest rates cause our Group cash flow interest rate risk. For the Track Record Period, our management are of the opinion that the relevant risk was not material to the Group.

Credit risk

The carrying amounts of deposits and receivables included in the consolidated balance sheets represent our Group's maximum exposure to credit risk in relation to its financial assets. Management of the Group is of the opinion that adequate provision for uncollectible accounts receivable and other receivables has been made for the Track Record Period after considering our Group's historical experience in collection of accounts receivable and other receivables.

Liquidity Risk

We plan to obtain funds through initial public offering of our Company's shares. We may also obtain funding from ultimate shareholders and related parties or through borrowings from financial institutions, where necessary.

DIVIDEND AND DIVIDEND POLICY

After completion of the Share Offer, our shareholders will be entitled to receive any dividends we declare. The payment and amount of any dividend will be at the discretion of the Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, interests of our shareholders, taxation conditions, statutory restrictions, and other factors that our Board deems relevant. The payment of any dividends will also be subject to the Companies Law and our constitutional documents, which indicate that payment of dividends out of our share premium account is possible on the condition that we are able to pay our debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Our ability to declare future dividends will also depend on the availability of dividends, if any, received from our PRC operating subsidiary. Pursuant to the PRC laws, dividends may only be paid out of distributable profits, defined as retained earnings after tax payments as determined under the PRC GAAP less any recovery of accumulated losses and the required allocations to statutory reserves made by our PRC operating subsidiary. In general, we do not expect to declare dividends in a year where we do not have any distributable earnings.

We currently intend to retain most, if not all, of our available funds and future earnings to operate and expand our business, primarily through acquisitions. The Board will review the dividend policy on an annual basis. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

DISTRIBUTABLE RESERVES

Our Company's distribution reserves consist of share premium and retained earnings, if any. Under the Cayman Companies Law, the share premium account is distributable to shareholders if immediately following the date on which we propose to distribute the dividend. We shall be able to pay our debts as they fall due in the ordinary course of business. As at 30 June 2011, we had a reserve balance of RMB98.0 million, representing share premium of RMB109.3 million net of accumulated losses of RMB11.3 million, available for distribution to our shareholders.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position since 30 June 2011 (being the date of our latest audited consolidated financial results of our Company as set out in Appendix I to this prospectus).

PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interest as of 31 October 2011 and is of the opinion that the capital value of our property interests in aggregate amounted to RMB40.5 million as of 31 October 2011. Details of the valuation of our property interests as of 31 October 2011 are set out in "Appendix IV — Property Valuation" to this prospectus.

There is a net revaluation surplus, representing the excess market value of the properties over their carrying value, of approximately RMB2.6 million which has not been included in our consolidated financial statements. If the revaluation surplus is to be included in our Group's consolidated financial statements, an additional depreciation charge of approximately RMB0.1 million per annum related to the property interests would be recorded.

Reconciliation of net book value to valuation report

The following shows the reconciliation of the net book value of our Group's property interests as of 30 June 2011 to the property valuation report in Appendix IV as of 31 October 2011, as required under Rule 5.07 of the Listing Rules:

	RMB'000
Net book value of property interests of the Group as of 30 June 2011	
— Buildings included in property, plant and equipment	28,662
— Land use right	10,431
Movements for the four months ended 31 October 2011	
Add: Net addition during the period	—
Less: Depreciation and amortisation during the period	(1,230)
Net book value as of 31 October 2011	37,863
Valuation surplus	2,634
Valuation as of 31 October 2011(1)	40,497

Note:

(1) The property interests of our Group as indicated comprised of the properties valued by Jones Lang LaSalle Sallmanns Limited which are described in Appendix IV in this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

SUMMARY OF FINANCIAL INFORMATION OF SHAANXI JIARUN

Shaanxi Jiarun was established in the PRC on 1 July 2008. Shaanxi Jiarun is principally engaged in the mining, ore processing and sales of non-ferrous metal products. In July 2010, we through Hami Jiatai prepaid a down payment for acquiring the 100% equity interests in Shaanxi Jiarun conditionally. Please refer to Appendix IIA to this prospectus for the accountant's report of Shaanxi Jiarun.

Summary Discussion of Results of Operations of Shaanxi Jiarun

The following table sets forth selected financial information of Shaanxi Jiarun for the periods indicated:

	Period from 1 July 2008 to 31 December 2008	Year ended 31 December 2009	Year ended 31 December 2010	Six months ended 30 June 2010	Six months ended 30 June 2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	—	—	—	—	—
Cost of sales	—	—	—	—	—
Gross profit	—	—	—	—	—
Administrative expenses	(1,406)	(1,082)	(808)	(141)	(226)
Other losses, net	—	—	(10)	—	(51)
	(1,406)	(1,082)	(818)	(141)	(277)
Finance income	30	11	4	3	1
Loss before income tax	(1,376)	(1,071)	(814)	(138)	(276)
Income tax expense	—	—	—	—	—
Loss for the period/year	(1,376)	(1,071)	(814)	(138)	(276)
Other comprehensive income	—	—	—	—	—
Total comprehensive loss	(1,376)	(1,071)	(814)	(138)	(276)

Revenue

Shaanxi Jiarun did not generate any revenue during the period from 1 July 2008 to 31 December 2008, for the years ended 31 December 2009 and 2010 and for the six months ended 30 June 2011, since Shaanxi Jiarun was still in the phase of pre-operation during the Track Record Period and in the course of the application of the mining permits of Project Huaba.

Cost of sales

Shaanxi Jiarun did not incur any cost of sales during the period from 1 July 2008 to 31 December 2008, for the years ended 31 December 2009 and 2010 and for the six months ended 30 June 2011, since no sales activities were conducted.

Administrative expenses

For the period from 1 July 2008 to 31 December 2008, for the years ended 31 December 2009 and 2010 and for the six months ended 30 June 2011, administrative expenses primarily consisted of staff costs, electricity consumed, exploration and evaluation fee, office expenses and travel expenses.

Administrative expense increased by approximately RMB85,000 from RMB0.1 million for the six months ended 30 June 2010 to RMB0.2 million for the six months ended 30 June 2011 and was mainly attributable to the increase in exploration and evaluation fee at approximately RMB95,000 offset by a decrease of office expenses at approximately RMB7,000.

Administrative expenses decreased by RMB0.3 million from RMB1.1 million for the year ended 31 December 2009 to RMB0.8 million for the year ended 31 December 2010, primarily attributable to the decrease in exploration and evaluation fee during the year.

Administrative expenses decreased by RMB0.3 million from RMB1.4 million for the period from1 July 2008 to 31 December 2008 to RMB1.1 million for the year ended 31 December 2009, primarily attributable to the slight decrease in employee benefit expense and exploration and evaluation fee.

Finance income

For the period from 1 July 2008 to 31 December 2008, for the years ended 31 December 2009 and 2010 and for the six months ended 30 June 2011, finance income amounted to RMB30,000, RMB11,000, RMB4,000 and RMB1,000, respectively, which represented interest income from bank deposits.

Total comprehensive loss

As a result of forgoing, for the period from 1 July 2008 to 31 December 2008, for the years ended 31 December 2009 and 2010 and for the six months ended 30 June 2011, total comprehensive loss of RMB1.4 million, RMB1.1 million, RMB0.8 million and RMB0.3 million respectively.

Liquidity, capital resources and cash flows

During the period from 1 July 2008 to 31 December 2008, for the years ended 31 December 2009 and 2010 and for the six months ended 30 June 2011, Shaanxi Jiarun financed its working capital and capital expenditure through the paid-in capital from shareholders.

The following table sets forth selected cash flow data from Shaanxi Jiarun's cash flow statements for the periods indicated:

	Period from 1 July 2008 to 31 December 2008	Year ended 31 December 2009	Year ended 31 December 2010	Six months ended 30 June 2010	Six months ended 30 June 2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash used in operating activities	(3,488)	(975)	(953)	(130)	(171)
Net cash used in investing activities	(2,231)	(1,213)	(939)	(769)	(12)
Net cash generated from financing activities	10,000	—	—	—	—
Net increase/(decrease) in cash and cash equivalents	4,281	(2,188)	(1,892)	(899)	(183)
Cash and cash equivalents at beginning of the period/year	—	4,281	2,093	2,093	201
Cash and cash equivalents at end of the period/year	4,281	2,093	201	1,194	18

Net cash used in operating activities

For the six months ended 30 June 2011, net cash used in operating activities was RMB0.2 million which was primarily attributable to: (i) cash used in operations before working capital changes of RMB0.3 million; and (ii) a decrease in other receivables and prepayments of RMB80,000 million.

For the year ended 31 December 2010, net cash used in operating activities was RMB1.0 million, which was primarily attributable to: (i) cash used in operations before working capital changes of RMB0.8 million; and (ii) an increase in other receivables and prepayments of RMB0.2 million.

For the year ended 31 December 2009, net cash used in operating activities was RMB1.0 million, which was primarily attributable to: (i) cash used in operations before working capital changes of RMB1.1 million; and (ii) slight decrease in other receivables and prepayments of RMB51,000.

For the period from 1 July 2008 to 31 December 2008, net cash used in operating activities was RMB3.5 million, which was primarily attributable to: (i) cash used in operations before working capital changes of RMB1.4 million; and (ii) increase in other receivables and prepayments of RMB2.1 million, which mainly included an amount due from Shaanxi Jiatai Hengrun.

Net cash used in investing activities

During the period from 1 July 2008 to 31 December 2008 and for the years ended 31 December 2009 and 2010 and for the six months ended 30 June 2011, net cash used in investing activities amount to RMB2.2 million, RMB1.2 million and RMB1.0 million and RMB12,000 respectively. Shaanxi Jiarun's investing activities mainly attributable to purchase and development of construction in progress of mining structures and office equipment and offset by interest received on bank deposits.

Net cash from financing activities

During the period from 1 July 2008 to 31 December 2008 and for the years ended 31 December 2009 and 2010 and for the six months ended 30 June 2011, net cash from financing activities amounted to RMB10 million, nil, nil and nil respectively. Net cash from financing activities of RMB10 million for the period from 1 July 2008 to 31 December 2008 represented the paid-in capital from equity holders as at the date of incorporation.

Indebtedness

As at 31 October 2011, being the latest practicable date for the purpose of preparing this indebtedness statements prior to the printing of this prospectus, our Directors confirm that Shaanxi Jiarun had no outstanding borrowings.

Commitment and contingency

As at 31 December 2008, 2009 and 2010 and 30 June 2011, Shaanxi Jiarun did not have any significant commitment and contingency.

Disclaimer

Except as disclosed in ''Financial Information — Summary of financial information of Shaanxi Jiarun", Shaanxi Jiarun did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 31 October 2011. Our Directors confirm that there have not been any material changes in indebtedness since 31 October 2011.

SUMMARY OF FINANCIAL INFORMATION OF SHAANXI JIAHE

Shaanxi Jiahe was established in the PRC on 10 May 2010 as a company with limited liability under the Company Law of the PRC. Shaanxi Jiahe was primarily engaged in the mining, processing and sales of gold products. In July 2010, we through Hami Jiatai prepaid a down payment for acquiring the 100% equity interests in Shaanxi Jiahe conditionally. Please refer to Appendix IIB to this prospectus for the accountant's report of Shaanxi Jiahe.

Summary Discussion of Results of Operations of Shaanxi Jiahe

The following table sets forth selected financial information of Shaanxi Jiahe for the periods indicated:

	Period from 10 May 2010 to 31 December 2010	Period from 10 May 2010 to 30 June 2010	Six months ended 30 June 2011
	RMB'000	*RMB'000* (*unaudited*)	*RMB'000*
Revenue	—	—	—
Cost of sales	—	—	—
Gross profit	—	—	—
Administrative expenses	(84)	(8)	(115)
Other losses, net	—	—	(3)
Operating loss	(84)	(8)	(118)
Finance income	1	—	3
Loss before income tax	(83)	(8)	(115)
Income tax expense	—	—	—
Loss for the period	(83)	(8)	(115)
Other comprehensive income	—	—	—
Total comprehensive loss	(83)	(8)	(115)

Revenue

Shaanxi Jiahe did not generate any revenue during the period from 10 May 2010 to 31 December 2010 and for the six months ended 30 June 2011, since Shaanxi Jiahe was still in the phase of pre-operation during the period and in the course of the application of the mining permits of Project Huangjinmei.

Cost of sales

Shaanxi Jiahe did not incur any cost of sales during the period from 10 May 2010 to 31 December 2010 and for the six months ended 30 June 2011, since no sales activities were conducted.

Administrative expenses

For the period from 10 May 2010 to 31 December 2010 and for the six months ended 30 June 2011, administrative expenses amounted to RMB84,000 and RMB115,000 respectively which primarily consisted of staff costs, electricity consumed, office expenses and operating lease payments.

Total comprehensive loss

As a result of forgoing, for the period from 10 May 2010 to 31 December 2010 and for the six months ended 30 June 2011, Shaanxi Jiahe recorded total comprehensive loss of RMB83,000 and RMB115,000 respectively.

Liquidity, capital resources and cash flows

During the period from 10 May 2010 to 31 December 2010 and for the six months ended 30 June 2011, Shaanxi Jiahe financed its working capital and capital expenditure through the paid-in capital from equity holder.

The following table sets forth selected cash flow data from Shaanxi Jiahe's cash flow statements for the period indicated:

	Period from 10 May 2010 to 31 December 2010	**Period from 10 May 2010 to 30 June 2010**	**Six months ended 30 June 2011**
	RMB'000	*RMB'000* *(unaudited)*	*RMB'000*
Net cash used in operating activities	(4,477)	(4,496)	(2,361)
Net cash used in investing activities	(152)	—	(14)
Net cash generated from financing activities	5,000	5,000	5,000
Net increase in cash and cash equivalents	371	504	2,625
Cash and cash equivalents at beginning of the period	—	—	371
Cash and cash equivalents at end of the period	371	504	2,996

Net cash used in operating activities

For the six months ended 30 June 2011, net cash used in operating activities was RMB2.4 million, which was primarily attributable to: (i) cash used in operations before working capital changes of RMB117,000; and (ii) increase in other receivables of RMB2.3 million.

For the period from 10 May 2010 to 31 December 2010 , net cash used in operating activities was RMB4.5 million, which was primarily attributable to: (i) cash used in operations before working capital changes of RMB84,000; and (ii) an increase in other receivables of RMB4.4 million which represented the cash advance from Shaanxi Jiahe to Shaanxi Jiatai Hengrun.

Net cash used in investing activities

For the period from 10 May 2010 to 31 December 2010 and for the six months ended 30 June 2011, net cash used in investing activities amount to RMB152,000 and approximately RMB14,000 respectively which mainly represented purchase and development of construction in progress of mining structures by Shaanxi Jiahe.

Net cash from financing activities

For the period from 10 May 2010 to 31 December 2010 and for the six months ended 30 June 2011, net cash from financing activities amounted to RMB5 million and RMB5 million respectively. Net cash from financing activities represented the paid-in capital from equity holder as at the date of incorporation of Shaanxi Jiahe and a second capital injection on 16 May 2011.

Indebtedness

As at 31 October 2011, being the latest practicable date for the purpose of preparing this indebtedness statements prior to the printing of this prospectus, our Directors confirm that Shaanxi Jiahe had no outstanding borrowings.

Commitment and contingency

As at 31 December 2010 and 30 June 2011, Shaanxi Jiahe did not have any significant commitment and contingency.

Disclaimer

Except as disclosed in ''Financial Information — Summary of financial information of Shaanxi Jiahe'', Shaanxi Jiahe did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 31 October 2011. Our Directors confirm that there have not been any material changes in indebtedness since 31 October 2011.

Share Capital

Our authorised share capital as of the date of this prospectus is as follows:

Authorised share capital:

		HK$
5,000,000,000	Shares	500,000,000

Assuming the Over-allotment Option is not exercised, the issued share capital of our Company immediately after the completion of the Share Offer will be as follows:

Issued shares:

		HK
750,000,000	Shares in issue as of the date of this prospectus	75,000,000
Shares to be issued:		
225,000,000	Shares to be issued under the International Placing	22,500,000
25,000,000	Shares to be issued under the Hong Kong Public Offer	2,500,000
Total issued share capital:		
1,000,000,000	Shares	100,000,000

According to Rule 8.08 of the Listing Rules, at the time of the listing and at all times thereafter, our Company must maintain the "minimum prescribed percentage" of 25% of our Company's issued share capital in the hands of the public.

ASSUMPTIONS

The above tables assume that the Share Offer becomes unconditional and will be completed in accordance with the relevant terms and conditions. It, however, takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and any Shares which may be allotted and issued, or repurchased by our Company pursuant to the general mandate to issue new Shares and general mandate to repurchase Shares as described below.

RANKING

The Offer Shares, including the Shares issuable pursuant to the Over-allotment Option, will rank pari passu in all respects with all Shares now in issue or to be issued as mentioned herein, and will rank in full for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus.

Save as disclosed in this prospectus, no share or loan capital of our Company or any of our subsidiaries is under any option or is agreed conditionally or unconditionally to be put under any option.

GENERAL MANDATE TO ISSUE NEW SHARES

A general unconditional mandate has been granted to our Directors authorising them to exercise our powers to allot, issue and deal with Shares or securities convertible into Shares and to make an offer or agreement or grant an option which would or might require such Shares to be allotted and issued, provided that the aggregate nominal value of the Shares allotted or agreed conditionally or unconditionally to be allotted shall not exceed 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and under the Share Option Scheme).

This mandate does not apply to situations where our Directors allot, issue or deal with the Shares under any rights issue, scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares in lieu of whole or part of a dividend on Shares in accordance with the Articles or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or in issue prior to the date the mandate was granted, or pursuant to the exercise of any options to be granted under the Share Option Scheme or pursuant to the Share Offer or pursuant to a specific authority granted by our shareholders in general meeting, on behalf of our Company.

This mandate will expire:

- at the conclusion of our next annual general meeting; or
- at the expiration of the period within which our next annual general meeting is required by the Cayman Islands Companies Law or any applicable laws of the Cayman Islands or the Articles to be held; or
- the passing of an ordinary resolution by our shareholders in a general meeting revoking, varying or renewing such mandate,

whichever is the earliest.

Particulars of this general mandate are set forth under "Written resolutions of the shareholders of our Company" in Appendix VII to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

A general unconditional mandate has been granted to our Directors authorising them to exercise all the powers for and on behalf of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other approved stock exchange(s) on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, and which are made in accordance with all applicable laws and requirements of the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time. A summary of the relevant Listing Rules is set forth under “Repurchase by our Company of its own securities” in Appendix VII to this prospectus.

This mandate will expire:

- at the conclusion of our next annual general meeting; or

- at the expiration of the period within which our next annual general meeting is required by the Cayman Islands Companies Law or any applicable law or the Articles to be held; or

- the passing of an ordinary resolution by our shareholders in a general meeting revoking, renewing or varying such mandate,

whichever is the earliest.

Particulars of this general mandate are set forth under “Written resolutions of the shareholders of our Company” in Appendix VII to this prospectus.

NON-DISPOSAL UNDERTAKINGS

Each of the Controlling Shareholders has undertaken to the Stock Exchange and our Company that at any time from the Latest Practicable Date up to and including the date falling 12 months from the Listing Date, he/it will:

(a) when he/it pledges or charges any of the securities of our Company beneficially owned or ultimately controlled by him/it in favour of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform our Company in writing of such indications.

Our Company will inform the Stock Exchange as soon as it has been informed of matters referred to above by any of our Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the Listing Rules as soon as possible.

So far as our Directors are aware, immediately following completion of the Share Offer (assuming that the Over-allotment Option is not exercised and the share charges (further details of which are set out in the section headed "Financial investor" in this prospectus) executed by King Award and Sky Circle in favour of CCBIAM have been released), the following persons will have an interest in our Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of SFO, or, will be, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company:

Name	Nature of interest	Class of securities(Note 1)	Number of Shares	Approximate percentage of interest in such corporation immediately after the Share Offer(Note 2)
Sky Circle	Beneficial owner	Ordinary (L)	280,643,135	28.06%
Mr. WANG	Interest in a controlled corporation(Note 3)	Ordinary (L)	280,643,135	28.06%
Yuan Hong	Interest of spouse(Notes 3&4)	Ordinary (L)	280,643,135	28.06%
King Award	Beneficial owner	Ordinary (L)	343,008,276	34.30%
Mr. LU	Interest in a controlled corporation(Note 5)	Ordinary (L)	343,008,276	34.30%
Zhang Jie	Interest of spouse(Notes 5&6)	Ordinary (L)	343,008,276	34.30%
High Inspiring	Beneficial owner	Ordinary (L)	126,348,589	12.63%
China Construction Bank Corporation	Interest in a controlled corporation (Note 7)	Ordinary (L)	126,348,589	12.63%

Notes:

1. The letter "L" denotes the person's long position in such Shares.

2. Assuming the Over-allotment Option is not exercised.

3. Mr. WANG is the legal and beneficial owner of the entire issued share capital of Sky Circle.

4. Yuan Hong is the wife of Mr. WANG

5. Mr. LU is the legal and beneficial owner of the entire issued share capital of King Award.

6. Zhang Jie is the wife of Mr. LU.

7. High Inspiring is indirectly and wholly owned by China Construction Bank Corporation.

Save as disclosed in this prospectus, based on the information available on the Latest Practicable Date and on the assumptions set forth above in this section, our Directors confirm that they are not aware of any other person who will, immediately following completion of the Share Offer, have an interest or short position in our Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company.

Immediately after the completion of the Share Offer, Mr. LU and Mr. WANG, our Controlling Shareholders, will indirectly and separately hold 623,651,411 Shares in aggregate (representing approximately 62.37% of the Shares then in issue, assuming the Over-allotment Option is not exercised and that no Shares have been issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

(A) Interests in mining companies retained by our Controlling Shareholders

As at the Latest Practicable Date, Mr. WANG was the substantial shareholder of King Stone Energy Group Limited (Stock Code: 663) ("King Stone"), the shares of which are listed on the Main Board of the Stock Exchange. In addition to his equity interest, Mr. WANG is also the Chairman and executive director of King Stone, which is primarily engaged in coal mining business in the PRC.

Other than (i) the equity interest held by Mr. WANG in King Stone and (ii) his personal investment in two Hong Kong listed companies, which represents less than 0.2% of the total issued share capital of the two companies, our Controlling Shareholders do not have any direct or indirect interest in any other mining companies.

Since King Stone is not primarily engaged in the exploration or extraction of nickel or other non-ferrous metal, there is currently no competition between King Stone and our Group. Mr. WANG does not intend to inject part or all of his interests in King Stone into the Group in the future.

(B) Independence of management, financing and operation

Having considered the following factors, our Directors are satisfied that our Group will be able to conduct our business operationally and financially independent of our Controlling Shareholders and their associates:

Non-competition

None of our Controlling Shareholders or our Directors has any interest in a business which competes or is likely to compete, either directly or indirectly, with our Group's business.

Management independence

Our Board consists of ten Directors, comprising five executive Directors, two non-executive Directors and three independent non-executive Directors. Save for Mr. WANG and Mr. LU (both being executive Directors), the remaining eight Directors are independent of our Controlling Shareholders.

Each of our Directors is fully aware of his/her fiduciary duties as a Director which requires, amongst other things, that he/she acts for our benefit and in our best interests and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between us and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum. In addition, members of our senior management are also independent from our Controlling Shareholders and their respective associates.

Financial independence

We have an independent financial system and make financial decisions according to our own business needs. During the two years ended 31 December 2009, we obtained a loan of RMB90 million from our Controlling Shareholders. Such shareholders' loan was settled by the issuance of new Shares to the Controlling Shareholders in May 2010. On 15 December 2011, we obtained a non-revolving banking facility of US$13.5 million which is guaranteed by our Director, Mr. WANG and such facility is secured by the pledge of the guarantor's (i) cash deposits which amount to 60% of the total drawn down balance; and (ii) listed equity securities which amount to 40% of the total drawn down balance. The guarantee and the assets pledge will be released upon the Listing. Save for the above, our Group has not obtained any loan, guarantee or other financial assistance from our Controlling Shareholders. On this basis, our Directors believe that we are financially independent from our Controlling Shareholders.

Operational independence

Our operations are independent of and not connected with any of our Controlling Shareholders. Our organisation structure is made of various departments and divisions, each with specific areas of responsibility. Our management team is also independent from our Controlling Shareholders. We have obtained all necessary qualifications for us to operate our current businesses. Our Group has established independent accounting and financial reporting systems. Our Group has independent access to source of supplies and also to customers. We have also established various internal control procedures to facilitate the effective operation of our business. We have our own strategy and investment committee which assesses the Group's business opportunities and makes investment decisions.

NON-COMPETITION UNDERTAKING

For the purpose of the Listing, each of Mr. LU and Mr. WANG has entered into a non-competition deed with our Company on 16 December 2011 under which each of Mr. LU and Mr. WANG has undertaken that he will not, and will procure that his associates (other than members of our Group) will not:

(a) directly or indirectly whether as principal or agent or through any person, firm, company or organisation carry on, participate or be interested or engaged in any business in any form or manner that is, directly or indirectly, in competition with or is likely to be in competition with the business of any member of our Group in the PRC, Hong Kong or any part of the world in which any member of our Group may from time to time operate;

(b) directly or indirectly, solicit, interfere with or entice away from any member of our Group any person, firm, company or organisation who, to Mr. LU and/ or Mr. WANG's knowledge, as at the date of the deed, was or had been or would after the date of the deed be, a customer, supplier, distributor or management, technical staff or employees (of managerial grade or above) of any member of our Group; and

(c) will not exploit his knowledge or information obtained from our Group to compete, directly or indirectly, with the business carried on by our Group from time to time.

The above undertakings are subject to the following exceptions:

(i) Mr. LU, Mr. WANG and/or his associates are entitled to invest, participate and be engaged in any activity as mentioned in paragraphs (a) to (c) above ("Restricted Activity"), regardless of value, which has first been offered or made available to our Group, provided always that (i) information about the principal terms thereof has been disclosed to our Company and our Company has, after review and based on the opinion of the independent non-executive Directors, confirmed that it does not wish to be involved or engaged, or to participate, in the relevant Restricted Activity and such decision is publicly announced by our Company setting out the reasons for not taking up the business opportunity, and (ii) the principal terms on which Mr. LU, Mr. WANG and/or his associate(s) invest, participate or engage in the Restricted Activities are substantially the same as or not more favourable than those disclosed to our Company. Subject to the aforesaid, if Mr. LU, Mr. WANG and/or his associate(s) (as the case may be) decide to be involved, engaged, or participate in the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company as soon as practicable but in any event before any binding commitment is entered into by Mr. LU, Mr. WANG and/or his associate(s) (as the case may be); and

(ii) the above undertakings do not apply to the holding of or interests in shares or other securities in any company which conducts or is engaged in any Restricted Activity, provided that, in the case of such shares, they are listed on a stock exchange and either:

    (a) the relevant Restricted Activity and assets relating thereto account for less than 10% of the relevant company's consolidated turnover and consolidated assets, respectively, as shown in that company's latest audited consolidated accounts; or

    (b) the total number of shares held by Mr. LU, Mr. WANG and his associates (as the case may be) or in which they are together interested does not amount to more than 10% of the issued shares of the company in question, provided that Mr. LU, Mr. WANG and his associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company.

Each of Mr. LU and Mr. WANG has also undertaken to provide an annual confirmation to the Company confirming that he and his associates have not breached the terms of the non-competition undertaking and to provide all information necessary for the annual review by the independent non-executive Directors (if they so require) for the enforcement of the non-competition deed.

UNDERWRITERS FOR THE SHARE OFFER

Hong Kong Underwriters

China Everbright Securities (HK) Limited
CCB International Capital Limited
Polaris Securities (Hong Kong) Limited

International Placing Underwriters

China Everbright Securities (HK) Limited
CCB International Capital Limited
Fortune (HK) Securities Limited
Polaris Securities (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Public Offer, our Company is offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and our Shares to be issued as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for, their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Offer Shares are fully underwritten pursuant to the Hong Kong Underwriting Agreement.

Grounds for termination

The respective obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers for, the Hong Kong Offer Shares are subject to termination. Each of the Sole Global Coordinator and Hong Kong Underwriters shall be entitled to terminate their obligations under the Hong Kong Underwriting Agreement upon the occurrence of any of the following events by notice in writing to our Company given by the Sole Global Coordinator at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the "Termination Time") if prior to the Termination Time,

(a) there comes to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters:

i. that any statement contained in this prospectus and the Application Forms (the "Hong Kong Public Offer Documents"), the formal notice in the agreed form required to be published in connection with the Hong Kong Public Offer in certain newspapers under Chapter 12 of the Listing Rules (the "Formal Notice") and any announcements issued by our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading, or that any forecasts, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offer Documents, the Formal Notice and/or any announcements issued by the Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) are not fair and honest and based on reasonable assumptions, when taken as a whole; or

ii. that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and having not been disclosed in this prospectus, constitute a material omission herefrom; or

iii. any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement (other than on any of the Hong Kong Underwriters, the Joint Bookrunners, the Joint Managers, or the Sponsor); or

iv. any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to clause 9 of the Hong Kong Underwriting Agreement; or

v. any adverse change or development involving a prospective change (whether permanent or not) in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of our Group; or

vi. approval by the Listing Committee of the listing of, and permission to deal in, our Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme) under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

vii. our Company withdraws this prospectus (and any other documents used in connection with the contemplated subscription of our Shares) or the Share Offer;

(b) there shall develop, occur, exist or come into effect:

i. commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, accident or interruption or delay in transportation or acts of terrorism or any state of emergency or calamity or crisis in or affecting Hong Kong, the PRC, the Cayman Islands or the British Virgin Islands; or

ii. any change or development involving a prospective change or development, or any event or series of events or results, likely to result in or represents any change or prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or any monetary or trading settlement system or matters and/or disaster (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, imposition or declaration of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, or a material devaluation of Hong Kong dollars or the Renminbi against the US dollars) in or affecting Hong Kong, the PRC, the Cayman Islands or the British Virgin Islands; or

iii. any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, the Cayman Islands or the British Virgin Islands, or there is a material disruption in commercial banking or securities settlement or clearance services in those places; or

iv. any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the Cayman Islands or the British Virgin Islands; or

v. the imposition of economic or other sanctions, in whatever form, directly or indirectly, by, or for Hong Kong, the PRC or any other relevant jurisdiction which may materially affect the operation of our Group; or

vi. a change or development occurs involving a prospective change in Taxation or foreign investment regulations (or the implementation of any exchange control) in Hong Kong, the PRC, the Cayman Islands or the British Virgin Islands which may materially affect the operation of our Group and adversely affecting an investment in our Shares; or

vii. any litigation or claim of any third party being threatened or instigated against any member of our Group; or

viii. a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

ix. the commencement by any regulatory body or organisation of any action against a Director or an announcement by any regulatory body or organisation that it intends to take any such action; or

x. a contravention by any member of our Group of the Companies Ordinance, the SFO, or any of the Listing Rules; or

xi. a prohibition on our Company for whatever reason from allotting our Shares (including the Over-allotment Option Shares) pursuant to the terms of the Share Offer; or

xii. non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription for the Shares) or any aspect of the Share Offer with the Listing Rules or any other applicable law or regulation; or

xiii. other than with the approval of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) (such approval not to be unreasonably withheld), the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription for our Shares) pursuant to the Companies Ordinance or the Listing Rules; or

xiv. a petition is presented or an order is made for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any material member of our Group; or

xv. any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting Hong Kong or the PRC which may materially affect the operation of our Group; or

xvi. any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person);

which, in any such case and in the sole opinion of the Sole Global Coordinator:

(a) is or will individually or in aggregate have a material adverse effect on the business, financial condition or trading position or prospects of our Group as a whole; or

(b) is or has or will have a material adverse effect on the success of the Hong Kong Public Offer or the Share Offer or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or

(c) is or will make it inadvisable or impracticable for Hong Kong Public Offer and/or the Share Offer to proceed or to market the Hong Kong Public Offer and/or the Share Offer; or

(d) would or is or will have the effect of making any part of the Hong Kong Underwriting Agreement incapable of performance in accordance with its terms.

International Placing

In connection with the International Placing, it is expected that our Company, together with the Controlling Shareholders (collectively the "Covenantors"), will enter into the International Placing Agreement with the International Underwriters. It is expected that upon entering into the International Placing Agreement, the International Placing will be fully underwritten.

Under the International Placing Agreement, subject to the conditions set forth therein, the International Underwriters are expected to severally agree to subscribe or procure purchasers for, or failing which, to purchase, the International Placing Shares initially being offered pursuant to the International Placing. It is expected that the International Placing Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Placing Agreement is not entered into, the Share Offer will not proceed. It is expected that pursuant to the International Placing Agreement, our Company and the Covenantors will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in the section headed "Undertakings" below.

Commissions and expenses

The Underwriters will receive a commission of 3.0% of the aggregate Offer Price of the Offer Shares. The Sponsor may receive a discretionary incentive fee of 0.5% of the aggregate Offer Price of the Offer Shares. In consideration of the Sponsor's services in sponsoring the Share Offer, the Sponsor will also receive a financial advisory fee. The aggregate fees and commissions, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer which are currently estimated to be approximately HK$42.1 million in aggregate (based on the assumption that the Over-allotment Option is not exercised), are to be borne by us.

Undertakings

Each of the Controlling Shareholders has given an undertaking to each of the Company, the Sole Global Coordinator and the Hong Kong Underwriters that except as disclosed in this prospectus:

(a) at any time during the period from the date of this prospectus and ending on the date which is six months from the Listing Date (the "First Six-month Period"), he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Sole Global Coordinator and unless as a result of any exercise of the Over-allotment Option or otherwise in compliance with the requirements of the Listing Rules, (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of our Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities; or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such

Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above;

(b) he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Sole Global Coordinator at any time during the period of six months commencing on the date on which the First Six-month Period expires (the "Second Six-month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding in trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be controlling shareholder (as defined in the Listing Rules) of the Company or the aggregate interest of all members of the Controlling Shareholders would be less than 30 per cent. of our Company's issued share capital; and

(c) in the event of a disposal of any Shares or securities of our Company or any interest therein during the Second Six-month Period he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for the Shares or other securities of our Company;

except for using securities of our Company beneficially owned by the Controlling Shareholders as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules.

Each of the Controlling Shareholders has given an undertaking to the Company, the Sole Global Coordinator and the Hong Kong Underwriters that he/it will, at any time within the period commencing on the date of this prospectus and ending on the date which is 12 months after the Listing Date:

(a) if and when he or it pledges or charges, directly or indirectly, any Shares or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company and the Sole Global Coordinator in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

(b) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares or other securities in our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company and the Sole Global Coordinator in writing of such indications.

Our Company will notify the Stock Exchange as soon as we have been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

Our Company undertakes to the Sole Global Coordinator and the Hong Kong Underwriters and our Company, each of the Controlling Shareholders undertakes to the Sole Global Coordinator and the Hong Kong Underwriters to procure that, without the prior written consent of the Sole Global Coordinator and subject always to the requirements of the Stock Exchange, save pursuant to the Share Offer, the exercise of the subscription rights attaching to the Over-allotment Option and the grant of any option under the Share Option Scheme, our Company shall:

(a) not offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its subsidiaries), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the First Six-Month Period;

(b) except for using securities of our Company beneficially owned by the Controlling Shareholders as security (including a charge or pledge) in favor of any authorised institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules, not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein of our Controlling Shareholders (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing except pursuant to the Share Offer, the Capitalisation Issue or the exercise of the subscription rights attaching to the Over-allotment Option, the grant of options under the share option scheme of our Company adopted from time to time;

(c) not at any time within the Second Six-month Period do any of the acts set out in paragraphs (a) and (b) above such that the Controlling Shareholders together, directly and indirectly, would cease to be a controlling shareholder of the Company (within the meaning defined in the Listing Rules); and

(d) not at any time during the First Six-month Period purchase any of the outstanding share capital of our Company.

UNDERWRITERS' INTEREST IN OUR COMPANY

China Everbright Securities (HK) Limited, CCB International Capital Limited and Fortune (HK) Securities Limited. and the other Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the Offer Shares. Particulars of these commissions and expenses are set forth in the section headed "Commissions and expenses" above.

As disclosed in the section headed "Financial Investor" of this prospectus, pursuant to the Exchangeable Bonds Subscription Agreement, CCBIAM (through its wholly owned subsidiary, namely High Inspiring) subscribed for HK$85.47 million in principal amount of the redeemable exchangeable bond issued by King Award and HK$69.93 million in principal amount of the redeemable exchangeable bond issued by Sky Circle. Subscription of the CCBIAM Exchangeable Bonds was completed on 30 August 2010. CCBIAM and CCB International Capital Limited, one of the Underwriters, are fellow subsidiaries. Immediately after the Reorganisation and the CCBIAM Exchangeable Bonds being exchanged in full, CCBIAM (through High Inspiring) has held 126,348,589 Shares, representing approximately 12.63% of our Shares in issue upon completion of the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any Shares which may be granted under the Share Option Scheme).

Save as disclosed above, none of the Sole Global Coordinator and the Underwriters is interested legally or beneficially in the shares of any of our Group's members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of its members nor any interest in the Share Offer.

MINIMUM PUBLIC FLOAT

Our Directors and the Sole Global Coordinator will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

PRICE PAYABLE ON APPLICATION

Applicants under the Hong Kong Public Offer should pay, on application, HK$1.70 per Offer Share and 1% brokerage fee, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy. That means a total of HK$3,434.27 is payable for every board lot of 2,000 Shares. The Application Forms have tables showing the exact amount payable for certain multiples of Hong Kong Offer Shares. Further details are set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of the application for the Offer Shares pursuant to the Hong Kong Public Offer is conditional upon:

1. Listing

The Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares.

2. Underwriting Agreements

(i) The obligations of the Underwriters under the Underwriting Agreements becoming unconditional, and not being terminated in accordance with the terms thereof; and

(ii) the execution and delivery of the International Placing Agreement.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the paragraph headed "Refund of your monies" in the relevant Application Forms.

In the meantime, the application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) in Hong Kong, licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE SHARE OFFER

The Share Offer comprises the International Placing and the Hong Kong Public Offer. A total of initially 250,000,000 Offer Shares will be made available under the Share Offer, of which 225,000,000 International Placing Shares (subject to re-allocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the International Placing. The remaining 25,000,000 Hong Kong Offer Shares (subject to re-allocation), representing 10% of the Offer Shares, will initially be offered to the public in Hong Kong under the Hong Kong Public Offer.

The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriters will severally underwrite the International Placing Shares pursuant to the terms of the International Placing Agreement. Further details of the underwriting are set out in the section headed "Underwriting" in this prospectus.

Investors may apply for the Offers Shares under the Hong Kong Public Offer or indicate an interest for Offer Shares under the International Placing, but may not do both.

International Placing

The Company is expected to offer initially 225,000,000 International Placing Shares (subject to re-allocation and the Over-allotment Option) at the Offer Price under the International Placing. The number of International Placing Shares expected to be initially available for application under the International Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The International Placing is expected to be fully underwritten by the International Underwriters. Investors subscribing for the International Placing Shares are also required to pay the Offer Price of HK$1.70 per Share plus a 1% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.003% SFC transaction levy of the Offer Price.

It is expected that the International Underwriters, or selling agents nominated by them, on behalf of the Company, will conditionally place the International Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the International Placing Shares in the International Placing may also be allocated the International Placing Shares.

Allocation of the International Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and its shareholders as a whole. Investors to whom International Placing Shares are offered will be required to undertake and confirm in the Application Form that he/she has not applied for Shares under the Hong Kong Public Offer.

The Company, the Directors, the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Hong Kong Public Offer from investors who receive Shares under the International Placing, and to identify and reject indications of interest in the International Placing from investors who receive Shares under the Hong Kong Public Offer.

The International Placing is expected to be subject to the conditions as stated in the paragraph headed "Conditions of the Hong Kong Public Offer" of this section.

Hong Kong Public Offer

The Company is initially offering 25,000,000 Hong Kong Offer Shares for subscription (subject to re-allocation) by the public in Hong Kong under the Hong Kong Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters. Applicants for the Hong Kong Offer Shares are required on application to pay the Offer Price of HK$1.70 per Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.003% SFC transaction levy.

The Hong Kong Public Offer is open to all members of the public in Hong Kong. An applicant for Shares under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she has not applied for nor taken up any Shares under the International Placing nor otherwise participated in the International Placing. Applicants should note that if such undertaking and/ or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Hong Kong Public Offer is liable to be rejected.

For allocation purposes only, the number of the Hong Kong Offer Shares will be divided equally into two pools: 12,500,000 Shares in pool A and 12,500,000 Shares in pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares in the value of HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares in the value of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pool is under-subscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100 per cent. of the Hong Kong Offer Shares initially available under pool A or pool B will be rejected.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. When there is over-subscription under the Hong Kong Public Offer, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of the Offer Shares between the International Placing and the Hong Kong Public Offer is subject to reallocation on the following basis:

(a) if the number of Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be allocated to the Hong Kong Public Offer from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offer will be increased to 75,000,000 Shares, representing 30% of the Offer Shares;

(b) if the number of Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offer will be increased to 100,000,000 Shares, representing 40% of the Offer Shares; and

(c) if the number of Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offer will be increased to 125,000,000 Shares, representing 50% of the Offer Shares.

In all cases, the additional Shares reallocated to the Hong Kong Public Offer will be allocated equally between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

If the Hong Kong Public Offer is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any of the unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offer to the International Placing in such proportions as it deems appropriate.

OVER-ALLOTMENT OPTION

In connection with the Share Offer, the Company is expected to grant to the Sole Global Coordinator (for itself and on behalf of the International Underwriters) the Over-allotment Option which will expire on a date which is 30 days from the date of the last day of lodging application under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, the Company may be required by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) to allot and issue up to and not more than 37,500,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Share Offer) at the Offer Price to cover over-allocations in the International Placing. The Sole Global Coordinator (for itself and on behalf of the International Underwriters) may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements with King

Award or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all application laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 37,500,000 new Shares will represent approximately 3.6% of the Company's enlarged issued share capital immediately after completion of the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised or expired, a press announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, the Sole Global Coordinator, as the stabilising manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions which stabilise or maintain the market price of the Shares at levels above those which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 37,500,000 additional Shares, being the number of the Shares that may be issued under the Over-allotment Option. Such stabilising actions may include over-allocating International Placing Shares and covering such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with King Award or through a combination of these means or otherwise. However, there is no obligation on the Sole Global Coordinator to do this. Such stabilisation action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements.

Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may take all or any of the following actions ("primary stabilising action") with respect to any Shares during the stabilisation period, which should end on Saturday, 4 February 2012:

(1) purchase, or agree to purchase, any of the Shares;

(2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the Shares. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may also, in connection with any primary stabilising action, take all or any of the following actions:

   (a) for the purpose of preventing or minimising any reduction in the market price of the Shares;

(i) allocate a greater number of Shares than the number that is initially offered under the Share Offer; or

(ii) sell or agree to sell Shares so as to establish a short position in them;

(b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);

(c) sell or agree to sell any Shares acquired by it in the course of the primary stabilising action in order to liquidate any position that has been established by such action; and/or

(d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

Investors should be aware:

- that the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, in connection with the stabilising action, maintain a long position in the Shares;

- that there is no certainty regarding the extent to which and the time period for which the Sole Global Coordinator will maintain such a long position;

- of possible impact in the case of liquidation of such a long position by the Sole Global Coordinator;

- that stabilising action cannot be taken to support the price of our Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer, that the stabilising period is expected to expire on Saturday, 4 February 2012, and that after this date, when no further stabilising action may be taken, demand for our Shares, and therefore its price could fall;

- that the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for our Shares.

STOCK BORROWING ARRANGEMENT

In connection with the Share Offer, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 37,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Sole Global Coordinator may borrow up to 37,500,000 Shares from King Award, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. Stock borrowing arrangement is not subject to the restrictions of rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The principal terms of the Stock Borrowing Agreement are:

- the stock borrowing arrangement will only be effected by the borrower for settlement of over-allocations in connection with the International Placing;

- the maximum number of Shares borrowed from King Award will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;

- the same number of Shares so borrowed must be returned to King Award or its nominees on no later than three business days following the earlier of (i) the last day for exercising the Over-allotment Option; and (ii) the day on which the Over-allotment Option is exercised in full;

- the stock borrowing arrangement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and

- no payments will be made to King Award by the Sole Global Coordinator in relation to the stock borrowing arrangement.

I. METHODS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are two ways to make an application for the Hong Kong Offer Shares. You may apply for the Hong Kong Offer Shares by either using a **WHITE** or **YELLOW** Application Form or giving **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC.

II. APPLYING BY USING A WHITE OR YELLOW APPLICATION FORM

1. Which Application Form to Use

(a) Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be issued in your own name.

(b) Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Note: The Hong Kong Offer Shares are not available to existing beneficial owners of Shares in the Company, Directors or chief executives of the Company or any of its subsidiaries, or associates of any of them (an "associate" is defined in the Listing Rules) or to legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) or persons who do not have a Hong Kong address.

2. Where to Collect the Application Forms

(a) You can collect a **WHITE** Application Form and this prospectus from:

Any of the following addresses of the Sponsor and the Hong Kong Underwriters:

1. China Everbright Capital Limited
   17th Floor, Far East Finance Centre
   16 Harcourt Road
   Hong Kong

2. China Everbright Securities (HK) Limited
   36th Floor, Far East Finance Centre
   16 Harcourt Road
   Hong Kong

3. CCB International Capital Limited
34/F, Two Pacific Place
88 Queensway
Admiralty
Hong Kong

4. Polaris Securities (Hong Kong) Limited
Unit 1003-1004,
Tower 1, Admiralty Centre
18 Harcourt Road
Hong Kong

or any of the following branches of China Construction Bank (Asia) Corporation Limited:

	Branch Name	Address
Hong Kong Island	Central Branch	6 Des Voeux Road Central, Central
	Wanchai Hennessy Road Branch	139 Hennessy Road, Wanchai
	North Point Branch	382 King's Road, North Point
Kowloon	Tsimshatsui Humphreys Avenue Branch	3 Humphreys Avenue, Tsimshatsui
	Mongkok Nathan Road Branch	788 Nathan Road, Mongkok
	Kowloon Bay Amoy Gardens Branch	Shop 181, G/F, Phase IIA, Amoy Gardens, Kowloon Bay
New Territories	Tai Po Branch	Shop 9B, G/F, 1 On Chee Road, Tai Po
	Tuen Mun Branch	Shop 9, G/F Tuen Mun Town Plaza 2, Tuen Mun

(b) You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Thursday, 29 December 2011 till 12:00 noon on Thursday, 5 January 2012 from:

(i) the **Depository Counter of HKSCC** at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or

(ii) your stockbroker, who may have such Application Forms and this prospectus available.

3. How to complete the Application Form and make payment

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

You should note that by completing and submitting the Application Form, amongst other things, you:

(a) **agree** with our Company and each Shareholder, and our Company agrees with each of our Shareholders, to observe and comply with the Companies Ordinance, the memorandum of association of the Company and the Articles;

(b) **agree** with our Company and each Shareholder that the Shares in our Company are freely transferable by the holders thereof;

(c) **authorise** our Company to enter into a contract on your behalf with each of the Directors and officers of our Company whereby each such Director and officer undertakes to observe and comply with his obligations to shareholders as stipulated in the memorandum of association of our Company and the Articles;

(d) **confirm** that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement in this prospectus;

(e) **agree** that our Company and the Directors are liable only for the information and representations contained in this prospectus and any supplement thereto;

(f) **undertake** and **confirm** that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

(g) **agree** to disclose to our Company, our registrar, receiving banker, the Sole Global Coordinator and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;

(h) **instruct** and **authorise** our Company and/or the Sole Global Coordinator as agent for our Company (or their respective agents or nominees) to do on your behalf all things necessary to effect registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the Application Form;

(i) **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(j) **warrant** the truth and accuracy of the information contained in your application;

(k) **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(l) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and the Application Form and agree to be bound by them;

(m) **undertake** and **agree** to accept the Shares applied for, or any lesser number allocated to you under the application;

(n) if the laws of any place outside Hong Kong are applicable to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Hong Kong Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to subscribe, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;

(o) **undertake** to sign all documents and to do all things necessary to enable you to be registered as the holder of the Offer Shares allocated to you, and as required by the Articles;

(p) **represent, warrant** and **undertake** that you /none of the persons for whose benefit you are applying is restricted by any applicable laws of Hong Kong or elsewhere from making the application, paying any application moneys for, or being allotted or taking up, any Hong Kong Offer Shares; and at the time the offer of Hong Kong Offer Shares was made to you and at the time you are completing and submitting the application to originate your buy order, you are, and each of the other person(s) for whose benefit you are applying is, located outside the United States (as defined in Regulation S under the U.S. Securities Act 1933) and will acquire the Hong Kong Offer Shares in an offshore transaction (within the meaning of Regulation S under the U.S. Securities Act 1933) outside the United States; or the allotment of or the application for the Hong Kong Offer Shares to or by whom your application is made would require our Company to comply with any requirement under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;

(q) (if the application is made for your own benefit) **warrant** that your application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC;

(r) (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;

(s) (if you are an agent for another person) **warrant** that reasonable inquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, and that you are duly authorised to sign the Application Form or to give **electronic application instructions** as that other person's agent;

(t) **agree** that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offer made available by the Company;

(u) **agree** to disclose to our Company, the Joint Bookrunners and their respective agents any information about you or the person(s) for whose benefit you have made the application which they require;

(v) **authorise** our Company to place your name(s) or HKSCC Nominees, as the case may be, on our Company's register of members as the holder(s) in Hong Kong of any Offer Shares allocated to you, and our Company and/or our Company's agents to send any Share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post to the address stated on the Application Form at your own risk (except if you have applied for 1,000,000 Hong Kong Offer Shares or more, as the case may be, and have indicated in the Application Form that your wish to collect your refund cheque and/or Share certificates (where applicable) in person);

(w) **agree** that the processing of your application, may be done by any of our Company's receiving banker and is not restricted to the bank at which your Application Form is lodged;

(x) **confirm** that you are aware of the restrictions on the Share Offer of the Offer Shares described in this prospectus;

(y) **understand** that these declarations and representations will be relied upon by our Company, the Joint Bookrunners in deciding whether or not to allocate any Offer Shares in response to your application; and

(z) **agree** with our Company, for itself and for the benefit of each shareholder of the Company (and so that our Company will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each shareholder of our Company) (and if applicable, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Memorandum and the Articles.

In order for the **YELLOW** Application Forms to be valid:

(a) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

(i) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

(b) **If the application is made by an individual CCASS Investor Participant:**

(i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card number; and

(ii) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(c) **If the application is made by a joint individual CCASS Investor Participant:**

(i) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card number of all joint CCASS Investor Participants; and

(ii) the participant I.D. must be inserted in the appropriate box in the Application Form.

(d) **If the application is made by a corporate CCASS Investor Participant:**

(i) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and

(ii) the participant I.D. and company chop (bearing its company name)must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission of participant I.D. or other similar matters may render the application invalid.

If your application is made through a duly authorised attorney, our Company and the Sole Global Coordinator as its agent may accept it at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. Our Company and the Sole Global Coordinator, in the capacity as its agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

4. How to Make Payment for the Application

Each completed **WHITE** or **YELLOW** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- bear an account name (or, in the case of joint applicants, the name of the first-named applicant) (either pre-printed on the cheque or endorsed on the reverse of the cheque by an authorised signatory of the bank on which it is drawn), which must be the same as the name on your Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant);
- be made payable to "CCB Nominees Limited - Huili Group Public Offer";
- be crossed "Account Payee Only"; and
- not be post-dated.

Your application may be rejected if your cheque does not meet all of these requirements or is dishonoured on first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be in Hong Kong dollars;
- be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker's cashier order by an authorised signatory of the bank on which it is drawn. The name on the reverse of the banker's cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named applicant;
- be made payable to "CCB Nominees Limited - Huili Group Public Offer";

- be crossed "Account Payee Only"; and
- not be post-dated.

Your application may be rejected if your banker's cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Thursday, 5 January 2012. Our Company will not give you a receipt for your payment. Our Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheques). The right is also reserved to retain any Share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

5. Members of the Public — Time for Applying for Hong Kong Offer Shares

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Thursday, 5 January 2012, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of bad weather on the opening of the application lists" below.

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of China Construction Bank (Asia) Corporation Limited listed under the section entitled "Where to collect the Application Forms" above at the following times:

Thursday, 29 December 2011 — 9:00 a.m. to 5:00 p.m.
Friday, 30 December 2011 — 9:00 a.m. to 5:00 p.m.
Saturday, 31 December 2011 — 9:00 a.m. to 1:00 p.m.
Tuesday, 3 January 2012 — 9:00 a.m. to 5:00 p.m.
Wednesday, 4 January 2012 — 9:00 a.m. to 5:00 p.m.
Thursday, 5 January 2012 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 5 January 2012.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until after the closing of the application lists.

6. Effect of Bad Weather on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 5 January 2012. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

III. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

1. General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F
Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company and its registrars.

2. Giving Electronic Application Instructions to HKSCC to Apply for Hong Kong Offer Shares by HKSCC Nominees On Your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

(a) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(b) HKSCC Nominees does the following things on behalf of each such person:

- agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;

- undertakes and agrees to accept the Hong Kong Offer Shares with respect to which that person has given **electronic application instructions** or any lesser number;

- undertakes and confirms that that person has not applied for or taken up any Offer Shares under the International Placing nor otherwise participated in the International Placing;

- (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;

- (if that person is an agent for another person) declares that that person has only given one set of electronic application instruction for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;

- understands that the above declaration will be relied upon by the Company, the Sponsor, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in deciding whether or not to make any allotment of the Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;

- authorises the Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf;

- agrees that our Company and the Directors are only liable for the information and representations contained in this prospectus and any supplement thereto;

- agrees to disclose that person's personal data to our Company and its registrars, receiving banker, advisers and agents and any information which they may require about that person;

- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;

- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to electronic application instructions given by that person is irrevocable before the expiration of the fifth Business Day after the opening of the application lists or such later date as the application lists may open as described under the section headed "How to apply for the Hong Kong Offer Shares — II. Applying by using a WHITE or YELLOW application form — Effect of Bad Weather conditions on the Opening of the Application Lists", such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the expiration of the fifth Business Day after the opening of the application lists except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the end of the fifth Business Day after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer published by our Company;

- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Offer Shares;

- agrees with our Company (for the Company itself and for the benefit of each shareholder of our Company) that Shares in our Company are freely transferable by the holders thereof; and

- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

3. Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

— instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participant) to apply for the Hong Kong Offer Shares on your behalf;

— instructed and authorised HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designed bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account;

— instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

4. Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of the Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of the Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made. No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. Minimum subscription amount and permitted multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 2,000 Hong Kong Offer Shares. Such instructions in respect of more than 2,000 Hong Kong Offer Shares must be in one of the multiples set out in the table in the Application Forms.

6. Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 29 December 2011 — 9:00 a.m. to 8:30 p.m.[(1)]
Friday, 30 December 2011 — 8:00 a.m. to 8:30 p.m.[(1)]
Saturday, 31 December 2011 — 8:00 a.m. to 1:00 p.m.[(1)]
Tuesday, 3 January 2012 — 8:00 a.m. to 8:30 p.m.[(1)]
Wednesday, 4 January 2012 — 8:00 a.m. to 8:30 p.m.[(1)]
Thursday, 5 January 2012 — 8:00 a.m. [(1)] **to 12:00 noon**

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 29 December 2011 until 12:00 noon on Thursday, 5 January 2012 (24 hours daily, except the first and the last application days).

7. Effect of bad weather on the last application day

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 5 January 2012. If:

— a tropical cyclone warning signal number 8 or above; or

— a "black" rainstorm warning signal is in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon on Thursday, 5 January 2012, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong during 9:00 a.m. to 12:00 noon on such day.

8. Allocation of Hong Kong Offer Shares

For the purpose of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit such instructions is given will be treated as an applicant.

9. Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation in this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

10. Personal data

The section of the Application Forms headed "Personal data" applies to any personal data held by the Company and the registrars about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

11. Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Sponsor, the Sole Global Coordinator, the Hong Kong Underwriters and any persons involved in the Share Offer take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW**

Application Form; or (b) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 5 January 2012 or such later date as stated in the sub-paragraph headed "Effect of bad weather on the opening of the application list" above.

12. If your application for public offer shares is successful by giving electronic application instructions

- No receipt will be issued for application money paid.

- If your application is wholly or partly successful, your **share certificates** will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your CCASS Investor Participant stock account or the stock account of the CCASS Participant which you have instructed to give electronic application instructions on your behalf, on Wednesday, 11 January 2012 or under contingent situation, on any other date HKSCC or HKSCC Nominees chooses.

- Our Company will publish the **application results of CCASS Participants** (and where the CCASS Participant is a broker or custodian, the Company shall include information relating to the beneficial owner, if supplied), your Hong Kong Identity Card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allotment of the public offer, in the newspapers on Wednesday, 11 January 2012. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m, on Wednesday, 11 January 2012 or any other date HKSCC or HKSCC Nominees chooses.

- **If you are instructing your broker or custodian to give electronic application instructions on your behalf**, you can also check the number of public offer shares allocated to you and the amount of refund (if any) payable to you with that broker or custodian.

- **If you are applying as a CCASS Investor Participant**, you can also check the number of public offer shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System on Wednesday, 11 January 2012. Immediately following the credit of the public offer shares to your stock account and the credit of the refund monies to your bank account, HKSCC will make available to you an activity statement showing the number of public offer shares credited to your stock account and the amount of refund money credited to your designated bank account (if any).

- Our Company will not issue temporary documents of title.

13. Refund of your money

All refunds of your application monies (including brokerage, transaction levy and trading fee) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 11 January 2012.

IV. HOW MANY APPLICATIONS YOU CAN MAKE

1. You may make more than one application for the Hong Kong Offer Shares only if:

   - You are a nominee, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant); or (ii) using a **WHITE** or **YELLOW** Application Form and lodging more than one application in your own name on behalf of different beneficial owners. In the box on the **WHITE** or **YELLOW** Application Form marked "For nominees" you must include:

     - an account number; or

     - some other identification code

     for each beneficial owner (or, in the case of joint beneficial owners, for each such joint beneficial owner). If you do not include this information, the application will be treated as being made for your own benefit.

2. All of your applications for the Hong Kong Offer Shares (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:

   - make more than one application (whether individually or jointly with others) on **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant); or

   - both apply (whether individually or jointly with others) on one (or more) **WHITE** Application Form and one (or more) **YELLOW** Application Form or on one (or more) **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC via CCASS; or

- apply (whether individually or jointly with others) on one (or more) **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) for more than 100% of the Hong Kong Offer Shares being initially available in either pool A or pool B to the public as referred to under the section headed "Structure of the Share Offer" in this prospectus; or

- have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any International Placing Shares under the International Placing.

3. All of your applications for the Hong Kong Offer Shares are liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**). If an application is made by an unlisted company and:

(a) the only business of that company is dealing in securities; and

(b) you exercise statutory control over that company, then the application will be deemed to be made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

(a) control the composition of the board of directors of that company; or

(b) control more than half of the voting power of that company; or

(c) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

V. PUBLICATION OF RESULTS

Our Company expects to publish (i) the level of indication of interests in the International Placing; (ii) the level of applications in the Hong Kong Public Offer; and (iii) the basis of allotment of the Hong Kong Offer Shares on the website of our Company at **www.huili.hk** and the website of the Stock Exchange at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, 11 January 2012 and in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on or around Wednesday, 11 January 2012.

Results of allocations in the Hong Kong Public Offer, including the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers of successful applicants (where supplied) and the number of the Hong Kong Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:

- on our website at **www.huili.hk** and the Stock Exchange's website at **www.hkexnews.hk** from 9:00 a.m. on Wednesday, 11 January 2012 onwards;

- on our Hong Kong Public Offer results of allocations website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Wednesday, 11 January 2012 to 12:00 midnight on Tuesday, 17 January 2012. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its Application Form to search for his/her/ its own allocation result;

- from our Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of the Hong Kong Offer Shares allocated to them, if any, by calling 3691-8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 11 January 2012 to Monday, 16 January 2012 (excluding Saturday, Sunday and Public Holiday); and

- from special allocation results booklets setting out the results of allocations which will be available for inspection during opening hours of the designated branches of the receiving banker of the Hong Kong Public Offer from Wednesday, 11 January 2012 to Friday, 13 January 2012 at the addresses set out under the paragraph headed "Where to collect the Application Forms" in this section above.

VI. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section entitled "Structure of the Share Offer — Conditions of the Hong Kong Public Offer" or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued with respect to the Hong Kong Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

(a) for applications on **WHITE** Application Forms: (i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applicants on **YELLOW** Application Forms: Share certificates for their Hong Kong Offer Shares successfully applied for will be deposited into CCASS as described below); and/or

(b) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; and/or (ii) all the application monies, if the application is wholly unsuccessful, in each case including the brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data could also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) with respect to wholly and partially unsuccessful applications under **WHITE** or **YELLOW** Application Forms; and Share certificates for wholly and partially successful applicants under **WHITE** Application Forms are expected to be posted on or around Wednesday, 11 January 2012. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, 12 January 2012 provided that the Hong Kong Public Offer has become unconditional in all respects and the right of termination described in the section entitled "Underwriting — Grounds for Termination" has not been exercised.

*(a) If you apply using a **WHITE** Application Form:*

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have indicated your intention in your Application Form to collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) from our Company's Hong Kong branch shares registrar and transfer office, Tricor Investor Services Limited and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and Share certificate(s) (where applicable) from our Company's Hong Kong branch shares registrar and transfer office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 January 2012 or such other place and date as notified by the Company in the newspapers as the place and date of collection/despatch of refund cheques/Share certificates. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Company's Hong Kong branch shares registrar and transfer office, Tricor Investor Services Limited. If you do not collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/ or Share certificate(s) (where applicable) will be sent to the address on your Application Form on or around Wednesday, 11 January 2012, by ordinary post and at your own risk.

(b) If you apply using a ***YELLOW*** *Application Form:*

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) in person, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on or around Wednesday, 11 January 2012, by ordinary post and at your own risk.

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Wednesday, 11 January 2012, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the newspapers on Wednesday, 11 January 2012. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 11 January 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

VII. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reasons, our Company will refund to you your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, our Company will refund to you the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

Refund cheques will be crossed "Account Payee Only", and made out to you, or, if you are joint applicants, to the first-named applicant on the Application Form. Part of your Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque. Refund cheques are expected to be despatched on Wednesday, 11 January 2012.

Refund of your application monies (if any) will be made on or about Wednesday, 11 January 2012 in accordance with the various arrangements as described in this section.

VIII. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following two situations in which the Hong Kong Offer Shares will not be allotted to you:

- **If your application is revoked:**

  By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees Limited on your behalf may only be revoked after the fifth business day after the time of the opening of the application lists of the Hong Kong Public Offer. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before that day except by means of one of the procedures referred to in this prospectus.

  Your application or the application made by HKSCC Nominees on your behalf may be revoked before the fifth business day after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

  If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allotment, and where such basis of allotment is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- **At the discretion of our Company or its agents or nominees, your application is rejected:**

  Our Company, the Sole Global Coordinator (on behalf of the Company) or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. Our Company, the Sole Global Coordinator (on behalf of the Company) or their respective agents or nominees do not have to give any reason for any rejection or acceptance.

- **If the allotment of the Hong Kong Offer Shares is void:**

  Your allotment of the Hong Kong Offer Shares to HKSCC Nominees will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares in issue and to be issued as mentioned in this prospectus either:

  — within three weeks from the closing of the application lists in respect of the Hong Kong Public Offer; or

  — within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists in respect of the Hong Kong Public Offer.

- **Your application is rejected:**

  Your application will be rejected if:

  — it is a multiple or suspected multiple application;

  — your Application Form is not completed correctly in accordance with the instructions therein;

  — you or the person(s) for whose benefit you are applying have applied for and/or been allotted or will be allotted with the International Placing Shares;

  — your payment is not in the correct form;

  — you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;

  — our Company and the Sole Global Coordinator (on behalf of the Company) believe that the acceptance of your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed or your address appeared in the Application Form is located;

  — you application is for more than 100% of the Hong Kong Offer Shares initially offered for public subscription in either pool A (12,500,000 Shares) or pool B (12,500,000 Shares); or

  — any of the Underwriting Agreements does not become unconditional in accordance with its terms or is terminated in accordance with its terms.

IX. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence at 9:00 a.m. on Thursday, 12 January 2012.

The Shares will be traded in board lots of 2,000 Shares each.

The Stock Exchange stock code for the Shares is 1303.

X. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

29 December 2011

The Directors
Huili Resources (Group) Limited

China Everbright Capital Limited

Dear Sirs,

We report on the financial information of Huili Resources (Group) Limited (the "Company") and its subsidiaries (together, the "Group") which comprises the consolidated balance sheets as at 31 December 2008, 2009 and 2010 and 30 June 2011, the balance sheets of the Company as at 31 December 2010 and 30 June 2011, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes. The financial information has been prepared by the directors of the Company and is set out in Sections I to IV below for inclusion in Appendix I to the prospectus of the Company dated 29 December 2011 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 19 February 2010 as an exempted company with limited liability under the Companies Law (Cap 22, as amended and revised) of the Cayman Islands. Pursuant to a group reorganization as described in Note 1 of Section II headed "General information and reorganization" below, which was completed on 24 March 2010, the Company became the holding company of the subsidiaries comprising the Group (the "Reorganization").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1 of Section II below. All of these companies are private companies.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

All companies comprising the Group have adopted 31 December as their financial year end date. No audited financial statements have been prepared by the Company as it is newly incorporated and has not been involved in any significant business transactions since its date of incorporation other than the Reorganization and there is no statutory requirement to do so. The audited financial statements of the subsidiaries of the Company comprising the Group as at the date of this report, for which there are statutory audit requirements, have been prepared in accordance with the relevant accounting principles generally accepted in their places of incorporation/establishment. The details of the statutory auditors of these companies are set out in Note 1 of Section II.

The directors of the Company have prepared consolidated financial statements of the Company for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The Underlying Financial Statements have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司) in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA under separate terms of engagement with the Company.

The directors of the Company are responsible for preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purposes of this report, a true and fair view of the state of affairs of the Company as at 31 December 2010 and 30 June 2011 and the state of affairs of the Group as at 31 December 2008, 2009 and 2010 and 30 June 2011, and of the Group's results and cash flows for the Relevant Periods then ended.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2010 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 3 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 3 of Section II below.

I Financial Information

The following is the financial information of the Group prepared by the directors of the Company for the Relevant Periods (the "Financial Information"):

Consolidated balance sheets

	Note	As at 31 December 2008 RMB'000	As at 31 December 2009 RMB'000	As at 31 December 2010 RMB'000	As at 30 June 2011 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	7	89,747	77,958	70,238	67,173
Mining rights	8	131,606	130,426	129,711	129,711
Land use rights	9	10,271	10,050	9,830	10,431
Available-for-sale financial assets	11	3,480	—	—	—
Deferred tax assets	12	2,774	4,874	6,415	6,472
Prepayments for investments	13	—	—	18,000	28,000
Total non-current assets		237,878	223,308	234,194	241,787
Current assets					
Inventories	14	27,345	40,068	23,020	11,112
Trade receivables	15	107	—	—	564
Other receivables and prepayments	16	25,290	22,970	2,730	3,284
Cash and cash equivalents	17	1,770	1,551	63,598	59,788
Restricted cash at banks	17	—	—	—	1,441
Total current assets		54,512	64,589	89,348	76,189
Total assets		292,390	287,897	323,542	317,976
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	18	—	—	65,972	65,972
Share premium	18	—	—	109,303	109,303
Other reserves	19	627	1,222	(15,524)	(15,524)
Retained earnings	20	22,750	16,105	12,149	11,929
Loans from shareholders	21	90,000	90,000	—	—
		113,377	107,327	171,900	171,680
Non-controlling interests		12,601	11,934	12,568	12,798
Total equity		125,978	119,261	184,468	184,478

	Note	As at 31 December			As at 30 June
		2008	2009	2010	2011
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Non-current liabilities					
Pre-acquisition dividend payable — non-current portion	22	—	—	50,949	63,135
Provision for close down, restoration and environmental costs	23	1,774	1,863	2,019	2,049
Deferred tax liabilities	12	36,760	36,724	35,351	34,831
Total non-current liabilities		38,534	38,587	88,319	100,015
Current liabilities					
Pre-acquisition dividend payable — current portion	22	92,000	92,000	30,000	15,000
Trade payables	24	4,831	4,997	5,982	1,823
Other payables and accruals	25	26,070	32,785	13,093	15,971
Income tax payable		4,977	267	1,680	689
Total current liabilities		127,878	130,049	50,755	33,483
Total liabilities		166,412	168,636	139,074	133,498
Total equity and liabilities		292,390	287,897	323,542	317,976
Net current (liabilities)/assets		(73,366)	(65,460)	38,593	42,706
Total assets less current liabilities		164,512	157,848	272,787	284,493

Balance sheets

	Note	As at 31 December 2010 RMB'000	As at 30 June 2011 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	10	107,328	107,328
Total non-current assets		107,328	107,328
Current assets			
Other receivables and prepayments	16	1,789	7,801
Cash and cash equivalents	17	57,101	48,798
Total current assets		58,890	56,599
Total assets		166,218	163,927
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	18	65,972	65,972
Share premium	18	109,303	109,303
Accumulated losses	20	(9,057)	(11,348)
Total equity		166,218	163,927
Total equity and liabilities		166,218	163,927
Net current assets		58,890	56,599
Total assets less current liabilities		166,218	163,927

Consolidated statements of comprehensive income

	Note	Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	6	17,872	—	37,566	29,956	19,611
Cost of sales	14, 26	(19,767)	(5,434)	(33,036)	(25,695)	(15,049)
Gross (loss)/profit		(1,895)	(5,434)	4,530	4,261	4,562
Distribution costs	26	(95)	—	(1,821)	(1,609)	(938)
Administrative expenses	26	(6,579)	(3,620)	(15,737)	(6,859)	(5,288)
Gains from bargain purchases	33	32,199	—	—	—	—
Other (losses)/gains-net	28	(643)	278	(345)	(340)	156
Operating profit/(loss)		22,987	(8,776)	(13,373)	(4,547)	(1,508)
Finance income		263	12	13,134	13,075	4,670
Finance costs		(116)	(89)	(4,002)	(559)	(3,306)
Finance income/(costs)-net	29	147	(77)	9,132	12,516	1,364
Profit/(loss) before income tax		23,134	(8,853)	(4,241)	7,969	(144)
Income tax credit	30	1,172	2,136	1,501	10	154
Profit/(loss) for the year/period		24,306	(6,717)	(2,740)	7,979	10
Other comprehensive income		—	—	—	—	—
Total comprehensive income/(loss)		24,306	(6,717)	(2,740)	7,979	10
Profit/(loss)/ Total comprehensive income/(loss) attributable to:						
Equity holders of the Company		23,377	(6,050)	(3,374)	6,743	(220)
Non-controlling interests		929	(667)	634	1,236	230
		24,306	(6,717)	(2,740)	7,979	10
Earnings/(loss) per share attributable to the equity holders of the Company (expressed in Renminbi per share)						
- Basic and diluted	31	0.033	(0.008)	(0.005)	0.009	(0.0003)
Dividends	32	—	—	—	—	—

Consolidated statements of changes in equity

		Attributable to equity holders of the Company									
	Note	Share capital *RMB'000* *(Note 18)*	Share premium *RMB'000* *(Note 18)*	Loans from shareholders *RMB'000* *(Note 21)*	Safety funds *RMB'000* *(Note 19)*	Maintenance funds *RMB'000* *(Note 19)*	Capital reserve *RMB'000* *(Note 19)*	Retained earnings *RMB'000* *(Note 20)*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2008		—	—	—	—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	—	—	23,377	23,377	929	24,306
Transactions with owners:											
Non-controlling interests arising from business combination	33	—	—	—	—	—	—	—	—	11,672	11,672
Loans from shareholders	21	—	—	90,000	—	—	—	—	90,000	—	90,000
Subtotal		—	—	90,000	—	—	—	23,377	113,377	12,601	125,978
Appropriation to safety funds/maintenance funds	20	—	—	—	533	627	—	(1,160)	—	—	—
Utilisation of safety funds/maintenance funds	20	—	—	—	(533)	—	—	533	—	—	—
At 31 December 2008		—	—	90,000	—	627	—	22,750	113,377	12,601	125,978
At 1 January 2009		—	—	90,000	—	627	—	22,750	113,377	12,601	125,978
Total comprehensive loss		—	—	—	—	—	—	(6,050)	(6,050)	(667)	(6,717)
Appropriation to safety funds/maintenance funds	20	—	—	—	393	595	—	(988)	—	—	—
Utilisation of safety funds/maintenance funds	20	—	—	—	(393)	—	—	393	—	—	—
At 31 December 2009		—	—	90,000	—	1,222	—	16,105	107,327	11,934	119,261
At 1 January 2010		—	—	90,000	—	1,222	—	16,105	107,327	11,934	119,261
Total comprehensive loss		—	—	—	—	—	—	(3,374)	(3,374)	634	(2,740)
Transactions with owners:											
Issue of new shares as a result of group reorganization	18/19	1	107,327	(90,000)	—	—	(17,328)	—	—	—	—
Issue of new shares from share premium	18	62,692	(62,692)	—	—	—	—	—	—	—	—
Capital injection from shareholders	18	3,279	64,668	—	—	—	—	—	67,947	—	67,947
Subtotal		65,972	109,303	—	—	1,222	(17,328)	12,731	171,900	12,568	184,468
Appropriation to safety funds/maintenance funds	20	—	—	—	221	361	—	(582)	—	—	—
At 31 December 2010		65,972	109,303	—	221	1,583	(17,328)	12,149	171,900	12,568	184,468

	Note	Share capital	Share premium	Loans from shareholders	Safety funds	Maintenance funds	Capital reserve	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Company									
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 18)	*(Note 18)*	*(Note 21)*	*(Note 19)*	*(Note 19)*	*(Note 19)*	*(Note 20)*			
Unaudited:											
At 1 January 2010		—	—	90,000	—	1,222	—	16,105	107,327	11,934	119,261
Total comprehensive income		—	—	—	—	—	—	6,743	6,743	1,236	7,979
Transactions with owners:											
Issue of new shares as a result of group reorganization	18/19	1	107,327	(90,000)	–	—	(17,328)	—	—	—	—
Issue of new shares from share premium	18	62,692	(62,692)	—	—	—	—	—	—	—	—
Subtotal		62,693	44,635	—	—	1,222	(17,328)	22,848	114,070	13,170	127,240
Appropriation to safety funds/maintenance funds	20	—	—	—	53	78	—	(131)	—	—	—
At 30 June 2010		62,693	44,635	—	53	1,300	(17,328)	22,717	114,070	13,170	127,240

	Share capital	Share premium	Loans from shareholders	Safety funds	Maintenance funds	Capital reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the Company									
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 18)	*(Note 18)*	*(Note 21)*	*(Note 19)*	*(Note 19)*	*(Note 19)*	*(Note 20)*			
At 1 January 2011	65,972	109,303	—	221	1,583	(17,328)	12,149	171,900	12,568	184,468
Total comprehensive income/(loss)	—	—	—	—	—	—	(220)	(220)	230	10
At 30 June 2011	65,972	109,303	—	221	1,583	(17,328)	11,929	171,680	12,798	184,478

Consolidated statements of cash flows

		Year ended 31 December			Six months ended 30 June	
	Note	**2008**	**2009**	**2010**	**2010**	**2011**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cash flows from operating activities						
Cash (used in)/generated from operations	35(a)	(4,089)	(2,650)	12,653	24,472	9,603
Interest paid		(54)	—	—	—	—
Income tax paid		—	(4,710)	—	—	(1,414)
Net cash (used in)/generated from operating activities		(4,143)	(7,360)	12,653	24,472	8,189
Cash flows from investing activities						
Prepayments of investments	13	—	—	(18,000)	—	(10,000)
Purchase of property, plant and equipment and land use rights		(9,628)	(746)	(617)	(679)	(717)
Acquisition of subsidiaries, net of cash acquired	33	(74,822)	—	—	—	—
Proceeds from disposal of property, plant and equipment	35(b)	1,100	4,395	—	—	—
Proceeds from disposal of available-for-sale financial assets	11	—	3,480	—	—	—
Interest received		263	12	64	5	14
Net cash (used in)/generated from investing activities		(83,087)	7,141	(18,553)	(674)	(10,703)

		Year ended 31 December			Six months ended 30 June	
	Note	**2008**	**2009**	**2010**	**2010**	**2011**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cash flows from financing activities						
Loans from shareholders	21	90,000	—	—	—	—
Repayment of borrowings		(1,000)	—	—	—	—
Capital contribution from equity holders of the Company	18(d)	—	—	67,947	—	—
Net cash generated from financing activities		89,000	—	67,947	—	—
Net increase/(decrease) in cash and cash equivalents		1,770	(219)	62,047	23,798	(2,514)
Cash and cash equivalents at beginning of year/period		—	1,770	1,551	1,551	63,598
Exchange differences on cash and cash equivalents		—	—	—	—	(1,296)
Cash and cash equivalents at end of year/period	17	1,770	1,551	63,598	25,349	59,788

II Notes to the Financial Information

1 General information and reorganization

1.1 General information

Huili Resources (Group) Limited ("the Company") was incorporated in the Cayman Islands on 19 February 2010 as an exempted company with limited liability under Companies Law (Cap 22, as amended and revised) of the Cayman Islands in preparation for a listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing") under the name of Realty Resources (Group) Limited. On 13 May 2010, the Company changed its name to Huili Resources (Group) Limited.

The Company is an investment holding company and its subsidiaries (collectively the "Group") are principally engaged in the mining, ore processing and sales of nickel, copper, lead and zinc metal products in the People's Republic of China (the "PRC"). The address of its registered office is Cricket Square, Hutching Drive, P.O.Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The directors regard King Award Limited ("King Award"), a company incorporated in the British Virgin Islands (the "BVI"), as being the immediate and the ultimate holding company. King Award, which is 100% owned by Mr. Lu Qi, owns 55% equity interests in the Company. The remaining 45% equity interests of the Company are owned by Sky Circle Limited ("Sky Circle"), a company incorporated in the BVI and 100% owned by Mr. Wang Dayong.

The Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

1.2 The Reorganization

Prior to the incorporation of the Company and the completion of the Reorganization (as defined below), the operating companies, incorporated in the PRC, namely 哈密市錦華礦產資源開發有限責任公司 (Hami Jinhua Mineral Resource Exploiture Limited)* ("Hami Jinhua") and 哈密市佳泰礦產資源開發有限責任公司 (Hami Jiatai Mineral Resource Exploiture Limited)* ("Hami Jiatai") were held by Realty Investment (Group) Limited ("Realty Investment"). Realty Investment was held by Right Source International Limited ("Right Source") and Fortune In Investments Limited ("Fortune In"), both incorporated in the BVI, with effective equity interests of 55% and 45% respectively. Right Source was 100% owned by Mr. Lu Qi, and Fortune In was held by Sky Circle and First Arrival Investments Limited ("First Arrival"), a company incorporated in the BVI, with effective equity interests of 65% and 35% respectively. Sky Circle and First Arrival were 100% owned by Mr. Wang Dayong.

In preparation for the Listing, the Company underwent a group reorganization (the "Reorganization"), pursuant to which the companies comprising the Group were transferred to the Company. The Reorganization mainly involved the following:

(i) On 4 January 2010, King Award was established in the BVI and one share of US$1.00 in the share capital of King Award was allotted and issued to Mr. Lu Qi on 3 February 2010;

(ii) On 19 February 2010, the Company was incorporated in the Cayman Islands with one subscriber share of HK$0.10 in the share capital of the Company, which was transferred to Sky Circle on the same date;

(iii) On 23 March 2010, First Arrival transferred its 35% shareholding in Fortune In to Sky Circle at nil consideration;

(iv) On 24 March 2010, Mr. Lu Qi transferred the entire issued share capital of Right Source to the Company and released Sky Circle from its obligation to repay a RMB45 million loan, and against Sky Circle assigning the benefit of the loan (due to it from Fortune In) in the amount of RMB45 million (as outlined in paragraph (v) below), the Company issued 5,500 shares of HK$0.10 to King Award for the amount of HK$50,329,753 (being the amount of HK$50.35 million (representing the HK$ equivalent of RMB45 million) plus the unaudited shareholder's deficit of Right Source of HK$(20,247)) and King Award issued one new share at an amount equal to HK$50,329,753 to Mr. Lu Qi;

(v) On 24 March 2010, Sky Circle transferred the entire issued share capital of Fortune In and assigned a RMB90 million loan (a part of it is the RMB45 million loan referred to in paragraph (iv) above and the remaining of it was lent by Mr. Wang Dayong through Sky Circle to Fortune In) to the Company and, in consideration therefor (i) the Company issued 4,499 shares of HK$0.10 for the amount of HK$50,333,118 (being the amount of HK$50.35 million (representing the HK$ equivalent of RMB45 million) plus the unaudited shareholder's deficit of Fortune In of HK$(16,882)) to Sky Circle (and such 4,499 shares, together with the one share that Sky Circle already held (as referred to in paragraph (ii) above), represented 45% of the then enlarged share capital); and (ii) the Company (at the direction of Sky Circle) issued 5,500 shares to King Award as referred to in paragraph (iv) above.

Upon completion of the Reorganization, the Company became the holding company of the Group.

(vi) On 18 May 2010, the Company increased its authorised share capital to HK$500,000,000 divided into 5,000,000,000 ordinary shares of HK$0.10 each. The Company capitalised an amount of HK$71,249,000 (equivalent to RMB62,692,000) of its share premium and issued, on a pro rata basis, 391,869,500 shares to King Award and 320,620,500 Shares to Sky Circle on the same day.

Upon completion of the Reorganization and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company name	Country/place and date of incorporation/ establishment	Issued and paid-up capital/registered capital	Interest held	Principal activities and place of operation	Statutory auditors
Right Source	The BVI, 11 December 2007	US$100	100% directly held	Investment holdings, BVI	Not applicable
Fortune In	The BVI, 17 December 2007	HK$100	100% directly held	Investment holdings, BVI	Not applicable
Realty Investment (note)	Hong Kong, 4 January 2008	HK$10,000	100% indirectly held	Investment holdings, Hong Kong	Not applicable
哈密市錦華礦產資源開發有限責任公司 (Hami Jinhua Mineral Resource Exploiture Limited)*	Hami, the PRC, 4 April 2006	RMB50,000,000	90% indirectly held	Mining, ore processing and sales of lead and zinc metal products, the PRC	新疆新新華通有限責任會計師事務所 ("Xinjiang Xin Xin Hua Tong Certified Public Accountants Company Limited")
哈密市佳泰礦產資源開發有限責任公司 (Hami Jiatai Mineral Resource Exploiture Limited)*	Hami, the PRC, 12 November 2001	RMB10,000,000	90% indirectly held	Mining, ore processing and sales of nickel and copper metal products, the PRC	新疆新新華通有限責任會計師事務所 ("Xinjiang Xin Xin Hua Tong Certified Public Accountants Company Limited")

* The English names of certain companies referred herein represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

Note:

Upon the incorporation on 4 January 2008, Realty Investment was respectively held by Right Source with an equity holding of 75% and by Fortune In with an equity holding of 25%. On 25 March 2008, Realty Investment acquired 90% interests in Hami Jinhua for a cash consideration of RMB90,000,000 from 哈密市嘉華實業有限責任公司 (Hami Jiahua Industrial Limited)* ("Hami Jiahua"), a company incorporated in Hami, the PRC. On 15 May 2008, Hami Jinhua acquired 100% equity interests in Hami Jiatai for a cash consideration of RMB53,775,000 from Hami Jiahua. Financial information relating to Hami Jinhua and Hami Jiatai for the period from 1 January 2008 to respective acquisition dates are set out in Section III.

On 18 June 2009, as a result of the execution of a profit guarantee agreement entered into between Mr. Lu Qi and Mr. Wang Dayong on 3 March 2008, Right Source transferred 20% equity interests in Realty Investment to Fortune In for a nil consideration. Thereafter, the equity interests owned by Right Source and Fortune In in the Realty Investment became 55% and 45% respectively. During the Relevant Periods, Right Source and Fortune In were solely engaged in investment holding of their respective interests in Realty Investment.

2 Basis of presentation

In light of the fact that the Company obtained control of the companies comprising the Group by issuing its own shares in exchange for shares of Right Source and Fortune In; the assets and liabilities of the companies comprising the Group are the same immediately before and after the Reorganization; and the ultimate shareholders before the Reorganization have the same absolute and relative interests in the net assets of the companies comprising the Group immediately before and after the Reorganization, the Financial Information is presented using predecessor value accounting in a manner similar to the uniting of interests method. Under predecessor value accounting, the Financial Information consolidates the results and the carrying amounts of assets and liabilities of the companies comprising the Group as if the Group had always been existed. A single uniform set of accounting policies is adopted by all group companies. The carrying amounts of the companies comprising the Group are included as if the consolidated financial statements had been prepared for all periods presented, including adjustments required for conforming these group companies' accounting policies and applying those policies to all periods presented.

In the Company's balance sheet, the deemed cost of investment in subsidiaries recognized upon the Reorganization is the existing book values of net assets of the group companies comprising the Group as at the date of Reorganization.

Inter-company transactions, balances and unrealised gains or losses on transactions between group companies have been eliminated upon consolidation.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied throughout the Relevant Periods, unless otherwise stated.

3.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5.

For each of the years ended 31 December 2009 and 2010, the Group incurred loss attributable to equity holders of the Company of RMB6,050,000 and RMB3,374,000 respectively, and during the Relevant Periods, without taking into consideration the cash flows from financing activities, the Group recorded continuous cash outflow due to the fact that the Group has not commenced scale mining productions yet. The directors have prepared cash flow projections for the period from 1

November 2011 to 31 December 2012 based on a latest mining development plan and a latest business development plan and based on that the Group has renegotiated the payment schedule of dividend attributable to previous equity holders of Hami Jiatai (Note 22) and the Company obtained a non-revolving banking facility of US$13,500,000 (Note 39). Accordingly the directors are of the opinion that, having taken into consideration of the expected cash flows and the banking facility obtained, the Group has sufficient financial resources to meet its liabilities as and when they fall due in the foreseeable future. On the above basis, the directors believe that the Group will continue as going concern and consequently have prepared the Financial Information on a going concern basis.

Changes in accounting policy and disclosures

New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted.

- HKFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2013. The impact on the Group's Financial Information is considered not significant.

- HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013. It is not expected to have any significant impact on the Group's Financial Information.

- HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013. It is not expected to have any significant impact on the Group's Financial Information.

- HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013. It is not expected to have any significant impact on the Group's Financial Information.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3.2 **Consolidation**

(a) ***Subsidiaries***

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations, except for the Reorganization as described in Note 1.2 and Note 2 above. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interests in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of comprehensive income (Note 3.6).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 3.9). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) ***Transactions with non-controlling interests***

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interests in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interests as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3.3 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's Board of Directors that makes strategic decisions.

3.4 **Foreign currency translation**

(a) ***Functional and presentation currency***

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Renminbi, which is the Company's functional and Group's presentation currency.

(b) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in consolidated statements of comprehensive income, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in consolidated statements of comprehensive income within 'finance income/(costs)-net'. All other foreign exchange gains and losses are presented in consolidated statements of comprehensive income within 'other (losses)/gains-net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in consolidated statements of comprehensive income.

(c) ***Group companies***

The results and financial position of all group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each comprehensive income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as other comprehensive income.

3.5 **Property, plant and equipment**

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of asset comprises of its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation of buildings, machinery and equipment, office equipment and others, and motor vehicles is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Machinery and equipment	10 years
Office equipment and others	3 to 7 years
Motor vehicles	4 to 6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Mining structures comprise the main and auxiliary mine shafts and underground tunnels. Depreciation of mining structures is provided to write off the cost of the mining structure using the unit-of-production method. Unit-of-production rate is based on reserves estimated to be recovered from existing facilities using current operating methods.

Construction in progress represents buildings, mining structure or machinery and equipment on which construction work has not been completed. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost. No depreciation is provided for construction in progress until they are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains — net' in consolidated statements of comprehensive income.

3.6 **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

3.7 **Land use rights**

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land and expenditure that is directly attributable to the acquisition. Amortisation of land use rights is calculated on a straight-line basis over its useful lives.

3.8 **Mining rights**

Mining rights are stated at cost less accumulated amortization and any impairment losses. Amortization of mining rights is calculated to write off the cost less accumulated impairment losses over useful lives of the mines in accordance with the production plans and proved reserves of the mines on the unit-of-production method.

3.9 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3.10 Financial assets

3.10.1 *Classification*

The Group classifies its financial assets as loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise "trade receivables" and "other receivables", and "cash and cash equivalents" in the balance sheets (Note 3.12 and Note 3.13).

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

3.10.2 *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income.

When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in consolidated statements of comprehensive income as "other gains/(losses)".

Interest on available-for-sale securities calculated using the effective interest method is recognised in consolidated statements of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in consolidated statements of comprehensive income as part of other income when the Group's right to receive payments is established.

3.10.3 ***Impairment of financial assets***

(a) *Assets carried at amortized cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognized in consolidated statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in consolidated statements of comprehensive income.

(b) *Available-for-sale financial assets*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in consolidated statements of comprehensive income. Impairment losses recognised in consolidated statements of comprehensive income on equity instruments are not reversed through consolidated statements of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through consolidated statements of comprehensive income.

3.11 **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. The amount of fixed overhead allocated to each unit of production is based on normal operating capacity. Unallocated overheads resulted from low production or idle plant are recognised as cost of sales in the period in which they are incurred. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.12 **Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.13 **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

3.14 **Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.15 **Accounts payable**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.16 **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in consolidated statements of comprehensive income over the period of the borrowings using the effective interest method. The loans from shareholders, which are interest-free and repayable under the control of the Group, are accounted for as quasi-equity loans and classified as equity.

3.17 **Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.18 Employee benefits

(a) ***Pension obligations***

The full-time employees of the Group are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(b) ***Housing benefits***

The full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

3.19 Provisions

Provisions for environmental restoration, reorganization costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

3.20 Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sales of goods in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) ***Sales of goods***

Sales of goods are recognised when a Group entity has delivered products and transferred the significant risks and rewards of ownership of the product to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) ***Interest income***

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

3.21 **Operating leases (as a lessee)**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

3.22 **Dividend distribution**

Dividend distribution to the former shareholders of the subsidiaries is recognized as a liability in the Goup's financial statements. Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3.23 **Exploration and evaluation expenditure**

Exploration and evaluation expenditure comprises costs which are directly attributable to: researching and analysing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation costs are expensed as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised as property, plant and equipment if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in consolidated statement of comprehensive income.

3.24 Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

4 Financial risk management

4.1 **Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, commodity price risk, interest rate risk), credit risk and liquidity risk. The Group historically has not used derivative instruments for hedging or trading purposes.

(a) ***Market risk***

(i) *Foreign exchange risk*

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollar. Foreign exchange risk arises from recognised assets and liabilities in foreign operations. The Group does not hedge against any fluctuation in foreign currency.

At 31 December 2008 and 2009, the Group did not have significant assets or liabilities denominated in foreign currency.

At 31 December 2010, if RMB had weakened/strengthened by 1% against Hong Kong dollar with all other variables held constant, loss for the year would have been approximately RMB571,000 lower/higher; and at 30 June 2011, if RMB had weakened/strengthened by 1% against Hong Kong dollar with all other variables held constant, profit for the period would have been approximately RMB488,000 higher/lower, mainly as a result of foreign exchange gains/losses on translation of Hong Kong dollar denominated cash.

(ii) *Commodity price risk*

The Group is principally engaged in the mining, ore processing and sales of nickel, copper, lead, zinc and other non-ferrous metal products. Non-ferrous metal markets are influenced by global as well as regional supply and demand conditions. A decline in prices of non-ferrous metal could adversely affect the Group's financial performance.

(iii) *Interest rate risk*

The Group's interest rate risk arises from bank deposits which are bearing floating interest rates. Floating interest rates cause the Group cash flow interest rate risk. For the Relevant Periods, management of the Group is of the opinion that the relevant risk was not material to the Group.

(b) ***Credit risk***

The carrying amounts of deposits and receivables included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets. Management of the Group is of the opinion that adequate provision for uncollectible accounts receivable and other receivables has been made for the Relevant Periods after considering the Group's historical experience in collection of accounts receivable and other receivables.

(c) ***Liquidity risk***

The Group plans to obtain funds through initial public offering of the Company's shares. The Group also may obtain funding from ultimate shareholders and related parties or through borrowings from financial institutions, where necessary.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2008				
Trade and other payables	25,673	—	—	—
Pre-acquisition dividend payable-current portion	92,000	—	—	—
At 31 December 2009				
Trade and other payables	33,635	—	—	—
Pre-acquisition dividend payable-current portion	92,000	—	—	—
At 31 December 2010				
Trade and other payables	13,319	—	—	—
Pre-acquisition dividend payable-current portion	30,000	—	—	—
Pre-acquisition dividend payable-non-current portion	—	15,000	47,000	—
At 30 June 2011				
Trade and other payables	8,230	—	—	—
Pre-acquisition dividend payable-current portion	15,000	—	—	—
Pre-acquisition dividend payable-non-current portion	—	15,000	62,000	—

(d) ***Concentration risk***

Revenue of the Group is principally derived from three non-ferrous metal mines. Any disruption to the operations of these mines may have a material adverse impact on the results of operations and the financial position of the Group.

The sales of the Group in general are concentrated on a few major customers. In the event that these major customers terminate the business relationship with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations.

For the Relevant Periods, all the revenues of the Group were derived from three external customers. These revenues were mainly attributable to nickel, copper, lead and zinc metal products.

4.2 **Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheets) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the consolidated balance sheet plus net debt. As at 31 December 2008, 2009 and 2010 and 30 June 2011, there were no borrowings for the Group. Accordingly, management of the Group considers the relevant risk is not significant.

4.3 **Fair value estimate**

For financial instruments that are measured in the balance sheet at fair value, the Group discloses the fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)(level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)(level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

For the Relevant Periods, management of the Group valued the available-for-sale investment by using valuation technique of asset-based approach which is considered as level 3 measurement.

5 Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) ***Carrying value of non-current assets***

The Group tests whether property, plant and equipment, land use rights and mining rights have been impaired due to events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount, in accordance with accounting policies stated in Note 3.9.

As at 31 December 2008, 2009 and 2010 and 30 June 2011, there was no impairment for property, plant and equipment, land use rights and mining rights. The recoverable amounts of different cash generating units to which the property, plant and equipment, land use rights and mining rights belong, have been determined based on value-in-use calculations using cash flow projections, based on financial budgets approved by management covering a five-year period and management's assumptions and estimates including forecast of selling price of nickel, copper, lead and zinc, discount rates and inflation rate. Cash flows beyond the five-year period are assumed to be equal to the cash flow of year 2015 for cash generating units. The discount rates used in cash flow projections varied with different cash generating units.

(b) ***Useful lives of property, plant and equipment***

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) ***Mineral reserves***

Engineering estimates of the Group's mineral reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information.

There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mineral reserves can be designated as "proved" and "probable". Proved and probable mineral reserve estimates are updated at regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mineral reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses and impairment losses. Depreciation rates are determined based on estimated proved mineral reserve quantity (the denominator) and capitalised costs of mining structures (the numerator). The capitalised cost of mining structures is amortised based on the units of products produced.

(d) ***Income tax***

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(e) ***Mining licenses***

The Group's mining licenses expire at various dates from June 2013 to June 2018. Management believes that the Group will be able to renew these licenses at their option and at minimal cost, provided the Group complies with the terms of the licenses. The useful life of some of the Group's tangible and intangible assets would be reduced and the Group's operation results would be affected accordingly if any licenses could not be renewed.

6 **Segment information**

Management has determined the operating segments based on the reports reviewed by the Group's chief operating decision maker ("CODM") that are used to make strategic decisions.

The CODM reviews the operating performance from a mine perspective (ie nickel/copper mine and lead/zinc mine). The reportable operating segments derive their revenue primarily from mining, ore processing and sales of nickel, copper, lead and zinc products.

For the Relevant Periods, the Group had two reportable segments:

(a) Hami Jiatai which held two nickel/copper mines and was mainly engaged in the mining, ore processing and sales of nickel and copper products; and

(b) Hami Jinhua which held a lead/zinc mine and was mainly engaged in the mining, ore processing and sales of lead and zinc products. For the purpose of utilising the processing machinery, Hami Jinhua was also involved in ore processing and sales of copper products in 2008.

Apart from the two reportable segments, the other activities of the Group were mainly investment holdings which are not considered as a reportable segment and therefore grouped as "Unallocated" for the purpose of financial statements disclosures.

The CODM assesses the performance of the operating segments based on operating profit. This measurement basis excludes the operating results of other insignificant activities of the Group.

The segment information provided to the CODM for the reportable segments for each of the years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2011 is as follows:

	Year ended 31 December									Six months ended 30 June					
	2008			2009			2010			2010			2011		
	Hami Jiatai RMB'000	Hami Jinhua RMB'000	Total RMB'000	Hami Jiatai RMB'000	Hami Jinhua RMB'000	Total RMB'000	Hami Jiatai RMB'000	Hami Jinhua RMB'000	Total RMB'000	Hami Jiatai RMB'000	Hami Jinhua RMB'000 (unaudited)	Total RMB'000	Hami Jiatai RMB'000	Hami Jinhua RMB'000	Total RMB'000
Segment revenue															
— Nickel concentrate	11,280	—	11,280	—	—	—	24,022	—	24,022	20,245	—	20,245	16,084	—	16,084
— Copper concentrate	1,197	3,619	4,816	—	—	—	9,262	—	9,262	9,262	—	9,262	3,329	—	3,329
— Zinc concentrate	—	1,488	1,488	—	—	—	—	631	631	—	—	—	—	—	—
— Lead concentrate	—	—	—	—	—	—	—	3,202	3,202	—	—	—	—	—	—
— Others	84	204	288	—	—	—	449	—	449	449	—	449	198	—	198
	12,561	5,311	17,872	—	—	—	33,733	3,833	37,566	29,956	—	29,956	19,611	—	19,611
Segment operating profit/(loss)	(6,606)	(2,572)	(9,178)	(6,142)	(2,594)	(8,736)	(4,892)	(1,206)	(6,098)	998	(1,162)	(164)	582	(1,217)	(635)
Unallocated operating profit/(loss) (note (a))	—	—	32,165	—	—	(40)	—	—	(7,275)	—	—	(4,383)	—	—	(873)
Operating profit/(loss)	(6,606)	(2,572)	22,987	(6,142)	(2,594)	(8,776)	(4,892)	(1,206)	(13,373)	998	(1,162)	(4,547)	582	(1,217)	(1,508)
Segment finance income /(costs)-net	59	88	147	(75)	(2)	(77)	10,981	(56)	10,925	12,527	(11)	12,516	2,779	15	2,794
Unallocated	—	—	—	—	—	—	—	—	(1,793)	—	—	—	—	—	(1,430)
Finance income /(costs)-net	59	88	147	(75)	(2)	(77)	10,981	(56)	9,132	12,527	(11)	12,516	2,779	15	1,364
Income tax credit/(expense)	781	391	1,172	1,487	649	2,136	1,186	315	1,501	283	(293)	(10)	146	(300)	(154)
Amortisation	1,191	878	2,069	1,251	150	1,401	786	149	935	203	74	277	37	74	111
Depreciation	3,707	2,262	5,969	6,054	2,341	8,395	6,498	1,943	8,441	3,860	964	4,824	2,097	969	3,066

	As at 31 December									As at 30 June		
	2008			2009			2010			2011		
	Hami Jiatai *RMB'000*	**Hami Jinhua** *RMB'000*	**Total** *RMB'000*	**Hami Jiatai** *RMB'000*	**Hami Jinhua** *RMB'000*	**Total** *RMB'000*	**Hami Jiatai** *RMB'000*	**Hami Jinhua** *RMB'000*	**Total** *RMB'000*	**Hami Jiatai** *RMB'000*	**Hami Jinhua** *RMB'000*	**Total** *RMB'000*
Segment assets	138,536	152,901	291,437	142,668	144,273	286,941	137,153	126,211	263,364	141,017	124,777	265,794
Unallocated assets (note (b))	—	—	953	—	—	956	—	—	60,178	—	—	52,182
Total	138,536	152,901	292,390	142,668	144,273	287,897	137,153	126,211	323,542	141,017	124,777	317,976
Segment liabilities	130,001	35,426	165,427	137,511	30,100	167,611	109,694	29,286	138,980	110,337	23,056	133,393
Unallocated liabilities	—	—	985	—	—	1,025	—	—	94	—	—	105
Total	130,001	35,426	166,412	137,511	30,100	168,636	109,694	29,286	139,074	110,337	23,056	133,498

Notes:

(a) Unallocated operating gain for the year ended 31 December 2008 mainly represented gain from bargain purchases for acquisition of Hami Jiatai and Hami Jinhua of RMB17,151,000 and RMB15,048,000 respectively.

(b) Unallocated assets as at 31 December 2010 and 30 June 2011 mainly represented the bank deposits held by the Company.

7 Property, plant and equipment

	The Group						
	Buildings	Machinery and equipment	Office equipment and others	Motor vehicles	Mining structures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008							
Cost	—	—	—	—	—	—	—
Accumulated depreciation	—	—	—	—	—	—	—
Net book amount	—	—	—	—	—	—	—
Year ended 31 December 2008							
Opening net book amount	—	—	—	—	—	—	—
Acquisition of subsidiaries (Note 33)	33,660	25,456	177	8,095	14,393	6,448	88,229
Additions	—	296	49	8,130	—	1,808	10,283
Transfer from construction in progress	333	—	—	—	—	(333)	—
Disposals	—	—	—	(2,796)	—	—	(2,796)
Depreciation (Note 26)	(1,181)	(2,084)	(74)	(2,310)	(320)	—	(5,969)
Closing net book amount	32,812	23,668	152	11,119	14,073	7,923	89,747
At 31 December 2008							
Cost	33,993	25,752	226	13,136	14,393	7,923	95,423
Accumulated depreciation	(1,181)	(2,084)	(74)	(2,017)	(320)	—	(5,676)
Net book amount	32,812	23,668	152	11,119	14,073	7,923	89,747
Year ended 31 December 2009							
Opening net book amount	32,812	23,668	152	11,119	14,073	7,923	89,747
Additions	—	733	103	—	—	—	836
Disposals	—	—	—	(4,230)	—	—	(4,230)
Depreciation (Note 26)	(1,801)	(3,270)	(113)	(2,822)	(389)	—	(8,395)
Closing net book amount	31,011	21,131	142	4,067	13,684	7,923	77,958
At 31 December 2009							
Cost	33,993	26,485	329	7,671	14,393	7,923	90,794
Accumulated depreciation	(2,982)	(5,354)	(187)	(3,604)	(709)	—	(12,836)
Net book amount	31,011	21,131	142	4,067	13,684	7,923	77,958

	Buildings	Machinery and equipment	Office equipment and others	Motor vehicles	Mining structures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2010							
Opening net book amount	31,011	21,131	142	4,067	13,684	7,923	77,958
Additions	300	395	81	—	—	—	776
Disposals	—	—	—	(55)	—	—	(55)
Depreciation (Note 26)	(1,775)	(3,368)	(124)	(2,931)	(243)	—	(8,441)
Closing net book amount	29,536	18,158	99	1,081	13,441	7,923	70,238
At 31 December 2010							
Cost	34,293	26,880	410	7,522	14,393	7,923	91,421
Accumulated depreciation	(4,757)	(8,722)	(311)	(6,441)	(952)	—	(21,183)
Net book amount	29,536	18,158	99	1,081	13,441	7,923	70,238
Six months ended 30 June 2011							
Opening net book amount	29,536	18,158	99	1,081	13,441	7,923	70,238
Additions	—	—	1	—	—	—	1
Depreciation (Note 26)	(874)	(1,687)	(49)	(391)	(65)	—	(3,066)
Closing net book amount	28,662	16,471	51	690	13,376	7,923	67,173
At 30 June 2011							
Cost	34,293	26,880	411	7,522	14,393	7,923	91,422
Accumulated depreciation	(5,631)	(10,409)	(360)	(6,832)	(1,017)	—	(24,249)
Net book amount	28,662	16,471	51	690	13,376	7,923	67,173

Notes:

(a) Depreciation of property, plant and equipment has been charged to cost of sales and administrative expenses as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Administrative expenses	1,315	1,235	646	336	284
Cost of sales	4,654	7,160	7,795	4,488	2,782
	5,969	8,395	8,441	4,824	3,066

8 Mining rights

The Group

	RMB'000
At 1 January 2008	
Cost	—
Accumulated amortisation	—
Net book amount	—
Year ended 31 December 2008	
Opening net book amount	—
Acquisition of subsidiaries (notes (b) and (c))	133,523
Amortisation charge (note (a), Note 26)	(1,917)
Closing net book amount	131,606
At 31 December 2008	
Cost	133,523
Accumulated amortisation	(1,917)
Net book amount	131,606
Year ended 31 December 2009	
Opening net book amount	131,606
Amortisation charge (note (a), Note 26)	(1,180)
Closing net book amount	130,426
At 31 December 2009	
Cost	133,523
Accumulated amortisation	(3,097)
Net book amount	130,426

	RMB'000
Year ended 31 December 2010	
Opening net book amount	130,426
Amortisation charge (note (a), Note 26)	(715)
Closing net book amount	129,711
At 31 December 2010	
Cost	133,523
Accumulated amortisation	(3,812)
Net book amount	129,711
Six months ended 30 June 2011	
Opening net book amount	129,711
Amortisation charge (note (a), Note 26)	—
Closing net book amount	129,711
At 30 June 2011	
Cost	133,523
Accumulated amortisation	(3,812)
Net book amount	129,711

Notes:

(a) Amortisation of mining rights was allocated to production cost for the Relevant Periods.

(b) As a result of acquisition of Hami Jinhua on 25 March 2008, the Group obtained a mining right in relation to a lead and zinc mine in Hami City, Xinjiang Uygur Autonomous Region, the PRC. This mining right was recognised at fair value of RMB84,523,000. The official mining right permit of this mine was granted by the Bureau of Land and Resources of Xinjiang Uygur Autonomous Region, the PRC on 30 October 2008 (Note 33).

(c) As a result of acquisition of Hami Jiatai on 15 May 2008, the Group obtained mining rights in relation to two nickel and copper mines in Hami City, Xinjiang Uygur Autonomous Region, the PRC. These mining rights were recognised at fair values totalling RMB49,000,000 (Note 33).

9 Land use rights

The Group

In Mainland China with remaining land use right periods ranging from 42 to 45 years as at 30 June 2011:

	RMB'000
At 1 January 2008	
Cost	—
Accumulated amortisation	—
Net book amount	—
Year ended 31 December 2008	
Opening net book amount	—
Acquisition of subsidiaries (Note 33)	10,423
Amortisation charge (Note 26)	(152)
Closing net book amount	10,271
At 31 December 2008	
Cost	10,423
Accumulated amortisation	(152)
Net book amount	10,271
Year ended 31 December 2009	
Opening net book amount	10,271
Amortisation charge (Note 26)	(221)
Closing net book amount	10,050
At 31 December 2009	
Cost	10,423
Accumulated amortisation	(373)
Net book amount	10,050

	RMB'000
Year ended 31 December 2010	
Opening net book amount	10,050
Amortisation charge (Note 26)	(220)
Closing net book amount	9,830
At 31 December 2010	
Cost	10,423
Accumulated amortization	(593)
Net book amount	9,830
Six months ended 30 June 2011	
Opening net book amount	9,830
Addition	712
Amortisation charge (Note 26)	(111)
Closing net book amount	10,431
At 30 June 2011	
Cost	11,135
Accumulated amortization	(704)
Net book amount	10,431

10 Investments in subsidiaries

The Company

	As at 31 December 2010	As at 30 June 2011
	RMB'000	*RMB'000*
Unlisted investment, at cost (Note 19)	17,328	17,328
Loan receivable from a subsidiary (note)	90,000	90,000
Total	107,328	107,328

Note:

The balance is receivable from Fortune In, and is interest free, unsecured, and has no fixed terms of repayment (Note 1.2).

11 Available-for-sale financial assets

The Group

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investment in equity interests	3,480	—	—	—

The balance as at 31 December 2008 represented 6% equity interests in Xinjiang Zhongxin Mining Company Limited ("Zhongxin Mining"), which was historically held by Hami Jinhua. The investment in Zhongxin Mining was disposed of in June 2009 at a consideration of RMB3,480,000.

Management was of the opinion that the carrying amount of investment in Zhongxin Mining as at 31 December 2008 approximated its fair value.

12 Deferred income tax

The Group

The analysis of deferred tax assets and deferred tax liabilities is as follow:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	(2,774)	(4,874)	(6,415)	(6,472)
Deferred tax liabilities	36,760	36,724	35,351	34,831
Deferred tax liabilities-net	33,986	31,850	28,936	28,359

The gross movements on the deferred income tax account are as follows:

	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	—	33,986	31,850	28,936
Acquisition of subsidiaries (Note 33)	34,750	—	—	—
Credited to consolidated statements of comprehensive income (Note 30)	(764)	(2,136)	(2,914)	(577)
At end of the year/period	33,986	31,850	28,936	28,359

The movements in deferred tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

	Depreciation	**Tax losses**	**Provisions, accruals and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	—	—	—	—
Acquisition of subsidiaries (Note 33)	(972)	(267)	(1,025)	(2,264)
(Credited)/charged to the consolidated statements of comprehensive income	251	267	(1,028)	(510)
At 31 December 2008	(721)	—	(2,053)	(2,774)
At 1 January 2009	(721)	—	(2,053)	(2,774)
Credited to the consolidated statements of comprehensive income	(1,635)	(266)	(199)	(2,100)
At 31 December 2009	(2,356)	(266)	(2,252)	(4,874)
At 1 January 2010	(2,356)	(266)	(2,252)	(4,874)
(Credited)/charged to the consolidated statements of comprehensive income	(1,996)	203	252	(1,541)
At 31 December 2010	(4,352)	(63)	(2,000)	(6,415)
At 1 January 2011	(4,352)	(63)	(2,000)	(6,415)
(Credited)/charged to the consolidated statements of comprehensive income	(69)	(319)	331	(57)
At 30 June 2011	(4,421)	(382)	(1,669)	(6,472)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable.

Deferred tax liabilities

	Valuation surplus
	RMB'000
At 1 January 2008	—
Acquisition of subsidiaries (Note 33)	37,014
Credited to consolidated statements of comprehensive income	(254)
At 31 December 2008	36,760
At 1 January 2009	36,760
Credited to consolidated statements of comprehensive income	(36)
At 31 December 2009	36,724
At 1 January 2010	36,724
Credited to consolidated statements of comprehensive income	(1,373)
At 31 December 2010	35,351
At 1 January 2011	35,351
Credited to consolidated statements of comprehensive income	(520)
At 30 June 2011	34,831

13 Prepayments for investments

The Group

	As at 31 December			**As at 30 June**
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for potential acquisition of subsidiaries (note)	—	—	18,000	28,000

Note:

On 28 May 2010, the Group entered into equity transfer agreements with Shaanxi Jiatai Hengrun Resources Development Co. Ltd. ("Shaanxi Jiatai") to acquire 100% equity interests of Shaanxi Jiarun Mineral Resources Development Co., Ltd. ("Shaanxi Jiarun") and Shaanxi Jiahe Mineral Resources Development Co., Ltd. ("Shaanxi Jiahe") with a cash consideration of RMB160,000,000 and RMB50,000,000 respectively. According to the equity transfer agreements, the Group paid cash of RMB13,500,000 and RMB4,500,000 to Shaanxi Jiatai as down payment for acquisition of Shaanxi Jiarun and Shaanxi Jiahe respectively, and the remaining consideration will be paid within a period of five years subsequent to the closing of the deals.

Shaanxi Jiarun is the holder of an exploration right of vanadium-copper mine in Shaanxi province. Shaanxi Jiahe is the holder of an exploration right of gold mine in Shaanxi province. The closing of the deals is subject to the conditions that the acquirees will complete all necessary legal procedures to convert the exploration rights into mining rights.

On 30 June 2011, the Group, Shaanxi Jiatai and Shaanxi Jiarun entered into a supplementary agreement pursuant to which the Group further prepaid a down payment of RMB10,000,000 to Shaanxi Jiatai on the same day for the acquisition of Shaanxi Jiarun, and other conditions of the deal remain unchanged.

On 20 July 2011, pursuant to the agreement dated 28 May 2010, the Group further paid a down payment of RMB2,000,000 to Shaanxi Jiatai for the acquisition of Shaanxi Jiahe.

On 29 September 2011, the Group and Shaanxi Jiatai entered into another supplementary agreement with each of Shaanxi Jiarun and Shaanxi Jiahe. Pursuant to this supplementary agreement, subject to the completion of the deals, the first instalment of remaining considerations will be paid within three months after the date of Listing or on 31 March 2013, whichever is earlier.

As at 31 December 2010 and 30 June 2011, total down payments paid for acquisition of the two companies abovementioned amounted to RMB18,000,000 and RMB28,000,000 respectively (Note 37(c)).

14 Inventories

The Group

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	4,518	3,431	2,634	2,578
Semi-finished goods	3,942	2,574	2,531	2,531
Finished goods	18,885	34,063	17,855	6,003
	27,345	40,068	23,020	11,112

Raw materials are mainly consumables, semi-finished goods are raw ores, and finished goods are concentrates.

The cost of inventories recognised as expense and included in "cost of sales" is as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of sales (note)	19,767	5,434	33,036	25,695	15,049

Note:

Included in the cost of inventories recognised as expense were idle capacity variances of RMB1,524,000, RMB5,434,000, RMB5,267,000, RMB3,362,000 and RMB2,822,000 for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively, which were directly charged to cost of sales.

15 Trade receivables

The Group

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables — third parties	107	—	—	564

Notes:

(a) Ageing analysis of the gross trade receivables at the respective balance sheet date is as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 — 90 days	—	—	—	564
181 — 365 days	107	—	—	—
	107	—	—	564

(b) The credit period of trade receivables is generally from one to three months.

(c) The carrying amounts of trade receivables approximated their fair values. The balance was denominated in RMB.

16 Other receivables and prepayments

The Group

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables				
- Amounts due from Beijing Jiatai Hengrun Investment Co. Ltd. ("Beijing Jiatai") (note (a))	600	1,932	—	—
- Amounts due from Mr. Wei Xing (note (a))	1,140	552	313	341
- Amounts due from Hami Jiahua (note (b))	19,748	18,314	—	—
- Others	760	765	2,244	2,770
Less: impairment provision (note (c))	(30)	(48)	(39)	(39)
	22,218	21,515	2,518	3,072
Advances to suppliers — third parties	3,072	1,455	212	212
	25,290	22,970	2,730	3,284

Notes:

(a) Beijing Jiatai is controlled by Mr. Wei Xing who is the former controlling equity holder of Hami Jiatai. The balances were unsecured, interest free and had no fixed terms of repayment.

(b) The balance was unsecured, interest free and had no fixed terms of repayment.

(c) Impairment provision for other receivables was charged to administrative expenses.

(d) The carrying amounts of other receivables and prepayments approximated their fair values. The balances were mainly denominated in RMB.

(e) The movements of impairment of other receivables are as follows:

	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	—	30	48	39
Provision/(reversal of provision) for impairment of other receivables	30	18	(9)	—
At end of the year/period	30	48	39	39

The Company

	As at 31 December 2010	As at 30 June 2011
	RMB'000	*RMB'000*
Amount due from		
- Hami Jiatai	—	5,154
- Hami Jinhua	—	595
Others	1,789	2,052
	1,789	7,801

The amounts due from subsidiaries were unsecured, interest-free and repayable on demand.

17 Cash and cash equivalents

The Group

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	—	25	—	—
Current deposits with banks	1,770	1,526	63,598	61,229
	1,770	1,551	63,598	61,229
Less: Restricted cash at banks (note (d))	—	—	—	(1,441)
Cash and cash equivalents	1,770	1,551	63,598	59,788

Balances can be analysed as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Denominated in:				
- RMB	816	597	6,488	12,422
- Canadian dollar	13	13	—	—
- Hong Kong dollar	941	941	57,110	48,807
	1,770	1,551	63,598	61,229

Notes:

(a) The bank deposits were interest bearing at rates based on bank deposit rates as agreed with banks for the Relevant Periods. The weighted average effective interest rate on deposits ranged from 0.19% to 0.5% per annum as at 31 December 2008, 2009 and 2010 and 30 June 2011.

(b) As at 31 December 2008, 2009 and 2010 and 30 June 2011, deposits denominated in Renminbi were deposited with banks in the PRC. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

(c) As at 31 December 2008, 2009 and 2010 and 30 June 2011, the deposits were mainly placed with reputable state-owned banks for which the credit risk is considered remote.

(d) Restricted cash represented the guarantee deposits for environmental recovery.

The Company

	As at 31 December 2010	As at 30 June 2011
	RMB'000	*RMB'000*
Current deposits with banks — denominated in Hong Kong dollar	57,101	48,798

18 Share capital and share premium

The Group and the Company

	Number of shares	Share capital	Share premium	Total
		RMB'000	*RMB'000*	*RMB'000*
Issue of one share upon incorporation (note (a))	1	—	—	—
Issue of 9,999 shares upon the Reorganization (note (b))	9,999	1	107,327	107,328
Issue of new shares from share premium (note (c))	712,490,000	62,692	(62,692)	—
Issue of 37,500,000 shares (note (d))	37,500,000	3,279	64,668	67,947
At 31 December 2010 and 30 June 2011	750,000,000	65,972	109,303	175,275

Notes:

(a) On 19 February 2010, the Company was incorporated with an authorized share capital of HK$380,000 divided into 3,800,000 shares of HK$0.1 each. Upon the incorporation of the Company, one share of HK$0.1 each was issued at par to Sky Circle.

(b) Pursuant to the Reorganization as detailed in Note 1.2(iv) and (v) on 24 March 2010, the Company issued 5,500 shares of HK$0.1 each to King Award and 4,499 shares of HK$0.1 each to Sky Circle at a total consideration of RMB107,328,000 representing the benefit of a loan of RMB90,000,000 (equivalent to HK$100,662,871) assigned to the Company and the existing book values of net assets of the group companies comprising the Group as at the date of Reorganization amounting to RMB17,328,000. As a result of issue of such shares, RMB880 and RMB107,327,000 were credited to share capital and share premium respectively.

(c) Pursuant to a shareholders' resolution resolved on 18 May 2010, the authorized share capital of the Company was increased to HK$500,000,000 divided into 5,000,000,000 shares of HK$0.1 each by the creation of 4,996,200,000 shares of HK$0.1 each, and the Company issued 712,419,000 shares of HK$0.1 each as fully paid up by way of capitalization of the amount of HK$71,249,000 (equivalent to RMB62,692,000) standing to the credit of the share premium account to King Award as to 391,869,500 bonus shares and to Sky Circle as to 320,620,500 bonus shares. Consequently, the total number of shares issued are 712,500,000, which are registered in the name of King Award as to 391,875,000 shares and in the name of Sky Circle as to 320,625,000 shares.

(d) On 20 August 2010, the Company allotted 20,625,000 shares of HK$0.1 each to King Award and 16,875,000 shares of HK$0.1 each to Sky Circle for cash consideration of HK$42,735,000 (equivalent to RMB37,370,000) and HK$34,965,000 (equivalent to RMB30,577,000) respectively.

(e) Prior to the Reorganization, as at 31 December 2008 and 2009, the Group's share capital represented the issued share capital of Right Source and Fortune In totalling RMB824.

19 Other reserves

The Group

	Safety funds *RMB'000* *(Note 20)*	Maintenance funds *RMB'000* *(Note 20)*	Capital reserve *RMB'000*	Total *RMB'000*
At 1 January 2008	—	—	—	—
Appropriation from retained earnings	533	627	—	1,160
Utilization	(533)	—	—	(533)
At 31 December 2008	—	627	—	627
At 1 January 2009	—	627	—	627
Appropriation from retained earnings	393	595	—	988
Utilization	(393)	—	—	(393)
At 31 December 2009	—	1,222	—	1,222
At 1 January 2010	—	1,222	—	1,222
Appropriation from retained earnings	221	361	—	582
Reserve recognized upon the Reorganization (note)	—	—	(17,328)	(17,328)
At 31 December 2010 and 30 June 2011	221	1,583	(17,328)	(15,524)

Note:

The balance represented the difference between the existing book values of net assets of the group companies comprising the Group as at the date of Reorganization amounting to RMB17,328,000 (Note 18(b)) which was recognized as part of the deemed cost of investment in subsidiaries upon the Reorganization and the share capital of Right Source and Fortune In.

20 Retained earnings/(accumulated losses)

The Group

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Retained earnings:					
At beginning of the year/period	—	22,750	16,105	16,105	12,149
Profit/(loss) for the year/period	23,377	(6,050)	(3,374)	6,743	(220)
Appropriation to safety funds (note (b))	(533)	(393)	(221)	(53)	—
Appropriation to maintenance funds (note (c))	(627)	(595)	(361)	(78)	—
Utilisation of safety funds	533	393	—	—	—
At end of the year/period	22,750	16,105	12,149	22,717	11,929

Notes:

(a) In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, the PRC subsidiaries are required to transfer 10% of the profit after taxation determined in accordance with PRC GAAP to the statutory reserve until the balance reaches 50% of the paid-up capital. Such reserve can be used to reduce any losses incurred or to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital. There was no appropriation to the statutory reserve for the Relevant Periods as there was no profit after taxation.

(b) Pursuant to certain regulations issued by the State of Administration of Work Safety, the Group is required to set aside an amount to a safety fund at RMB 8 per tonne of raw ore mined. The fund can be used for improvements of safety at the mines, and are not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings.

(c) Pursuant to certain regulations issued by the State of Administration of Work Safety and Ministry of Finance, the Group is required to set aside an amount to a maintenance fund calculated based on a rate of RMB 18 per tonne of raw ore. The fund can be used for improvement of mining structures, and are not available for distributions to shareholders. Upon incurring qualifying capital expenditure, an equivalent amount is transferred from maintenance fund to retained earnings.

The Company

	Period from 19 February 2010 to 31 December 2010	Six months ended 30 June 2011
	RMB'000	*RMB'000*
Accumulated losses:		
At beginning of the period	—	(9,057)
Loss for the period	(9,057)	(2,291)
At end of the period	(9,057)	(11,348)

For the period from 19 February 2010 (date of incorporation) to 31 December 2010 and the six months ended 30 June 2011, the loss attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB9,057,000 and RMB2,291,000 respectively.

21 Loans from shareholders

The Group

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans from shareholders	90,000	90,000	—	—

The balance represented two shareholder's loans of RMB45,000,000 each due to Mr. Lu Qi and Mr. Wang Dayong. The loans were interest-free, unsecured and repayable under the control of the Group. Pursuant to the Reorganization, the Company capitalised such loans through issuing 9,999 shares to the shareholders (Note 1 and Note 18(b)).

22 Pre-acquisition dividend payable

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion	92,000	92,000	30,000	15,000
Non-current portion	—	—	50,949	63,135
	92,000	92,000	80,949	78,135

Pre-acquisition dividend payable represented the dividend attributable to the previous equity holders, namely Mr. Wei Xing, Ms. Wei Xuedan and Mr. Xie Weidong, of Hami Jiatai. On 28 April 2010, Hami Jiatai and such previous equity holders entered into an agreement (the "Agreement") pursuant to which Hami Jiatai will pay the dividends of RMB92,000,000 due to such previous equity holders in instalments up to 31 December 2014, and the amount to be paid in each year will not be less than RMB15,000,000.

Upon the conclusion of the Agreement on 28 April 2010, the non-current portion was re-measured using appropriate discount rate and a gain of RMB13,070,000 was credited to consolidated statements of comprehensive income as finance income.

On 9 March 2011, Hami Jiatai and its previous equity holders entered into a supplementary agreement pursuant to which Hami Jiatai will pay the dividends in instalments during the period from 31 December 2011 to 31 December 2015, and the amount to be paid in each year will not be less than RMB15,000,000. As a result, the non-current portion was re-measured and a gain of RMB4,585,000 was credited to consolidated statements of comprehensive income as finance income.

Pursuant to another supplementary agreement dated 11 July 2011, Hami Jiatai will pay the first instalment within six months from the date of Listing or on 31 December 2012, whichever is earlier. In addition the payment schedule has been amended as follows:

	RMB'000
First instalment	15,000
Second instalment (one year after first instalment)	20,000
Third instalment (one year after second instalment)	25,000
Fourth instalment (one year after third instalment)	25,000
Fifth instalment (one year after fourth instalment)	7,000
	92,000

23 Provision for close down, restoration and environmental costs

The Group

	Year ended 31 December			Six months ended 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	—	1,774	1,863	2,019
Acquisition of subsidiaries (Note 33)	1,712	—	—	—
Unwinding of discount (Note 29)	62	89	156	30
At end of the year/period	1,774	1,863	2,019	2,049

A provision is recognised for the present value of costs to be incurred for the restoration of the tailings dam and mining structures which has been determined by management based on their past experience and best estimate of future expenditure by discounting the expected expenditures to their net present value. However, in so far as the effect of the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, restoration and environmental clean up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are remeasured accordingly.

24 Trade payables

The Group

Trade payables are analysed as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
- Third parties	4,831	4,997	5,982	1,823

The ageing analysis of trade payables is as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 — 90 days	211	11	3,767	158
91 — 180 days	530	108	169	261
181 — 365 days	1,873	858	172	135
Over 365 days	2,217	4,020	1,874	1,269
	4,831	4,997	5,982	1,823

The carrying amounts of trade payables approximated their fair values.

25 Other payables and accruals

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables (note (a))	15,136	24,501	3,008	1,978
Customer deposits and receipts in advance	2,019	—	—	—
Salary and welfare payables	3,687	4,137	4,329	4,429
Accrued taxes other than income tax (note (b))	5,228	4,147	5,756	9,564
	26,070	32,785	13,093	15,971

Notes:

(a) Other payables are analysed as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables				
- Amounts due to Beijing Jiatai	10,316	20,786	1,221	—
- Amounts due to Mr. Wei Xing	1,847	1,221	—	—
- Third parties	2,973	2,494	1,787	1,978
	15,136	24,501	3,008	1,978

The amounts due to Beijing Jiatai and Mr. Wei Xing were interest free and unsecured, and had no fixed terms of repayment.

(b) Accrued taxes other than income tax are analysed as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Value added tax	222	(673)	939	3,892
Resource tax	610	586	292	284
Resource compensation fee	4,299	4,156	4,427	4,802
Others	97	78	98	586
	5,228	4,147	5,756	9,564

The carrying amounts of other payables approximated their fair values.

26 Expenses by nature

The following items have been charged to the operating profit/(loss) for the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Depreciation (Note 7)	5,969	8,395	8,441	4,824	3,066
Amortisation (Notes 8, 9)	2,069	1,401	935	277	111
Employee benefit expenses (Note 27)	3,289	2,626	2,140	850	917
Subcontracting expenses	4,602	2,685	1,685	629	—
Raw materials and consumables used	8,292	4,259	2,300	514	993
Consumption of semi-finished goods and finished goods acquired from business combinations	10,728	—	5,038	3,679	—
Changes in inventories of semi-finished goods and finished goods	(17,819)	(13,810)	11,170	14,638	11,852
Electricity consumed	3,278	1,885	1,354	260	134
Transportation expenses	1,358	—	1,936	1,608	938
Resource compensation fees	1,922	—	751	629	375
Resource tax	485	332	299	35	—
Sales tax levies	95	—	419	61	372
Office expenses and operating lease payments	569	481	497	227	199
Consulting fees	202	92	2,173	228	200
Exploration and evaluation expenses	785	45	4,395	245	697
Industrial accident compensation	289	166	196	—	—
Auditor's remuneration	60	8	8	8	14
Expenses for preparation of initial public offering	—	—	5,366	4,370	864
Others	268	489	1,491	1,081	543
Total cost of sales, distribution costs and administrative expenses	26,441	9,054	50,594	34,163	21,275

27 Employee benefit expenses (including directors' emoluments)

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Wages and salaries	2,496	1,900	1,554	627	607
Housing benefits (note (a))	112	95	78	32	41
Contributions to pension plan (note (b))	469	382	321	127	162
Welfare and other expenses	212	249	187	64	107
	3,289	2,626	2,140	850	917

Notes:

(a) The balance represented the Group's contributions to government-sponsored housing funds at a rate of 5% of the permanent employees' basic salary for the Relevant Periods.

(b) The balance represented the Group's contributions to the defined contribution pension plans organised by the relevant municipal and provincial governments at a rate of 20% of the permanent employees' basic salary for the Relevant Periods.

28 Other (losses)/gains-net

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
(Losses)/gains on disposal of property, plant and equipment (Note 35(b))	(546)	440	45	45	—
Subsidy income	—	—	36	36	—
Donations	(59)	(11)	—	—	—
Penalty	—	—	(417)	(417)	—
Others	(38)	(151)	(9)	(4)	156
	(643)	278	(345)	(340)	156

29 Finance income/(costs)-net

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Finance income					
- Interest income from bank deposits	263	12	64	5	85
- Fair value adjustment of pre-acquisition dividend payable (Note 22)	—	—	13,070	13,070	4,585
	263	12	13,134	13,075	4,670
Finance costs					
- Borrowings	(54)	—	—	—	—
- Exchange losses	—	—	(1,827)	—	(1,505)
- Unwinding of discount - provision for close down, restoration and environmental costs (Note 23)	(62)	(89)	(156)	(55)	(30)
- Unwinding of discount - pre-acquisition dividend payable (Note 22)	—	—	(2,019)	(504)	(1,771)
	(116)	(89)	(4,002)	(559)	(3,306)
Finance income/(costs)-net	147	(77)	9,132	12,516	1,364

30 Income tax credit

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax	(408)	—	1,413	1,111	423
Deferred tax (Note 12)	(764)	(2,136)	(2,914)	(1,121)	(577)
Income tax credit	(1,172)	(2,136)	(1,501)	(10)	(154)

The Company is an exempted company incorporated in the Cayman Islands and, as such, is not liable for taxation in the Cayman Islands on its non-Cayman Islands income.

Realty Investment was subject to Hong Kong profits tax at the tax rate of 16.5% for the period from 4 January 2008 (date of incorporation) to 31 December 2008 and each of the years ended 31 December 2009 and 2010. Realty Investment did not have any assessable profit for such periods.

Effective from 1 January 2008, the group companies in Mainland China determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the PRC (the "new CIT Law") as approved by the National Congress on 16 March 2007. Under the new CIT Law the corporate income tax rate applicable to such group companies is 25% since 2008.

Hami Jiatai was entitled to a reduced tax rate of 15% from 2007 to 2008 pursuant to the approval obtained from the local tax bureau of Xinjiang Uygur Autonomous Region, the PRC. The applicable tax rate for each of the years ended 31 December 2009 and 31 December 2010 and the six months ended 30 June 2011 was 25%.

Hami Jinhua was exempted from corporate income tax from 2007 to 2008 pursuant to the approval obtained from the local tax bureau of Hami City, Xinjiang Uygur Autonomous Region, the PRC. The applicable tax rate for each of the years ended 31 December 2009 and 31 December 2010 and the six months ended 30 June 2011 was 25%.

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to results of the group entities as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit/(loss) before income tax	23,134	(8,853)	(4,241)	7,969	(144)
Tax calculated at domestic tax rates applicable to results in the respective countries	5,791	(2,208)	1,205	3,086	538
Tax effects of:					
- Income not subject to tax	(8,050)	—	(3,268)	(3,265)	(1,146)
- Expense not deductible for tax purposes	814	69	559	167	452
- Income tax exemptions/deductions	271	—	—	—	—
- Tax losses for which no deferred income tax asset was recognised	2	3	3	2	2
Income tax credit	(1,172)	(2,136)	(1,501)	(10)	(154)

31 Earnings/(loss) per share

The basic earnings/(loss) per share for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 are calculated based on the profit/(loss) attributable to the equity holders of the Company and on the assumption that 712,500,000 shares issued after the completion of the Reorganization were deemed to have been in issue since 1 January 2008.

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010** *(unaudited)*	**2011**
Profit/(loss) attributable to equity holders of the Company (RMB'000)	23,377	(6,050)	(3,374)	6,743	(220)
Adjusted weighted average number of shares in issue (in thousand)	712,500	712,500	726,164	712,500	750,000
Basic and diluted earnings/(loss) per share (RMB)	0.033	(0.008)	(0.005)	0.009	(0.0003)

Diluted earnings/(loss) per share is equal to basic earnings/(loss) per share as there was no dilutive potential share outstanding for the Relevant Periods.

32 Dividends

Except for the dividends declared by Hami Jiatai to its former equity holders prior to the date of acquisition by the Group in May 2008, no dividend has been paid or declared by the Company or the companies comprising the Group during the Relevant Periods.

33 Business combination

(a) ***Acquisition of Hami Jinhua***

On 25 March 2008, Realty Investment acquired 90% equity interests in Hami Jinhua. As a result of the acquisition, the Group has entered into mining business of lead and zinc.

The acquired business contributed revenues of RMB5,311,000 and net loss (without taking into consideration gain from bargain purchase) of RMB2,093,000 to the Group for the period from 25 March 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, consolidated revenue and consolidated profit (without taking into consideration gain from bargain purchase) would have been RMB20,620,000 and RMB8,595,000 respectively.

These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment, mining rights, land use rights and other intangible assets had applied from 1 January 2008, together with the consequential tax effects.

All the purchase consideration of RMB90,000,000 was paid in cash.

The assets and liabilities arising from the acquisition are as follows:

	Fair value	**Acquiree's carrying amount**
	RMB'000	*RMB'000*
Property, plant and equipment	33,062	33,062
Available-for-sale financial assets	3,480	3,480
Land use rights	7,228	202
Mining rights	84,523	—
Deferred tax assets	585	585
Inventories	3,140	3,140
Trade and other receivables	2,981	2,981
Cash and bank balances	35,538	35,538
Trade payables	(8,598)	(8,598)
Other payables and accruals	(22,203)	(22,203)
Provision for close down, restoration and environmental costs	(348)	(348)
Deferred tax liabilities	(22,668)	—
Fair value of net assets	116,720	47,839
Non-controlling interests (10%)	(11,672)	
Gain on bargain purchase	(15,048)	
Total purchase consideration	90,000	
Total purchase consideration settled in cash		90,000
Cash and bank balance in subsidiary acquired		(35,538)
Cash outflow on acquisition		54,462

The non-controlling interests were measured at the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Management of the Group is of the opinion that the acquiree's identifiable net assets were properly measured at fair value as at the acquisition date and the gain on bargain purchase mainly arose from that the former equity holders of the acquiree accepted a bargain consideration. This is because the former equity holders of the acquiree did not want to invest further capital expenditure in mining the residual mineral reserves but to cash in the investment through sale of business.

(b) ***Acquisition of Hami Jiatai***

On 15 May 2008, Hami Jinhua acquired 100% equity interests in Hami Jiatai. As a result of the acquisition, the Group has entered into mining business of nickel and copper.

The acquired business contributed revenues of RMB12,560,000 and net loss (without taking into consideration gain from bargain purchase) of RMB5,766,000 to the Group for the period from 15 May 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, consolidated revenue and consolidated profit (without taking into consideration gain from bargain purchase) would have been RMB41,694,000 and RMB14,680,000 respectively.

These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment, mining rights, land use rights and other intangible assets had applied from 1 January 2008, together with the consequential tax effects.

All the purchase consideration of RMB53,775,000 was paid in cash.

The assets and liabilities arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
	RMB'000	*RMB'000*
Property, plant and equipment	55,167	52,536
Land use rights	3,195	86
Mining rights	49,000	815
Deferred tax assets	1,679	1,679
Inventories	19,146	13,527
Trade and other receivables and prepayments	39,002	39,002
Cash and bank balances	33,415	33,415
Trade payables	(3,619)	(3,619)
Other payables and accruals	(11,964)	(11,964)
Current income tax liabilities	(5,385)	(5,385)
Dividends payable to the previous equity holders	(92,000)	(92,000)
Provision for close down, restoration and environmental costs	(1,364)	(1,364)
Deferred tax liabilities	(14,346)	—
Borrowings	(1,000)	(1,000)
Fair value of net assets	70,926	25,728
Gain on bargain purchase	(17,151)	
Total purchase consideration	53,775	
Total purchase consideration settled in cash		53,775
Cash and bank balance in subsidiary acquired		(33,415)
Cash outflow on acquisition		20,360

Management of the Group is of the opinion that the acquiree's identifiable net assets were properly measured at fair value as at the acquisition date and the gain on bargain purchase mainly arose from that the former equity holders of the acquiree accepted a bargain consideration. This is because the former equity holders of the acquiree did not want to invest further capital expenditure in mining the residual mineral reserves but to cash in the investment through sale of business.

34 Emoluments for directors and five highest paid individuals

(a) *Directors' emoluments*

The aggregate amounts of emoluments paid/payable to directors of the Company by the Group during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Fees	—	—	—	—	—
Basic salaries, allowances and other benefits	71	107	107	48	47
Contributions to pension plan	3	6	6	1	2
	74	113	113	49	49

The remuneration of each of the directors is set out below:

	Year ended 31 December			Six months ended 30 June	
Name of directors	**2008**	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Mr. Wu Guangsheng					
- Basic salaries, allowances and other benefits	18	28	28	12	14
Mr. Zhao Guangsheng					
- Basic salaries, allowances and other benefits	26	40	40	18	20
- Contributions to pension plan	2	3	3	1	1
Mr. Zhao Bochen					
- Basic salaries, allowances and other benefits	26	39	39	18	14
- Contributions to pension plan	2	3	3	—	—
Mr. Wang Dayong	—	—	—	—	—
Mr. Lu Qi	—	—	—	—	—
Mr. Xue Di'an*	—	—	—	—	—
Mr. Liu Tongyou*	—	—	—	—	—
Mr. Cao Shiping*	—	—	—	—	—
Mr. Cao Kuangyu*	—	—	—	—	—
Mr. Sin Lik Man*	—	—	—	—	—
	74	113	113	49	49

** represents the non-executive directors*

On 16 December 2011, the Company appointed five non-executive directors Mr. Xue Di'an, Mr. Liu Tongyou, Mr. Cao Shiping, Mr. Cao Kuangyu, and Mr. Sin Lik Man. They had not received and were not entitled to receive any emoluments for the Relevant Periods.

(b) ***Five highest paid individuals***

The five individuals whose emoluments were the highest in the Group for the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Directors	2	2	2	2	2
Non-director individuals	3	3	3	3	3
	5	5	5	5	5

The details of emoluments paid to the five highest individuals who were directors of the Company during the Relevant Periods have been included in Note 34(a). Details of emoluments paid to the remaining non-director individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Basic salaries, allowances and other benefits	82	124	124	39	47
Contributions to pension plan	7	10	10	5	7
	89	134	134	44	54

During the Relevant Periods, no directors and five highest paid individuals received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office. No directors and five highest paid individuals waived or agreed to waive any emoluments.

During the Relevant Periods, the emoluments paid to each of the highest paid non-director individuals did not exceed HK$1,000,000.

35 Notes to consolidated statements of cash flows

(a) ***Cash (used in)/generated from operations***

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Profit/(loss) before income tax	23,134	(8,853)	(4,241)	7,969	(144)
Depreciation of property, plant and equipment	5,969	8,395	8,441	4,824	3,066
Amortisation	2,069	1,401	935	277	111
Losses/(gains) on disposal of property, plant and equipment	546	(440)	(45)	(45)	—
Provision/(reversal of provision) for impairment of other receivables	30	18	(9)	2	—
Finance income	(263)	(12)	(13,134)	(13,075)	(4,670)
Finance costs	116	89	4,002	559	3,306
Gains from bargain purchases	(32,199)	—	—	—	—
Cash (used in)/generated from operations before working capital changes	(598)	598	(4,051)	511	1,669
Changes in working capital:					
(Increase)/decrease in inventories	(5,059)	(12,723)	17,048	18,771	11,908
Decrease/(increase) in trade and other receivables and prepayments	16,209	2,341	19,945	13,841	(1,254)
(Decrease)/increase in trade and other payables and accruals	(14,641)	7,134	(20,289)	(8,651)	(1,279)
Increase in restricted cash at banks	—	—	—	—	(1,441)
Cash (used in)/generated from operations	(4,089)	(2,650)	12,653	24,472	9,603

(b) ***Proceeds from disposal of property, plant and equipment***

In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Net book value of the property, plant and equipment	2,796	4,230	55	55	—
(Losses)/gains on disposal of property, plant and equipment	(546)	440	45	45	—
	2,250	4,670	100	100	—
Offset with amounts due to Mr. Wei Xing (note)	(1,150)	(275)	(100)	(100)	—
Net proceeds received	1,100	4,395	—	—	—

Note: Part of sales proceeds was directly paid by the buyers to Mr. Wei Xing for settling the Group's amounts payable to Mr. Wei Xing.

36 Contingencies

(a) ***Environmental contingencies***

Historically, the Group has not incurred any significant expenditure for environmental remediation. Save as disclosed in Note 23, the Group is presently not involved in any environmental remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislations, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, may move further towards the adoption of more stringent environmental standards.

Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to mines and land development areas, whether operating, closed or sold, (ii) the extent of required cleanup efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislations cannot reasonably be estimated at present, and could be material.

(b) ***Insurance***

The Group carries commercial insurance for its employees who work underground for personal injury. However, such insurance may not be sufficient to cover the potential future losses. While the effect of under-insurance on future incidents cannot be reasonably assessed at present, management believes this can have a material adverse impact on the results of operations or the financial position of the Group.

37 Commitments

(a) ***Capital commitments***

Capital expenditure for property, plant and equipment at the respective balance sheet date but not yet incurred is as follows:

	As at 31 December			**As at 30 June**
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised but not contracted for:				
- Buildings	100,471	100,471	100,471	100,471
- Machinery and equipment	83,757	82,920	82,920	82,920
	184,228	183,391	183,391	183,391

(b) ***Operating lease commitments***

The Company leases various offices under non-cancelable operating lease agreements.

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
No later than 1 year	30	30	30	30
Later than 1 year and no later than 5 years	120	120	120	120
Later than 5 years	240	210	180	180
	390	360	330	330

(c) ***Investment commitment***

As at 31 December 2010 and 30 June 2011, the Group has total investment commitments of RMB192,000,000 and RMB182,000,000 for the acquisitions of Shaanxi Jiarun and Shaanxi Jiahe respectively (Note 13).

38 Related party transactions

(a) For the Relevant Periods, the Group's management is of the view that the following entities/persons are related parties of the Group:

Name of related parties	**Relationship with the Group**
Mr. Lu Qi	Ultimate shareholder, holding 55% equity interests in the Group
Mr. Wang Dayong	Ultimate shareholder, holding 45% equity interests in the Group
Hami Jiahua	A company controlled by Mr. Wang Dianyun, a director of Hami Jinhua.

(b) During the Relevant Periods, the Company had the following material transactions with related parties:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Advances from/payment on the Group's behalf by					
- Mr. Wang Dayong	—	—	2,909	—	1,642
- Mr. Lu Qi	—	—	2,967	—	—
	—	—	5,876	—	1,642
Advances to/payment on behalf of					
- Hami Jiahua	21,248	1,756	3,061	—	—
Repayments of amounts due to					
- Mr. Wang Dayong	—	—	2,909	—	1,642
- Mr. Lu Qi	—	—	2,967	—	—
	—	—	5,876	—	1,642
Repayments of amounts due from					
- Hami Jiahua	1,500	3,170	21,375	18,314	—

All the above advances were unsecured and interest-free.

(c) Balances due from a related party

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables (Note 16)				
- Hami Jiahua	19,748	18,314	—	—

(d) Key management compensation

	For the year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Basic salaries, allowances and other benefits	174	262	262	131	131
Contributions to pension plan	13	23	23	12	12
	187	285	285	143	143

39 Events after balance sheet date

(a) Management received a verbal notification from the Bureau of Land and Resources of Hami in January 2011 pursuant to which, the operations of a nickel and copper mine of the Group have been suspended as a result of a mine resources consolidation plan.

On 12 August 2011, an explanation letter was issued by the Bureau of Land and Resources of Hami relating to the consolidation plan. As detailed in such letter, the operations of this mine will resume if the consolidation plan is not executed by the end of 2011.

(b) On 15 December 2011, the Company obtained a two-year non-revolving banking facility of US$13.5 million which will be available to draw down within six month from the date of granting of such banking facility. Mr. Wang Dayong, director of the Company, is the guarantor of the banking facility and such facility will be drawn down upon the pledge of the guarantor's (i) cash deposits which amount to 60% of the total drawn-down balance and (ii) listed equity securities which amount to 40% of the total drawn down balance. Such guarantee and pledge of cash deposits and listed equity securities will be released upon the Listing. Up to the date of this report, as no facility has been drawn down, no cash deposit and listed equity securities have been pledged by the guarantor.

III Additional financial information of Hami Jinhua and Hami Jiatai for the period from 1 January 2008 to the respective dates of acquisition

1. Hami Jinhua

The following is the unaudited financial information of Hami Jinhua for the period from 1 January 2008 to 25 March 2008, date of acquisition by the Group.

(a) ***Balance sheet***

	Note	**As at 25 March 2008** *RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	i	33,062
Land use rights	ii	202
Available-for-sale financial assets	iii	3,480
Deferred tax assets	iv	585
Total non-current assets		37,329
Current assets		
Inventories	v	3,140
Other receivables and prepayments	vi	2,981
Cash and cash equivalents	vii	35,538
Total current assets		41,659
Total assets		78,988
EQUITY		
Capital and reserves attributable to equity holders of Hami Jinhua		
Paid-in capital		50,000
Accumulated losses		(2,161)
Total equity		47,839

	Note	As at 25 March 2008 RMB'000
LIABILITIES		
Non-current liabilities		
Provision for close down, restoration and environmental costs	viii	348
Current liabilities		
Trade payables	ix	8,598
Other payables and accruals	x	22,203
Total current liabilities		30,801
Total liabilities		31,149
Total equity and liabilities		78,988
Net current assets		10,858
Total assets less current liabilities		48,187

(b) *Statement of comprehensive income*

	Note	Period from 1 January 2008 to 25 March 2008 *RMB'000*
Revenue	xi	2,748
Cost of sales	xii	(3,324)
Gross loss		(576)
Administrative expenses	xii	(272)
Other losses-net		(36)
Operating loss		(884)
Finance income		20
Finance costs		(5)
Finance income-net		15
Loss before income tax		(869)
Income tax credit	xiii	206
Loss for the period		(663)
Other comprehensive income		—
Total comprehensive loss		(663)

(c) ***Statement of changes in equity***

	Paid-in capital	**Safety funds**	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	5,000	—	(1,498)	3,502
Capital contribution from equity holders	45,000	—	—	45,000
Loss for the period	—	—	(663)	(663)
Appropriation to safety funds	—	40	(40)	—
Utilisation of safety funds	—	(40)	40	—
At 25 March 2008	50,000	—	(2,161)	47,839

(d) ***Statement of cash flows***

	Note	Period from 1 January 2008 to 25 March 2008
		RMB'000
Cash flows from operating activities		
Cash used in operations	xiv	(9,591)
Net cash used in operating activities		(9,591)
Cash flows from investing activities		
Purchase of property, plant and equipment		(1,283)
Interest received		20
Net cash used in investing activities		(1,263)
Cash flows from financing activities		
Capital contribution from equity holders		45,000
Net cash generated from financing activities		45,000
Net increase in cash and cash equivalents		34,146
Cash and cash equivalents at beginning of period		1,392
Cash and cash equivalents at end of period	vii	35,538

Notes to pre-acquisition Financial Information of Hami Jinhua

(i) *Property, plant and equipment*

	Buildings	Machinery and equipment	Office equipment and others	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008						
Cost	17,306	11,842	28	51	4,975	34,202
Accumulated depreciation	(740)	(1,058)	(3)	(4)	—	(1,805)
Net book amount	16,566	10,784	25	47	4,975	32,397
Period from 1 January 2008 to 25 March 2008						
Opening net book amount	16,566	10,784	25	47	4,975	32,397
Additions	—	—	—	—	1,148	1,148
Depreciation	(206)	(273)	(2)	(2)	—	(483)
Closing net book amount	16,360	10,511	23	45	6,123	33,062
At 25 March 2008						
Cost	17,306	11,842	28	51	6,123	35,350
Accumulated depreciation	(946)	(1,331)	(5)	(6)	—	(2,288)
Net book amount	16,360	10,511	23	45	6,123	33,062

(ii) *Land use rights*

In Mainland China:

	RMB'000
At 1 January 2008	
Cost	208
Accumulated amortisation	(5)
Net book amount	203
Period from 1 January 2008 to 25 March 2008	
Opening net book amount	203
Amortisation charge	(1)
Closing net book amount	202
At 25 March 2008	
Cost	208
Accumulated amortisation	(6)
Net book amount	202

(iii) *Available-for-sale financial assets*

	As at 25 March 2008 *RMB'000*
Unlisted investment in equity interests	3,480

(iv) *Deferred tax assets*

	Provision	Depreciation	Pre-operating expenses	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	38	79	203	59	379
(Charged)/credited to statement of comprehensive income	—	(2)	—	208	206
At 25 March 2008	38	77	203	267	585

(v) *Inventories*

	As at 25 March 2008
	RMB'000
Raw materials	582
Semi-finished goods	2,558
	3,140

(vi) *Other receivables and prepayments*

	As at 25 March 2008
	RMB'000
Other receivables	
- Third parties	1,881
Less: impairment provision	(151)
	1,730
Advances to suppliers - third parties	1,251
	2,981

(vii) *Cash and cash equivalents*

	As at 25 March 2008 *RMB'000*
Cash on hand	1
Current deposits with banks	35,537
	35,538

(viii) *Provision for close down, restoration and environmental costs*

	As at 25 March 2008 *RMB'000*
At beginning of the period	343
Unwinding of discount	5
At end of the period	348

(ix) *Trade payables*

	As at 25 March 2008 *RMB'000*
Trade payables	
- Shaanxi Jiatai	593
- Beijing Jiatai	2,206
- Hami Jiatai	3,105
- Third parties	2,694
	8,598

(x) *Other payables and accruals*

	As at 25 March 2008 *RMB'000*
Other payables (note)	20,002
Customer deposits and receipts in advance	2,000
Salary and welfare payables	286
Accrued taxes other than income tax	(85)
	22,203

Note: Other payables are analysed as follows:

	As at 25 March 2008 *RMB'000*
Other payables	
- Amount due to Mr. Wei Xing	686
- Amount due to Hami Jiatai	18,707
- Third parties	609
	20,002

(xi) *Revenue*

	Period from 1 January 2008 to 25 March 2008 *RMB'000*
Sales of copper concentrate	2,748

(xii) *Expenses by nature*

	Period from 1 January 2008 to 25 March 2008
	RMB'000
Depreciation	483
Employee benefit expenses	117
Changes in inventories of finished goods and semi-finished goods	(1,274)
Raw materials and consumables used	341
Electricity consumed	19
Transportation expenses	200
Ore purchased	308
Copper concentrate purchased	2,748
Sales tax levies	11
Resource tax	50
Consulting fees	60
Office expenses and operating lease payments	19
Subcontracting expenses	403
Insurance fees	79
Others	32
Total of cost of sales and administrative expenses	3,596

(xiii) *Income tax credit*

	Period from 1 January 2008 to 25 March 2008
	RMB'000
Deferred tax	(206)

The tax on Hami Jinhua's loss before income tax differs from the theoretical amount that would arise using the tax rate applicable to Hami Jinhua as follows:

	Period from 1 January 2008 to 25 March 2008
	RMB'000
Loss before income tax	(869)
Tax calculated at tax rate applicable to Hami Jinhua	(217)
Tax effects of:	
- Expenses not deductible for tax purposes	11
Income tax credit	(206)

(xiv) *Notes to statement of cash flows*

Cash used in operations

	Period from 1 January 2008 to 25 March 2008
	RMB'000
Loss before income tax	(869)
Depreciation of property, plant and equipment	483
Amortisation of land use rights	1
Finance income	(20)
Finance costs	5
Cash used in operations before working capital changes	(400)
Changes in working capital:	
Increase in inventories	(1,464)
Increase in other receivables and prepayments	(1,688)
Decrease in trade and other payables and accruals	(6,039)
Cash used in operations	(9,591)

(xv) *Commitments*

(a) Capital commitments

Capital expenditure for property, plant and equipment at the balance sheet date but not yet incurred is as follows:

	As at 25 March 2008
	RMB'000
Authorised but not contracted for:	
- Buildings	35,354
- Machinery and equipment	67,454
	102,808

(b) Operating lease commitments

Hami Jinhua leases various offices under non-cancelable operating lease agreements.

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	As at 25 March 2008
	RMB'000
No later than 1 year	10
Later than 1 year and no later than 5 years	40
Later than 5 years	88
	138

(xvi) *Related party transactions*

(a) During the period from 1 January 2008 to 25 March 2008, management is of the view that the following entities/persons are related parties of Hami Jinhua:

Name of related parties	Relationship with Hami Jinhua
Mr. Wang Dianyun	Equity holder, holding 60% equity interests in Hami Jinhua
Ms. Xie Lin	Equity holder, holding 40% equity interests in Hami Jinhua
Mr. Wei Xing	Husband of Ms. Xie Lin
Hami Jiatai	Company ultimately controlled by Mr. Wei Xing
Shaanxi Jiatai	Company ultimately controlled by Mr. Wei Xing
Beijing Jiatai	Company ultimately controlled by Mr. Wei Xing

(b) During the period from 1 January 2008 to 25 March 2008, Hami Jinhua had the following material transactions with related parties:

	Period from 1 January 2008 to 25 March 2008 *RMB'000*
Advances to/payments on behalf of	
- Mr. Wei Xing	11,101
Advances from/payments on the Company's behalf by	
- Mr. Wei Xing	308
- Hami Jiatai	2,000
	2,308
Purchases of raw materials and spare parts	
- Hami Jiatai	419
Purchases of copper concentrate	
- Hami Jiatai	2,748

All advances were unsecured and interest free. All purchases were conducted based on terms mutually agreed by both parties.

(c) Balances due to related parties

	As at 25 March 2008
	RMB'000
Other payables	
- Mr. Wei Xing	686
- Hami Jiatai	18,707
	19,393
Trade payables	
- Shaanxi Jiatai	593
- Hami Jitai	3,105
- Beijiang Jiatai	2,206
	5,904

All balances were unsecured and interest free.

(d) Key management compensation

Basic salaries, allowances and other benefits	—
Contributions to pension plan	—
	—

2. Hami Jiatai

The following is the unaudited financial information of Hami Jiatai for the period from 1 January 2008 to 15 May 2008, date of acquisition by the Group.

(a) ***Balance sheet***

	Note	**As at 15 May 2008** *RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	i	52,536
Mining rights	ii	815
Land use rights	iii	86
Deferred tax assets	iv	1,679
Total non-current assets		55,116
Current assets		
Inventories	v	13,527
Trade receivables	vi	3,605
Other receivables and prepayments	vi	35,397
Cash and cash equivalents	vii	33,415
Total current assets		85,944
Total assets		141,060

	Note	As at 15 May 2008 RMB'000
EQUITY		
Capital and reserves attributable to equity holders of Hami Jiatai		
Paid-in capital		10,000
Other reserves		13,870
Retained earnings		1,858
Total equity		25,728
LIABILITIES		
Non-current liabilities		
Provision for close down, restoration and environmental costs	viii	1,364
Total non-current liabilities		1,364
Current liabilities		
Trade payables	ix	3,619
Other payables and accruals	x	103,964
Income taxes payable		5,385
Borrowings		1,000
Total current liabilities		113,968
Total liabilities		115,332
Total equity and liabilities		141,060
Net current liabilities		(28,024)
Total assets less current liabilities		27,092

(b) *Statement of comprehensive income*

	Note	Period from 1 January 2008 to 15 May 2008 RMB'000
Revenue	xi	23,822
Cost of sales	xii	(13,329)
Gross profit		10,493
Distribution costs	xii	(39)
Administrative expenses	xii	(2,573)
Other losses-net		(324)
Operating profit		7,557
Finance income		19
Finance costs		(51)
Finance costs-net		(32)
Profit before income tax		7,525
Income tax expense	xiii	(1,156)
Profit for the period		6,369
Other comprehensive income		—
Total comprehensive income		6,369

(c) ***Statement of changes in equity***

	Paid-in capital *RMB'000*	Statutory reserve *RMB'000*	Safety funds *RMB'000*	Maintenance funds *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2008	10,000	10,366	—	1,952	89,041	111,359
Profit for the period	—	—	—	—	6,369	6,369
Appropriation to statutory reserves	—	446	—	—	(446)	—
Appropriation to safety funds /maintenance funds	—	—	650	1,106	(1,756)	—
Utilisation of safety fund /maintenance funds	—	—	(650)	—	650	—
Dividend appropriation	—	—	—	—	(92,000)	(92,000)
At 15 May 2008	10,000	10,812	—	3,058	1,858	25,728

(d) ***Statement of cash flows***

	Note	**Period from 1 January 2008 to 15 May 2008** *RMB'000*
Cash flows from operating activities		
Cash generated from operations	xiv	31,716
Interest paid		(19)
Income tax paid		(2,000)
Net cash generated from operating activities		29,697
Cash flows from investing activities		
Purchase of property, plant and equipment		(2,768)
Interest received		19
Net cash used in investing activities		(2,749)
Net increase in cash and cash equivalents		26,948
Cash and cash equivalents at beginning of period		6,467
Cash and cash equivalents at end of period	vii	33,415

Notes to pre-acquisition financial information of Hami Jiatai

(i) *Property, plant and equipment*

	Buildings	Machinery and equipment	Office equipment and others	Motor vehicles	Mining structures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008							
Cost	18,817	25,126	339	13,950	15,861	581	74,674
Accumulated depreciation	(2,144)	(10,326)	(146)	(7,880)	(1,436)	—	(21,932)
Net book amount	16,673	14,800	193	6,070	14,425	581	52,742
Period from 1 January 2008 to 15 May 2008							
Opening net book amount	16,673	14,800	193	6,070	14,425	581	52,742
Additions	112	30	79	1,822	341	2	2,386
Transfer from construction in progress	258	—	—	—	—	(258)	—
Depreciation	(374)	(779)	(47)	(992)	(400)	—	(2,592)
Closing net book amount	16,669	14,051	225	6,900	14,366	325	52,536
At 15 May 2008							
Cost	19,187	25,156	418	15,772	16,202	325	77,060
Accumulated depreciation	(2,518)	(11,105)	(193)	(8,872)	(1,836)	—	(24,524)
Net book amount	16,669	14,051	225	6,900	14,366	325	52,536

(ii) *Mining rights*

	RMB'000
At 1 January 2008	
Cost	1,109
Accumulated amortisation	(234)
Net book amount	875
Period from 1 January 2008 to 15 May 2008	
Opening net book amount	875
Amortisation charge	(60)
Closing net book amount	815
At 15 May 2008	
Cost	1,109
Accumulated amortisation	(294)
Net book amount	815

(iii) *Land use rights*

In Mainland China:

	RMB'000
At 1 January 2008	
Cost	92
Accumulated amortisation	(6)
Net book amount	86
Period from 1 January 2008 to 15 May 2008	
Opening net book amount	86
Amortisation charge	—
Closing net book amount	86
At 15 May 2008	
Cost	92
Accumulated amortisation	(6)
Net book amount	86

(iv) *Deferred tax assets*

	Provision	**Depreciation**	**Accrued expenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	695	924	46	1,665
(Charged)/credited to statement of comprehensive income	88	(28)	(46)	14
At 15 May 2008	783	896	—	1,679

(v) *Inventories*

	As at 15 May 2008 *RMB'000*
Raw materials	5,968
Semi-finished goods	5,928
Finished goods	1,631
	13,527

(vi) *Trade and other receivables and prepayments*

	As at 15 May 2008 *RMB'000*
Trade receivables — third parties	3,605
Other receivables	
- Amounts due from Hami Jinhua	2,545
- Amounts due from Beijing Jiatai	8,051
- Amounts due from Shaanxi Jiatai	20,383
- Amounts due from Mr. Wei Xing	988
- Others	3,738
Less: impairment provision	(3,093)
	32,612
Advances to suppliers - third parties	2,785
	35,397

(vii) *Cash and cash equivalents*

	As at 15 May 2008 *RMB'000*
Cash on hand	2
Current deposits with banks	33,413
	33,415

(viii) *Provision for close down, restoration and environmental costs*

	Period from 1 January 2008 to 15 May 2008
	RMB'000
At beginning of the period	1,332
Unwinding of discount	32
At end of the period	1,364

(ix) *Trade payables*

Trade payables are analysed as follows:

	As at 15 May 2008
	RMB'000
Trade payables	
- Third parties	3,619

(x) *Other payables and accruals*

	As at 15 May 2008
	RMB'000
Other payables — third parties	1,966
Salary and welfare payables	3,338
Dividends payable	92,000
Accrued taxes other than income tax	6,644
Others	16
	103,964

(xi) *Revenue*

	Period from 1 January 2008 to 15 May 2008
	RMB'000
Sales of nickel concentrate	20,884
Sales of copper concentrate	2,938
	23,822

(xii) *Expenses by nature*

	Period from 1 January 2008 to 15 May 2008
	RMB'000
Depreciation	2,592
Provision for impairment of receivables	44
Employee benefit expenses	1,576
Changes in inventories of finished goods and semi-finished goods	(1,698)
Raw materials and consumables used	4,722
Electricity consumed	1,913
Subcontracting expenses	3,524
Transportation expenses	904
Sales tax levies	225
Resource tax	488
Resource compensation fees	476
Office expenses and operating lease payments	268
Consulting fees	212
Amortisation of mining rights	60
Insurance fees	331
Industrial accident compensation	244
Others	60
Total cost of sales, distribution costs and administrative costs	15,941

(xiii) *Income tax expense*

	Period from 1 January 2008 to 15 May 2008
	RMB'000
Current tax	1,170
Deferred tax (Note iv)	(14)
Income tax expense	1,156

The tax on Hami Jiatai's profit before income tax differs from the theoretical amount that would arise using the tax rate applicable to Hami Jiatai as follows:

	Period from 1 January 2008 to 15 May 2008
	RMB'000
Profit before income tax	7,525
Tax calculated at tax rates applicable to Hami Jiatai	1,882
Tax effects of:	
- Expenses not deductible for tax purposes	85
- Income tax deductions	(811)
Income tax expense	1,156

(xiv) *Note to statement of cash flows*

Cash generated from operations

	Period from 1 January 2008 to 15 May 2008
	RMB'000
Profit before income tax	7,525
Depreciation of property, plant and equipment	2,592
Amortisation of mining rights	60
Provision for impairment of receivables	44
Finance income	(19)
Finance costs	51
Cash generated from operations before working capital changes	10,253
Changes in working capital:	
Increase in inventories	(1,130)
Decrease in trade and other receivables and prepayments	22,515
Increase in trade and other payables and accruals	78
Cash generated from operations	31,716

(xv) *Commitments*

(a) Capital commitments

Capital expenditure for property, plant and equipment at the respective balance sheet date but not yet incurred is as follows:

	As at 15 May 2008
	RMB'000
Authorised but not contracted for:	
- Buildings	65,117
- Machinery and equipment	26,588
	91,705

(b) Operating lease commitments

Hami Jiatai leases various offices under non-cancelable operating lease agreements.

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	As at 15 May 2008
	RMB'000
No later than 1 year	20
Later than 1 year and no later than 5 years	80
Later than 5 years	172
	272

(xvi) *Related party transactions*

(a) During the period from 1 January 2008 to 15 May 2008, management is of the view that the following entities/persons are related parties of Hami Jiatai:

Name of related parties	**Relationship with Hami Jiatai**
Mr. Wei Xing	Equity holder, holding 90% equity interests in Hami Jiatai
Hami Jinhua	Company with 40% equity interests held by Ms. Xie Lin, wife of Mr. Wei Xing
Shaanxi Jiatai	Company ultimately controlled by Mr. Wei Xing
Beijing Jiatai	Company ultimately controlled by Mr. Wei Xing

(b) During the period from 1 January 2008 to 15 May 2008, Hami Jiatai had the following material transactions with related parties:

	Period from 1 January 2008 to 15 May 2008
	RMB'000
Advances to/payments on behalf of	
- Beijing Jiatai	900
- Shaanxi Jiatai	500
- Mr. Wei Xing	1,233
- Hami Jinhua	2,116
	4,749
Purchases of raw materials and spare parts	
- Beijing Jiatai	61
Sales of nickel concentrate	
- Hami Jinhua	2,748

All advances and payments were unsecured and interest free.

The purchases and sales were conducted based on terms mutually agreed by both parties.

(c) Balances due from related parties

	As at 15 May 2008
	RMB'000
Trade receivables	
- Shaanxi Jiatai	500
- Hami Jinhua	3,105
	3,605
Other receivables	
- Shaanxi Jiatai	20,383
- Beijiang Jiatai	8,051
- Mr. Wei Xing	988
- Hami Jinhua	2,545
	31,967

The balances were unsecured and interest free.

(d) Key management compensation

Basic salaries, allowances and other benefits	133
Contributions to pension plan	28
	161

IV Subsequent Financial Statements

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2011. No dividend or distribution has been declared, made or paid by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2011.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

29 December 2011

The Directors
Huili Resources (Group) Limited

China Everbright Capital Limited

Dear Sirs,

We report on the financial information of Shaanxi Jiarun Mineral Resources Development Co., Ltd. ("Shaanxi Jiarun") which comprises the balance sheets of Shaanxi Jiarun as at 31 December 2008, 2009 and 2010 and 30 June 2011, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows of Shaanxi Jiarun for the period from 1 July 2008 (date of establishment) to 31 December 2008 and each of the years ended 31 December 2009 and 2010 and the six months ended 30 June 2011 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes. This financial information has been prepared by the directors of Huili Resources (Group) Limited (the "Company") and is set out in Sections I to II below for inclusion in Appendix IIA to the prospectus of the Company dated 29 December 2011 (the "Prospectus") in connection with the proposed initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong.

The Company was established in Shaanxi Province, the People's Republic of China (the "PRC") on 1 July 2008 as a company with limited liability under the Company Law of the PRC.

Shaanxi Jiarun has adopted 31 December as its financial year end date. No audited financial statements have been prepared by Shaanxi Jiarun as it has not involved in any significant business transactions since its date of establishment.

The directors of the Company have prepared the financial statements of Shaanxi Jiarun for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Financial Statements") based on the financial statements of Shaanxi Jiarun prepared by the directors of Shaanxi Jiarun in accordance with the Accounting Standards for Business Enterprises of the PRC. The Underlying Financial Statements have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司) in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA under separate terms of engagement with the Company.

The directors of the Company are responsible for preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs.

The directors of Shaanxi Jiarun are responsible for the preparation and fair presentation of the financial statements of Shaanxi Jiarun in accordance with the Accounting Standards for Business Enterprises of the PRC, and for such internal control as the directors determine is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in Section II of the accountant's report of the Company as set out in Appendix I to the Prospectus.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of Shaanxi Jiarun as at 31 December 2008, 2009 and 2010 and 30 June 2011 and of Shaanxi Jiarun's results and cash flows for the Relevant Periods then ended.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix IIA to the Prospectus which comprises the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 June 2010 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below and the accounting policies adopted by the Group as set out in Section II of the accountant's report of the Company as set out in Appendix I to the Prospectus.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I Financial Information

The following is the financial information of Shaanxi Jiarun for the Relevant Periods (the 'Financial Information').

Balance sheets

		As at 31 December			As at 30 June
	Note	**2008**	**2009**	**2010**	**2011**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	5	2,255	3,451	4,396	4,384
Total non-current assets		2,255	3,451	4,396	4,384
Current assets					
Other receivables and prepayments	6	2,118	2,067	2,253	2,173
Cash and cash equivalents	7	4,281	2,093	201	18
Total current assets		6,399	4,160	2,454	2,191
Total assets		8,654	7,611	6,850	6,575
EQUITY					
Capital and reserves attributable to equity holders of Shaanxi Jiarun					
Paid-in capital	8	10,000	10,000	10,000	10,000
Accumulated losses	9	(1,376)	(2,447)	(3,261)	(3,537)
Total equity		8,624	7,553	6,739	6,463
LIABILITIES					
Current liabilities					
Trade payables		—	—	29	19
Other payables and accruals		30	58	82	93
Total current liabilities and total liabilities		30	58	111	112
Total equity and liabilities		8,654	7,611	6,850	6,575
Net current assets		6,369	4,102	2,343	2,079
Total assets less current liabilities		8,624	7,553	6,739	6,463

Statements of comprehensive income

		Period from 1 July 2008 to 31 December	Year ended 31 December	Year ended 31 December	Six months ended 30 June	
		2008	**2009**	**2010**	**2010**	**2011**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Revenue		—	—	—	—	—
Cost of sales		—	—	—	—	—
Gross profit		—	—	—	—	—
Administrative expenses	10	(1,406)	(1,082)	(808)	(141)	(226)
Other losses, net		—	—	(10)	—	(51)
Operating loss		(1,406)	(1,082)	(818)	(141)	(277)
Finance income	12	30	11	4	3	1
Loss before income tax		(1,376)	(1,071)	(814)	(138)	(276)
Income tax expense		—	—	—	—	—
Loss for the period/year		(1,376)	(1,071)	(814)	(138)	(276)
Other comprehensive income		—	—	—	—	—
Total comprehensive loss		(1,376)	(1,071)	(814)	(138)	(276)

Statements of changes in equity

	Note	**Paid-in capital** *RMB'000*	**Accumulated losses** *RMB'000*	**Total equity** *RMB'000*
At 1 July 2008 (date of establishment)		—	—	—
Transaction with owners:				
- Capital contribution	8	10,000	—	10,000
Comprehensive loss:				
- Loss for the period		—	(1,376)	(1,376)
At 31 December 2008		10,000	(1,376)	8,624
At 1 January 2009		10,000	(1,376)	8,624
Comprehensive loss:				
- Loss for the year		—	(1,071)	(1,071)
At 31 December 2009		10,000	(2,447)	7,553
At 1 January 2010		10,000	(2,447)	7,553
Comprehensive loss:				
- Loss for the year		—	(814)	(814)
At 31 December 2010		10,000	(3,261)	6,739
Unaudited				
At 1 January 2010		10,000	(2,447)	7,553
Comprehensive loss:				
- Loss for the period		—	(138)	(138)
At 30 June 2010		10,000	(2,585)	7,415
At 1 January 2011		10,000	(3,261)	6,739
Comprehensive loss:				
- Loss for the period		—	(276)	(276)
At 30 June 2011		10,000	(3,537)	6,463

Statements of cash flows

	Note	**Period from 1 July 2008 to 31 December**	**Year ended 31 December**	**Year ended 31 December**	**Six months ended 30 June**	
		2008	**2009**	**2010**	**2010**	**2011**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cash flows from operating activities						
Cash used in operations	13	(3,488)	(975)	(953)	(130)	(171)
Net cash used in operating activities		(3,488)	(975)	(953)	(130)	(171)
Cash flows from investing activities						
Purchase of property, plant and equipment		(2,261)	(1,224)	(943)	(772)	(13)
Interest received		30	11	4	3	1
Net cash used in investing activities		(2,231)	(1,213)	(939)	(769)	(12)
Cash flows from financing activities						
Capital contribution from equity holders	8	10,000	—	—	—	—
Net cash generated from financing activities		10,000	—	—	—	—
Net increase/(decrease) in cash and cash equivalents		4,281	(2,188)	(1,892)	(899)	(183)
Cash and cash equivalents at beginning of period/year		—	4,281	2,093	2,093	201
Cash and cash equivalents at end of period/year	7	4,281	2,093	201	1,194	18

II Notes to the Financial Information

1 General information

Shaanxi Jiarun Mineral Resources Development Co., Ltd. ("Shaanxi Jiarun") is principally engaged in the mining, ore processing and sales of non-ferrous metal products. Shaanxi Jiarun was established in the People's Republic of China (the "PRC") on 1 July 2008. The address of Shaanxi Jiarun's office is No. 06188 Anlan Road, Langao Town, Shaanxi Province of the PRC.

Shaanxi Jiarun was established with a registered capital of RMB 10,000,000 with equity interests of 60% held by Shaanxi Jiatai Hengrun Industrial Company Limited ("Shaanxi Jiatai") and 40% held by Hami Jiahua Industrial Company Limited ("Hami Jiahua") respectively (Note 8). On 14 April 2010, Shaanxi Jiatai acquired 40% equity interests in Shaanxi Jiarun for a cash consideration of RMB 4,000,000 from Hami Jiahua.

Shaanxi Jiarun is still in the phase of pre-operation during the Relevant Periods.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS"). The Financial Information has been prepared under the historical cost convention.

The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying Shaanxi Jiarun's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted.

	Applicable for accounting periods beginning on/after
HKFRS 9, 'Financial instruments'	1 January 2013
HKFRS 10, 'Consolidated financial statements'	1 January 2013
HKFRS 12, 'Disclosures of interests in other entities'	1 January 2013
HKFRS 13, 'Fair value measurement'	1 January 2013

Based on management's preliminary assessment, the impact of these amendments and standards on Shaanxi Jiarun's Financial Information is considered insignificant.

2.2 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Shaanxi Jiarun's Board of Directors that makes strategic decisions. There was only one operating segment during the Relevant Periods.

2.3 **Foreign currency translation**

(a) ***Functional and presentation currency***

Items included in the financial statements of Shaanxi Jiarun are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Renminbi, which is Shaanxi Jiarun's functional and presentation currency.

The Financial Information is presented in thousands of units of Renminbi ("RMB'000"), unless otherwise stated.

(b) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statements of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statements of comprehensive income within 'Other (losses)/gains — net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2.4 **Property, plant and equipment**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of asset comprises of its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Shaanxi Jiarun and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statements of comprehensive income during the financial period in which they are incurred.

Depreciation of office equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Office equipment and others	3 to 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress represents mining structure on which construction work has not been completed. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost. No depreciation is provided for construction in progress until they are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains — net' in the statements of comprehensive income.

2.5 Mining rights and exploration rights

Mining rights are stated at cost less accumulated amortisation and impairment losses. Amortisation of mining rights is calculated to write off the cost less accumulated impairment losses over the useful lives of the mines in accordance with the production plans and proved reserves of the mines on the unit-of-production method.

Exploration rights are stated at cost of acquiring exploration rights less accumulated amortisation and impairment losses. Exploration rights are amortised over the term of the rights.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life, for example, goodwill, or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

2.7.1 *Classification*

Shaanxi Jiarun classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise "other receivables" and "cash and cash equivalents" in the balance sheets.

2.7.2 *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which Shaanxi Jiarun commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and Shaanxi Jiarun has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.7.3 ***Impairment of financial assets***

Shaanxi Jiarun assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The criteria that Shaanxi Jiarun uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- Shaanxi Jiarun, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Shaanxi Jiarun first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, Shaanxi Jiarun may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statements of comprehensive income.

2.8 **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.9 **Paid-in capital**

Capital contribution from Shaanxi Jiarun's investors is classified as equity.

2.10 **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 **Employee benefits**

(a) ***Pension obligations***

The full-time employees of Shaanxi Jiarun are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. Shaanxi Jiarun contributes on a monthly basis to these pension plans. Under these plans, Shaanxi Jiarun has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(b) ***Housing benefits***

The full-time employees of Shaanxi Jiarun are entitled to participate in various government-sponsored housing funds. Shaanxi Jiarun contributes on a monthly basis to these funds based on certain percentages of salaries of the employees. Shaanxi Jiarun's liability in respect of these funds is limited to the contributions payable in each period.

2.12 **Provisions**

Provisions for environmental restoration, reorganisation costs and legal claims are recognised when: Shaanxi Jiarun has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.13 **Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statements of comprehensive income on a straight-line basis over the period of the lease.

2.14 **Exploration and evaluation expenditure**

Exploration and evaluation expenditure comprises costs which are directly attributable to: researching and analysing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation costs are expensed as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised and transferred to property, plant and equipment if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the statements of comprehensive income.

3 Financial risk management

3.1 Financial risk factors

Apart from credit risk, Shaanxi Jiarun does not have any other significant financial risks. Shaanxi Jiarun historically has not used derivative instruments for hedging or trading purposes.

Credit risk

The carrying amounts of receivables and bank deposits included in the balance sheets representing Shaanxi Jiarun's maximum exposure to credit risk in relation to its financial assets. Given most receivables were due from related parties, management considered the related credit risk was low and did not provide any impairment provision for these receivables. The bank deposits were deposited with state-owned banks which were considered of remote default risk.

3.2 Capital risk management

Shaanxi Jiarun's objectives when managing capital are to safeguard Shaanxi Jiarun's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Shaanxi Jiarun may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Shaanxi Jiarun monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheets) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the balance sheets plus net debt. As at 31 December 2008, 2009 and 2010 and 30 June 2011, there were no borrowings for Shaanxi Jiarun.

3.3 Fair value estimate

Shaanxi Jiarun analyses financial instruments carried at fair value by valuation method. The different levels have been defined as below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Shaanxi Jiarun did not have significant financial instruments carrying at fair value as at 31 December 2008, 2009 and 2010 and 30 June 2011.

4 Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Shaanxi Jiarun makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There was no significant critical accounting estimates and assumptions made by Shaanxi Jiarun for the Relevant Periods.

5 Property, plant and equipment

	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*
Period from 1 July 2008 to 31 December 2008			
Opening net book amount	—	—	—
Additions	222	2,039	2,261
Depreciation	(6)	—	(6)
Closing net book amount	216	2,039	2,255
At 31 December 2008			
Cost	222	2,039	2,261
Accumulated depreciation	(6)	—	(6)
Net book amount	216	2,039	2,255
Year ended 31 December 2009			
Opening net book amount	216	2,039	2,255
Additions	—	1,224	1,224
Depreciation	(28)	—	(28)
Closing net book amount	188	3,263	3,451
At 31 December 2009			
Cost	222	3,263	3,485
Accumulated depreciation	(34)	—	(34)
Net book amount	188	3,263	3,451

	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2010			
Opening net book amount	188	3,263	3,451
Additions	53	919	972
Depreciation	(27)	—	(27)
Closing net book amount	214	4,182	4,396
At 31 December 2010			
Cost	275	4,182	4,457
Accumulated depreciation	(61)	—	(61)
Net book amount	214	4,182	4,396
Six months ended 30 June 2011			
Opening net book amount	214	4,182	4,396
Additions	—	3	3
Depreciation	(15)	—	(15)
Closing net book amount	199	4,185	4,384
At 30 June 2011			
Cost	275	4,185	4,460
Accumulated depreciation	(76)	—	(76)
Net book amount	199	4,185	4,384

All depreciation of property, plant and equipment has been charged to administrative expenses.

6 Other receivables and prepayments

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from Shaanxi Jiatai (Note (a)) (Note 14)	2,000	2,000	2,131	2,115
Staff advances	50	—	76	12
Deposits	20	20	20	20
Prepayments	48	47	26	26
Less: impairment provision	—	—	—	—
	2,118	2,067	2,253	2,173

Note:

(a) The balance was unsecured, interest free and repayable on demand.

(b) The carrying amounts of other receivables approximated their fair values and were denominated in Renminbi.

7 Cash and cash equivalents

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current deposits with banks	4,281	2,093	201	18

Note: The balances as at 31 December 2008, 2009 and 2010 and 30 June 2011 were denominated in Renminbi.

8 Paid-in capital

	RMB'000
As at the date of establishment, 31 December 2008, 2009 and 2010 and 30 June 2011	10,000

Shaanxi Jiarun received capital injection amounting to RMB6,000,000 and RMB4,000,000 from Shaanxi Jiatai and Hami Jiahua upon the date of its establishment respectively.

On 14 April 2010, Shaanxi Jiatai acquired 40% equity interests in Shaanxi Jiarun for a cash consideration of RMB 4,000,000 from Hami Jiahua.

9 Accumulated losses

	Period from 1 July 2008 to 31 December	Year ended 31 December	Year ended 31 December	Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
At beginning of the period/year	—	(1,376)	(2,447)	(2,447)	(3,261)
Loss for the period/year	(1,376)	(1,071)	(814)	(138)	(276)
At end of the period/year	(1,376)	(2,447)	(3,261)	(2,585)	(3,537)

10 Expenses by nature

The following items have been charged to the operating loss for the Relevant Periods:

	Period from 1 July 2008 to 31 December	Year ended 31 December	Year ended 31 December	Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Depreciation (Note 5)	6	28	27	14	15
Employee benefit expenses (Note 11)	234	161	146	60	32
Operating lease payments	36	—	14	7	7
Electricity consumed	22	38	24	5	5
Exploration and evaluation fee	975	790	417	—	95
Office expenses	47	26	155	35	28
Travel expenses	11	29	8	5	15
Others	75	10	17	15	29
	1,406	1,082	808	141	226

11 Employee benefit expenses

	Period from 1 July 2008 to 31 December	Year ended 31 December	Year ended 31 December	Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Wages and salaries	211	138	123	44	20
Housing benefits	3	3	3	2	2
Contributions to pension plans	13	13	13	9	7
Welfare and other expenses	7	7	7	5	3
	234	161	146	60	32

During the Relevant Periods, there were no directors' and senior management' emoluments paid/payable in respect of the services provided.

During the Relevant Periods, the emolument paid to each of the five highest individuals did not exceed RMB 50,000.

12 Finance income

	Period from 1 July 2008 to 31 December	Year ended 31 December	Year ended 31 December	Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Finance income					
- Interest income from bank deposits	30	11	4	3	1

13 Cash used in operations

	Period from 1 July 2008 to 31 December 2008	Year ended 31 December 2009	Year ended 31 December 2010	Six months ended 30 June 2010	Six months ended 30 June 2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Loss before income tax	(1,376)	(1,071)	(814)	(138)	(276)
Depreciation	6	28	27	14	15
Interest income	(30)	(11)	(4)	(3)	(1)
Cash used in operations before working capital changes	(1,400)	(1,054)	(791)	(127)	(262)
Changes in working capital:					
Decrease/(increase) in other receivables and prepayments	(2,118)	51	(186)	(9)	80
Increase in trade payables, other payables and accruals	30	28	24	6	11
Cash used in operations	(3,488)	(975)	(953)	(130)	(171)

14 Related-party transactions

(a) During the period from 1 July 2008 (date of establishment) to 31 December 2008, the year ended 31 December 2009 and the period from 1 January 2010 to 14 April 2010 (date of equity transfer as described in Note 1), management was of the view that the following entities/persons were related parties of Shaanxi Jiarun:

Name of related parties	**Relationship with Shaanxi Jiarun**
Shaanxi Jiatai	Parent company, Holding 60% equity interests in Shaanxi Jiarun
Mr. Wei Xing	Ultimate investor, holding 65% equity interests in Shaanxi Jiatai
Hami Jiahua	Holding 40% equity interests in Shaanxi Jiarun
Mr. Wang Dianyun	Holding 98.04% equity interests in Hami Jiahua

(b) During the period from 12 April 2010 to 30 June 2011, management was of the view that the following entities/persons were related parties of Shaanxi Jiarun:

Name of related parties	**Relationship with the Company**
Shaanxi Jiahe Mineral Resources Development Co., Ltd.	A company incorporated on 10 May 2010 and controlled by Shaanxi Jiatai
Shaanxi Jiatai	Parent company, holding 100% equity interests in Shaanxi Jiarun
Mr. Wei Xing	Ultimate investor, holding 65% equity interests in Shaanxi Jiatai

(c) During the Relevant Periods, Shaanxi Jiarun had the following material transactions with the related parties:

	Period from 1 July 2008 to 31 December	**Year ended 31 December**	**Year ended 31 December**	**Six months ended 30 June**	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Advances to - Shaanxi Jiatai	2,000	—	400	—	12
Repayment of advances to - Shaanxi Jiatai	—	—	269	—	28

(d) Balance due from a related party

	As at 31 December			**As at 30 June**
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables - Shaanxi Jiatai (Note 6)	2,000	2,000	2,131	2,115

(e) Key management compensation

During the Relevant Periods, there was no compensation paid or payable to key management.

15 Commitment and contingency

As at 31 December 2008, 2009 and 2010 and 30 June 2011, Shaanxi Jiarun did not have any significant commitment and contingency.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Shaanxi Jiarun in respect of any period subsequent to 30 June 2011 and up to the date of this report. No dividend or other distribution has been declared or made by Shaanxi Jiarun in respect of any period subsequent to 30 June 2011.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

29 December 2011

The Directors
Huili Resources (Group) Limited

China Everbright Capital Limited

Dear Sirs,

We report on the financial information of Shaanxi Jiahe Mineral Resources Development Co., Ltd. ("Shaanxi Jiahe") which comprises the balance sheets of Shaanxi Jiahe as at 31 December 2010 and 30 June 2011, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows of Shaanxi Jiahe for the period from 10 May 2010 (date of establishment) to 31 December 2010 and the six months ended 30 June 2011 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes. This financial information has been prepared by the directors of Huili Resources (Group) Limited (the "Company") and is set out in Sections I to II below for inclusion in Appendix IIB to the prospectus of the Company dated 29 December 2011 (the "Prospectus") in connection with the proposed initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong.

Shaanxi Jiahe was established in Shaanxi Province, the People's Republic of China (the "PRC") on 10 May 2010 as a company with limited liability under the Company Law of the PRC.

Shaanxi Jiahe has adopted 31 December as its financial year end date. No audited financial statements have been prepared by Shaanxi Jiahe as it has not involved in any significant business transactions since its date of establishment.

The directors of the Company have prepared the financial statements of Shaanxi Jiahe for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements") based on the financial statements of Shaanxi Jiahe prepared by the directors

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

of Shaanxi Jiahe in accordance with the Accounting Standards for Business Enterprises of the PRC. The Underlying Financial Statements have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司) in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA under separate terms of engagement with the Company.

The directors of the Company are responsible for preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs.

The directors of Shaanxi Jiahe are responsible for the preparation and fair presentation of the financial statements of Shaanxi Jiahe in accordance with the Accounting Standards for Business Enterprises of the PRC, and for such internal control as the directors determine is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in Section II of the accountant's report of the Company as set out in Appendix I to the Prospectus.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of Shaanxi Jiahe as at 31 December 2010 and 30 June 2011 and of Shaanxi Jiahe's results and cash flows for the Relevant Periods then ended.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix IIB to the Prospectus which comprises the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 10 May 2010 (date of establishment) to 30 June 2010 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below and the accounting policies adopted by the Group as set out in Section II of the accountant's report of the Company as set out in Appendix I to the Prospectus.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I Financial Information

The following is the financial information of Shaanxi Jiahe for the Relevant Periods (the "Financial Information").

Balance sheets

	Note	As at 31 December 2010 RMB'000	As at 30 June 2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	153	170
Total non-current assets		153	170
Current assets			
Other receivables	6	4,404	6,666
Cash and cash equivalents	7	371	2,996
Total current assets		4,775	9,662
Total assets		4,928	9,832
EQUITY			
Capital and reserves attributable to equity holder of Shaanxi Jiahe			
Paid-in capital	8	5,000	10,000
Accumulated losses	9	(83)	(198)
Total equity		4,917	9,802
LIABILITIES			
Current liabilities			
Other payables and accruals		11	30
Total current liabilities and total liabilities		11	30
Total equity and liabilities		4,928	9,832
Net current assets		4,764	9,632
Total assets less current liabilities		4,917	9,802

Statements of comprehensive income

	Note	**Period from 10 May 2010 to 31 December 2010** *RMB'000*	**Period from 10 May 2010 to 30 June 2010** *RMB'000* *(unaudited)*	**Six months ended 30 June 2011** *RMB'000*
Revenue		—	—	—
Cost of sales		—	—	—
Gross profit		—	—	—
Administrative expenses	10	(84)	(8)	(115)
Other losses, net		—	—	(3)
Operating loss		(84)	(8)	(118)
Finance income		1	—	3
Loss before income tax		(83)	(8)	(115)
Income tax expense		—	—	—
Loss for the period		(83)	(8)	(115)
Other comprehensive income		—	—	—
Total comprehensive loss		(83)	(8)	(115)

Statements of changes in equity

	Note	**Paid-in capital** *RMB'000*	**Accumulated losses** *RMB'000*	**Total equity** *RMB'000*
At 10 May 2010 (date of establishment)		—	—	—
Transaction with owner:				
- Capital contribution upon establishment	8	5,000	—	5,000
Comprehensive loss:				
- Loss for the period		—	(83)	(83)
At 31 December 2010		5,000	(83)	4,917
Unaudited				
At 10 May 2010 (date of establishment)		5,000	—	5,000
Comprehensive loss:				
- Loss for the period		—	(8)	(8)
At 30 June 2010		5,000	(8)	4,992
At 1 January 2011		5,000	(83)	4,917
Transaction with owner:				
- Capital contribution	8	5,000	—	5,000
Comprehensive loss:				
- Loss for the period		—	(115)	(115)
At 30 June 2011		10,000	(198)	9,802

Statements of cash flows

	Note	**Period from 10 May 2010 to 31 December 2010** *RMB'000*	**Period from 10 May 2010 to 30 June 2010** *RMB'000* *(unaudited)*	**Six months ended 30 June 2011** *RMB'000*
Cash flows from operating activities				
Cash used in operations	12	(4,477)	(4,496)	(2,361)
Net cash used in operating activities		(4,477)	(4,496)	(2,361)
Cash flows from investing activities				
Purchase of property, plant and equipment		(153)	—	(17)
Interest received		1	—	3
Net cash used in investing activities		(152)	—	(14)
Cash flows from financing activities				
Capital contribution from equity holder of Shaanxi Jiahe	8	5,000	5,000	5,000
Net cash generated from financing activities		5,000	5,000	5,000
Net increase in cash and cash equivalents		371	504	2,625
Cash and cash equivalents at beginning of period		—	—	371
Cash and cash equivalents at end of period		371	504	2,996

II Notes to the Financial Information

1 General information

Shaanxi Jiahe Mineral Resources Development Co., Ltd. ("Shaanxi Jiahe") is principally engaged in the mining, processing and sales of gold products. Shaanxi Jiahe was established in the People's Republic of China (the "PRC") on 10 May 2010 as a company with limited liability under the Company Law of the PRC. The address of Shaanxi Jiahe's office is No. 06188 Anlan Road, Langao Town, Shaanxi Province of the PRC.

Shaanxi Jiahe was established with registered capital of RMB 10,000,000 and is wholly owned by Shaanxi Jiatai Hengrun Industrial Company Limited ("Shaanxi Jiatai")(Note 8).

Shaanxi Jiahe is still in the phase of pre-operation during the Relevant Periods.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS").The Financial Information has been prepared under the historical cost convention.

The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Shaanxi Jiahe's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted.

	Applicable for accounting periods beginning on/after
HKFRS 9, 'Financial instruments'	1 January 2013
HKFRS 10, 'Consolidated financial statements'	1 January 2013
HKFRS 12, 'Disclosures of interests in other entities'	1 January 2013
HKFRS 13, 'Fair value measurement'	1 January 2013

Based on management's preliminary assessment, the impact of these amendments and standards on Shaanxi Jiahe's Financial Information is considered insignificant.

2.2 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Shaanxi Jiahe's Board of Directors that makes strategic decisions. There was only one operating segment during the Relevant Period.

2.3 **Foreign currency translation**

(a) ***Functional and presentation currency***

Items included in the financial statements of Shaanxi Jiahe are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Renminbi, which is Shaanxi Jiahe's functional and presentation currency.

The Financial Information is presented in thousands of units of Renminbi ("RMB'000"), unless otherwise stated.

(b) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statements of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statements of comprehensive income within 'Other (losses)/gains — net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2.4 **Property, plant and equipment**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of asset comprises of its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Shaanxi Jiahe and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statements of comprehensive income during the financial period in which they are incurred.

Construction in progress represents mining structure on which construction work has not been completed. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost. No depreciation is provided for construction in progress until they are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains — net' in the statements of comprehensive income.

2.5 **Mining rights and exploration rights**

Mining rights are stated at cost less accumulated amortisation and impairment losses. Amortisation of mining rights is calculated to write off the cost less accumulated impairment of losses over the useful lives of the mines in accordance with the production plans and proved reserves of the mines on the unit-of-production method.

Exploration rights are stated at cost of acquiring exploration rights less accumulated amortisation and impairment losses. Exploration rights are amortised over the term of the rights.

2.6 **Impairment of non-financial assets**

Assets that have an indefinite useful life, for example, goodwill, or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 **Financial assets**

2.7.1 ***Classification***

Shaanxi Jiahe classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise "other receivables" and "cash and cash equivalents" in the balance sheets.

2.7.2 ***Recognition and measurement***

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which Shaanxi Jiahe commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and Shaanxi Jiahe has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.7.3 *Impairment of financial assets*

Shaanxi Jiahe assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The criteria that Shaanxi Jiahe uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- Shaanxi Jiahe, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Shaanxi Jiahe first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, Shaanxi Jiahe may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statements of comprehensive income.

2.7 Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.9 Paid-in capital

Capital contribution from Shaanxi Jiahe's investor is classified as equity.

2.10 Employee benefits

(a) *Pension obligations*

The full-time employees of Shaanxi Jiahe are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. Shaanxi Jiahe contributes on a monthly basis to these pension plans. Under these plans, Shaanxi Jiahe has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(b) *Housing benefits*

The full-time employees of Shaanxi Jiahe are entitled to participate in various government-sponsored housing funds. Shaanxi Jiahe contributes on a monthly basis to these funds based on certain percentages of salaries of the employees. Shaanxi Jiahe's liability in respect of these funds is limited to the contributions payable in each period.

2.11 Provisions

Provisions for environmental restoration, reorganisation costs and legal claims are recognised when: Shaanxi Jiahe has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.12 **Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statements of comprehensive income on a straight-line basis over the period of the lease.

2.13 **Exploration and evaluation expenditure**

Exploration and evaluation expenditure comprises costs which are directly attributable to: researching and analysing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation costs are expensed as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised and transferred to property, plant and equipment if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the statements of comprehensive income.

3 Financial risk management

3.1 **Financial risk factors**

Apart from credit risk, Shaanxi Jiahe does not have any other significant financial risks. Shaanxi Jiahe historically has not used derivative instruments for hedging or trading purposes.

Credit risk

The carrying amounts of receivables and bank deposits included in the balance sheets representing Shaanxi Jiahe's maximum exposure to credit risk in relation to its financial assets. Given most receivables were due from related parties, management considered the related credit risk was low and did not provide any impairment provision for these receivables. The bank deposits were deposited with state-owned banks which were considered of remote default risk.

3.2 **Capital risk management**

Shaanxi Jiahe's objectives when managing capital are to safeguard Shaanxi Jiahe's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Shaanxi Jiahe may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Shaanxi Jiahe monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheets) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the balance sheets plus net debt. As at 31 December 2010 and 30 June 2011, there were no borrowings for Shaanxi Jiahe.

3.3 **Fair value estimate**

Shaanxi Jiahe analyses financial instruments carried at fair value by valuation method. The different levels have been defined as below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Shaanxi Jiahe did not have significant financial instruments carrying at fair value as at 31 December 2010 and 30 June 2011.

4 Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Shaanxi Jiahe makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There was no significant critical accounting estimates and assumptions made by Shaanxi Jiahe for the Relevant Periods.

5 Property, plant and equipment

	Construction in progress
	RMB'000
Period from 10 May 2010 to 31 December 2010	
Opening net book amount	—
Additions	153
Closing net book amount	153
At 31 December 2010	
Cost	153
Accumulated depreciation	—
Net book amount	153
Six months ended 30 June 2011	
Opening net book amount	153
Additions	17
Closing net book amount	170
At 30 June 2011	
Cost	170
Accumulated depreciation	—
Net book amount	170

6 Other receivables

	As at 31 December 2010	As at 30 June 2011
	RMB'000	*RMB'000*
Advances to Shaanxi Jiatai (Note 13)	4,392	6,657
Staff advances	12	9
Less: impairment provision	—	—
	4,404	6,666

The carrying amounts of other receivables approximated their fair values and were denominated in Renminbi.

The advances to Shaanxi Jiatai were unsecured, interest free and repayable on demand.

7 Cash and cash equivalents

	As at 31 December 2010	**As at 30 June 2011**
	RMB'000	*RMB'000*
Cash on hand	1	3
Current deposits with banks (note)	370	2,993
	371	2,996

Note:

The balances as at 31 December 2010 and 30 June 2011 were denominated in Renminbi.

8 Paid-in capital

	RMB'000
As at 10 May 2010 (the date of establishment) and 31 December 2010	5,000
Additional paid-in capital	5,000
As at 30 June 2011	10,000

Shaanxi Jiahe received capital injection amounting to RMB5,000,000 from Shaanxi Jiatai upon the date of its establishment.

Shaanxi Jiahe received a second capital injection amounting to RMB5,000,000 from Shaanxi Jiatai on 16 May 2011.

9 Accumulated losses

	Period from 10 May 2010 to 31 December 2010	Period from 10 May 2010 to 30 June 2010	Six months ended 30 June 2011
	RMB'000	*RMB'000* *(unaudited)*	*RMB'000*
At beginning of the period	—	—	(83)
Loss for the period	(83)	(8)	(115)
At end of the period	(83)	(8)	(198)

10 Expenses by nature

The following items have been charged to the operating loss for the Relevant Periods:

	Period from 10 May 2010 to 31 December 2010	Period from 10 May 2010 to 30 June 2010	Six months ended 30 June 2011
	RMB'000	*RMB'000* *(unaudited)*	*RMB'000*
Employee benefit expenses (Note 11)	46	—	61
Electricity consumed	2	—	1
Transportation expenses	7	—	3
Travelling expenses	1	—	11
Office expenses and operating lease payments	16	8	39
Others	12	—	—
	84	8	115

11 Employee benefit expenses

	Period from 10 May 2010 to 31 December 2010	Period from 10 May 2010 to 30 June 2010	Six months ended 30 June 2011
	RMB'000	*RMB'000* *(unaudited)*	*RMB'000*
Wages and salaries	35	—	45
Housing benefits	2	—	2
Contributions to pension plans	6	—	9
Welfare and other expenses	3	—	5
	46	—	61

During the Relevant Periods, there were no directors' and senior management' emoluments paid/payable in respect of the services provided.

During the Relevant Periods, the emolument paid to each of the five highest individuals did not exceed RMB 50,000.

12 Cash used in operations

	Period from 10 May 2010 to 31 December 2010	Period from 10 May 2010 to 30 June 2010	Six months ended 30 June 2011
	RMB'000	*RMB'000* *(unaudited)*	*RMB'000*
Loss before income tax	(83)	(8)	(115)
Interest income	(1)	—	(3)
Cash used in operations before working capital changes	(84)	(8)	(118)
Changes in working capital:			
Increase in other receivables	(4,404)	(4,488)	(2,262)
Increase in other payables and accruals	11	—	19
Cash used in operations	(4,477)	(4,496)	(2,361)

13 Related-party transactions

(a) For the Relevant Periods, Shaanxi Jiahe's management was of the view that the following entities/persons were related parties of Shaanxi Jiahe:

Name of related parties	**Relationship with Shaanxi Jiahe**
Shaanxi Jiatai	Parent company
Shaanxi Jiarun	A company controlled by Shaanxi Jiatai
Mr. Wei Xing	Ultimate investor, holding 65% equity interests in Shaanxi Jiatai

(b) During the Relevant Periods, Shaanxi Jiahe had the following material transactions with related parties:

	Period from 10 May 2010 to 31 December 2010 *RMB'000*	**Period from 10 May 2010 to 30 June 2010** *RMB'000* *(unaudited)*	**Six months ended 30 June 2011** *RMB'000*
Advances to			
- Shaanxi Jiatai	4,630	4,488	2,350
Repayment of advances to			
- Shaanxi Jiatai	238	—	85

(c) Amounts due from a related party

	As at 31 December 2010 *RMB'000*	**As at 30 June 2011** *RMB'000*
Other receivables		
- Shaanxi Jiatai (Note 6)	4,392	6,657

(d) Key management compensation

During the Relevant Periods, there was no compensation paid or payable to key management.

14 Commitment and contingency

As at 31 December 2010 and 30 June 2011, Shaanxi Jiahe did not have any significant commitment and contingency.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Shaanxi Jiahe in respect of any period subsequent to 30 June 2011 and up to the date of this report. No dividend or other distribution has been declared or made by Shaanxi Jiahe in respect of any period subsequent to 30 June 2011.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set forth in this Appendix III does not form part of the Accountant's Reports from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I, Appendix IIA and Appendix IIB to this prospectus, and is included herein for illustrative purposes.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Reports set out in Appendix I, Appendix IIA and Appendix IIB to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below for the purpose of illustrating the effect of the Share Offer on the consolidated net tangible assets of the Group as at 30 June 2011 as if the Share Offer had taken place on that date.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of financial position of the Group as at 30 June 2011 or at any future date. The unaudited pro forma adjusted net tangible assets is based on the audited consolidated net tangible assets attributable to the equity holders of the Company as at 30 June 2011, as shown in the Accountant's Report of the Company, the text of which is set out in Appendix I to the Prospectus, and adjusted as described below.

	Audited consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2011(1)	**Estimated net proceeds from the Share Offer(2)**	**Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company**	**Unaudited pro forma adjusted net tangible assets per Share(3)**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$1.70 per Share	171,680	318,523	490,203	0.49	0.60

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2011 has been extracted from the Accountant's Report of the Company as set out in Appendix I to this prospectus which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at 30 June 2011.

(2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK$1.70 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of any Shares that may be allotted and issued upon the exercise of the Over-allotment Option, any shares which may be issued upon the exercise of the options granted on to be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares were in issue assuming that the Share Offer had been completed on 30 June 2011 but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, any Shares which may be issued upon the exercise of the options granted or to be granted under the Share Option Scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.

(4) By comparing the valuation of the Group's property interests of RMB40.5 million as set out in Appendix IV to this prospectus and the unaudited net book value of these properties as at 31 October 2011, the net revaluation surplus is approximately RMB2.6 million, which has not been included in the above net tangible assets attributable to equity holders of the Company as at 30 June 2011. The revaluation of the Group's property interests will not be incorporated into the Group's Financial Information. If the revaluation surplus is to be included in the Group's Financial Information, an additional depreciation charge of approximately RMB0.1 million per annum related to the property interests would be recorded.

(5) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2011.

(6) For the purpose of this unaudited pro forma adjusted net tangible assets, the translation of Renminbi into Hong Kong dollars was made at a rate of HK$1.00 to RMB0.816. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma balance sheet, statement of comprehensive income and statement of cash flows of the Group, Shaanxi Jiarun and Shaanxi Jiahe (collectively referred to as the "Enlarged Group") which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the acquisitions of Shaanxi Jiarun and Shaanxi Jiahe (the "Acquisitions") as if they had taken place on 30 June 2011 for the unaudited pro forma balance sheet and 1 January 2011 for the unaudited pro forma statement of comprehensive income and statement of cash flows. The pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisitions been completed as at 30 June 2011 and 1 January 2011, respectively or at any future date.

1. Unaudited pro forma balance sheet of the Enlarged Group as at 30 June 2011

		Pro forma adjustments				
	The Group	**Shaanxi Jiahe**	**Shaanxi Jiarun**	**Other pro forma adjustments**	*Note*	**The Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
	(Note 2)	*(Note 3)*	*(Note 3)*	*(Note 4)*		
ASSETS						
Non-current assets						
Property, plant and equipment	67,173	170	4,384	—		71,727
Mining rights	129,711	—	—	244,196	4(a)	373,907
Land use rights	10,431	—	—	—		10,431
Deferred tax assets	6,472	—	—	—		6,472
Other non-current assets	28,000	—	—	(28,000)	4(b)	—
Total non-current assets	241,787	170	4,384	216,196		462,537
Current assets						
Inventories	11,112	—	—	—		11,112
Trade receivables	564	—	—	—		564
Other receivables, prepayments and other current assets	3,284	6,666	2,173	—		12,123
Cash and cash equivalents	59,788	2,996	18	—		62,802
Restricted cash at banks	1,441	—	—	—		1,441
Total current assets	76,189	9,662	2,191	—		88,042
Total assets	317,976	9,832	6,575	216,196		550,579

		Pro forma adjustments				
	The Group	Shaanxi Jiahe	Shaanxi Jiarun	Other pro forma adjustments	*Note*	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
	(Note 2)	*(Note 3)*	*(Note 3)*	*(Note 4)*		
Capital and reserves attributable to equity holders of the Company						
Share capital/paid-in capital	65,972	10,000	10,000	(20,000)	4(b)	65,972
Share premium	109,303	—	—	—		109,303
Other reserves	(15,524)	—	—	—		(15,524)
Retained earnings/(accumulated losses)	11,929	(198)	(3,537)	25,091	4(b)/(c)	33,285
	171,680	9,802	6,463	5,091		193,036
Non-controlling interests	12,798	—	—	2,373	4(c)	15,171
Total Equity	184,478	9,802	6,463	7,464		208,207
LIABILITIES						
Non-current liabilities						
Long-term payables	63,135	—	—	133,683	4(b)	196,818
Provision for close down, restoration and environmental costs	2,049	—	—	—		2,049
Deferred tax liabilities	34,831	—	—	61,049	4(a)	95,880
Total non-current liabilities	100,015	—	—	194,732		294,747
Current liabilities						
Pre-acquisition dividend payable - current portion	15,000	—	—	—		15,000
Trade payables	1,823	—	19	—		1,842
Other payables and accruals	15,971	30	93	14,000	4(b)	30,094
Income tax payable	689	—	—	—		689
Total current liabilities	33,483	30	112	14,000		47,625
Total liabilities	133,498	30	112	208,732		342,372
Total equity and liabilities	317,976	9,832	6,575	216,196		550,579

2. Unaudited pro forma statement of comprehensive income of the Enlarged Group for the six months ended 30 June 2011

		Pro forma adjustments				
	The Group	**Shaanxi Jiahe**	**Shaanxi Jiarun**	**Other pro forma adjustments**	*Note*	**The Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
	(Note 2)	*(Note 3)*	*(Note 3)*	*(Note 4)*		
Revenue	19,611	—	—	—		19,611
Costs of goods sold	(15,049)	—	—	—		(15,049)
Gross profit	4,562	—	—	—		4,562
Distribution costs	(938)	—	—	—		(938)
Administrative expenses	(5,288)	(115)	(226)	—		(5,629)
Other (losses)/gains - net	156	(3)	(51)	24,452	4(c)	24,554
Operating profit/(loss)	(1,508)	(118)	(277)	24,452		22,549
Finance income	4,670	3	1	—		4,674
Finance costs	(3,306)	—	—	(5,332)	4(d)	(8,638)
Finance income/(costs) - net	1,364	3	1	(5,332)		(3,964)
Profit/(loss) before income tax	(144)	(115)	(276)	19,120		18,585
Income tax credit	154	—	—	—		154
Profit/(loss) for the period	10	(115)	(276)	19,120		18,739
Other comprehensive income	—	—	—	—		—
Total comprehensive income/(loss)	10	(115)	(276)	19,120		18,739
Attributable to:						
Equity holders of the Company	(220)	(103)	(248)	17,208	4(c)/4(d)	16,637
Non-Controlling interests	230	(12)	(28)	1,912	4(c)/4(d)	2,102
	(10)	(115)	(276)	19,120		18,739

3 . **Unaudited pro forma statement of cash flows of the Enlarged Group for the six months ended 30 June 2011**

		Pro forma adjustments				
	The Group	**Shaanxi Jiahe**	**Shaanxi Jiarun**	**Other pro forma adjustments**	*Note*	**The Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
	(Note 2)	*(Note 3)*	*(Note 3)*	*(Note 4)*		
Cash flows from operating activities						
Cash generated from/(used in) operations	9,603	(2,361)	(171)	—		7,071
Income tax paid	(1,414)	—	—	—		(1,414)
Net cash generated from/(used in) operating activities	8,189	(2,361)	(171)	—		5,657
Cash flows from investing activities						
Payment of investments	(10,000)	—	—	—		(10,000)
Purchase of property, plant and equipment and land use rights	(717)	(17)	(13)	—		(747)
Interest received	14	3	1	—		18
Net cash used in investing activities	(10,703)	(14)	(12)	—		(10,729)
Cash flows from financing activities						
Capital contribution from equity holders of the Company	—	5,000	—	—		5,000
Net cash generated from financing activities	—	5,000	—	—		5,000
Net (decrease)/increase in cash and cash equivalents	(2,514)	2,625	(183)	—		(72)
Cash and cash equivalents at beginning of the period	63,598	371	201	—		64,170
Exchange losses on cash and bank balances	(1,296)	—	—	—		(1,296)
Cash and cash equivalents at end of the period	59,788	2,996	18	—		62,802

Notes:

1. Upon the completion of the Acquisitions, the identifiable assets and liabilities of Shaanxi Jiahe and Shaanxi Jiarun will be accounted for in the consolidated financial statements of the Group at the fair value under the purchase method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations".

2. The amounts are extracted from the accountant's report of the Company as set out in Appendix I to this prospectus.

3. The amounts are extracted from the accountant's reports of Shaanxi Jiarun and Shaanxi Jiahe as set out in Appendix IIA and Appendix IIB to this prospectus, respectively.

4. Other pro forma adjustments represent:

   (a) The recognition of the fair value of the acquired mining rights and the corresponding deferred tax liabilities. The fair value of mining rights is approximately RMB244,196,000 as compared to their carrying amount of nil as at 30 June 2011. The fair value of mining rights as at 30 June 2011 was estimated based on a valuation by an independent valuer, Vigers Appraisal and Consulting Limited. Deferred tax liabilities of approximately RMB61,049,000 are resulted from taxable temporary differences on surplus arising from recognising the carrying amount of mining rights at fair value on acquisition.

   (b) The elimination of the prepaid considerations and the recognition of considerations payable. The considerations totalled RMB210,000,000, of which RMB28,000,000 was paid as ernest money before 30 June 2011, RMB2,000,000 was paid as ernest money in July 2011 and the remaining RMB180,000,000 is payable by installments throughout a period of five years commencing within three months after the date of Listing of the Company, or on 31 March 2013, whichever is earlier. Assuming the Acquisitions had taken place on 30 June 2011, the fair value of the total consideration payable by the Group, after discounting to its persent value as at 30 June 2011 and eliminating the prepaid considerations of RMB28,000,000, was RMB147,683,000 including the amount payable within one year of RMB14,000,000 (also refer to note 4 (c) below).

   (c) The resultant bargain purchase gains and the portion shared by non-controlling interests. If the Acquisitions had taken place on 1 January 2011 and 30 June 2011, (i) the outstanding considerations as at 1 January 2011 and 30 June 2011 were discounted to their respective present values; (ii) the resultant bargain purchase gains were RMB24,452,000 and RMB23,729,000 respectively; and (iii) the portion of resultant bargain purchase gains shared by non-controlling interests were RMB2,445,000 and RMB2,373,000 respectively. For the purpose of calculating bargain purchase gains as if the Acquisitions had taken place on 1 January 2011, the directors of the Company adopted the estimated fair value of mining rights as of 30 June 2011 because the directors of the Company were of the view that there was no material change in estimated fair value of mining rights as of 1 January 2011 and 30 June 2011 and the pro forma information was solely for illustrative purposes.

(d) The unwinding finance costs of considerations payable by installments for the six months ended 30 June 2011 and the portion shared by non-controlling interests as if the Acquisitions had taken place on 1 January 2011.

(e) The fair values of the identifiable assets and liabilities of Shaanxi Jiahe and Shaanxi Jiarun and the fair value of the mining rights to be recognised by the Company at the date of completion of the Acquisitions may be different from the fair values and estimations used in the preparation of the unaudited pro forma financial information of the Enlarged Group. In addition, the actual rate used for discounting the considerations payable by installments may be different from the rate used for the preparation of the unaudited pro forma financial information of the Enlarged Group. Accordingly, the actual amount of gain on bargain purchase and the actual unwinding finance costs of considerations payable by installments may be different from the estimated amounts stated herein.

5. Other than those adjustments mentioned above, no other adjustment has been made to reflect any trading results or other transactions of the Group, Shaanxi Jiahe and Shaanxi Jiarun enter into subsequent to 30 June 2011 for the purpose of the pro forma information.

C . REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF HUILI RESOURCES (GROUP) LIMITED

We report on the unaudited pro forma financial information of Huili Resources (Group) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages III-1 to III-8 under the headings of "Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" and "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "Unaudited Pro Forma Financial Information") in Appendix III of the Company's prospectus dated 29 December 2011 (the "Prospectus"), in connection with the proposed initial public offering of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering and the proposed acquisitions of Shaanxi Jiahe Mineral Resources Development Co., Ltd. ("Shaanxi Jiahe") and Shaanxi Jiarun Mineral Resources Development Co., Ltd. ("Shaanxi Jiarun") resulting in the formation of an enlarged group (the "Enlarged Group") might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages III-1 to III-8 of the Prospectus.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited consolidated net assets of the Group as at 30 June 2011, the audited consolidated balance sheet of the Group as at 30 June 2011 and the audited consolidated statement of comprehensive income and statement of cash flows of the Group for the six months ended 30 June 2011 with the accountant's report of the Company as set out in Appendix I of the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

— the financial position of the Group as at 30 June 2011 or any future date; or

— the results and cash flows of the Group for the six months ended 30 June 2011 or any future periods.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 29 December 2011

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 October 2011 of the property interests of the Group.

JONES LANG LASALLE® SALLMANNS

Jones Lang LaSalle Sallmanns Limited
6/F Three Pacific Place
1 Queen's Road East Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

29 December 2011

The Board of Directors
Huili Resources (Group) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Dear Sirs,

In accordance with your instructions to value the properties in which Huili Resources (Group) Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 October 2011 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interests of property nos. 3 and 4 in Group I by the comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of property nos. 1 and 2 in Group I and the particular locations in which they are situated, there are unlikely to be relevant market sales comparables readily available, the property interests have been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacing the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have attributed no commercial value to the property interest in Group II, which is leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standard published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents and other materials including State-owned Land Use Rights Certificates, Building Ownership Certificates, Office Agreements and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Global Law Office, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited

Paul L. Brown	**Sam B. Q. Zhu**
B.Sc. FRICS FHKIS	*MRICS*
Chief Valuation Adviser	*Director*

Notes:

1. *Paul L. Brown is a Chartered Surveyor who has 28 years' experience in the valuation of properties in the PRC and 31 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.*

2. *Sam B. Q. Zhu is a Chartered Surveyor who has 13 years' experience in the valuation of properties in the PRC.*

SUMMARY OF VALUES

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 31 October 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 October 2011 *RMB*
1.	9 parcels of land, an industrial building and various structures located at You Se Jin Shu Jia Gong Qu and Baiganhu Hami City Xinjiang Uygur Autonomous Region The PRC	18,447,000	90%	16,602,000
2.	16 parcels of land, 19 buildings and various structures located at You Se Jin Shu Jia Gong Qu and Huangshan Hami City Xinjiang Uygur Autonomous Region The PRC	21,296,000	90%	19,166,000
3.	Unit 401 on Level 4 Entrance 1, Building 22 Dizhi Community located at Jianguo North Road Donghe District Hami City Xinjiang Uygur Autonomous Region The PRC	265,000	90%	239,000

No.	Property	Capital value in existing state as at 31 October 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 October 2011 *RMB*
4.	Unit 201 on Level 2 Entrance 1, Building 2 Jinxiuhuayuan Guangming Road Xinshi District Hami City Xinjiang Uygur Autonomous Region The PRC	489,000	90%	440,000
	Sub-total:	**40,497,000**		**36,447,000**

Group II — Property interest leased and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 31 October 2011 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 October 2011 *RMB*
5.	11 units on Level 4 No. 38 Guangchang North Road Donghe District Hami City Xinjiang Uygur Autonomous Region The PRC	No commercial value	90%	No commercial value
	Sub-total:	**Nil**		**Nil**
	Grand Total:	**40,497,000**		**36,447,000**

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2011 *RMB*
1.	9 parcels of land, an industrial building and various structures located at You Se Jin Shu Jia Gong Qu and Baiganhu Hami City Xinjiang Uygur Autonomous Region The PRC	The property comprises 9 parcels of land with a total site area of approximately 90,270.56 sq.m. and an industrial building and various ancillary structures erected thereon which were completed in 2006 and 2007. The building has a gross floor area of approximately 9,293.52 sq.m. The structures mainly include simple facilities, a well and roads. The land use rights of the property have been granted for various terms expiring on 10 December 2056 and 13 February 2031 for industrial use.	The property is currently occupied by the Group for production purpose.	18,447,000 90% interest attributable to the Group: RMB16,602,000

Notes:

1. Hami Jinhua Mineral Resource Exploiture Limited ("Hami Jinhua") is a 90% interest owned subsidiary of the Company.

2. Pursuant to 9 State-owned Land Use Rights Certificates — Ha Mi Shi Guo Yong (2011) Di Nos. 0220 to 0226, 0052 and 0053, the land use rights of 9 parcels of land with a total site area of approximately 90,270.56 sq.m. have been granted to Hami Jinhua for various terms expiring on 10 December 2056 and 13 February 2031 for industrial use.

   2 of the aforesaid 9 parcels of land with a total site area of approximately 82,748.55 sq.m. are currently occupied by Hami Jinhua Concentrator (owned by Hami Jinhua for the processing of copper-lead-zinc ore), whilst the remaining 7 parcels of land with a total site area of approximately 7,522.01 sq.m. are currently occupied by Project Baiganhu (a lead-zinc mine located at Baiganhu of Hami City, Xinjiang Uygur Autonomous Region).

3. Pursuant to a Building Ownership Certificate — Ha Shi Fang Quan Zheng Ha Mi Shi Zi Di No. 00082358, a building with a gross floor area of approximately 9,923.52 sq.m. is owned by Hami Jinhua.

4. We have been provided with a legal opinion of the Company's PRC legal advisers, regarding the property interest which contains, *inter alia*, the following:

   a. Hami Jinhua has legally obtained the State-owned Land Use Rights Certificates of the property and has the rights to occupy, use, transfer, lease and mortgage the land use rights of the property in accordance with the valid term and usage stipulated by the State-owned Land Use Rights Certificates;

   b. Hami Jinhua has legally obtained the Building Ownership Certificate of the property and has the rights to occupy, use, transfer, lease and mortgage the building of the property; and

   c. as confirmed by the Group, the property is not subject to mortgage, sequestration or any other encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2011 *RMB*
2.	16 parcels of land, 19 buildings and various structures located at You Se Jin Shu Jia Gong Qu and Huangshan Hami City Xinjiang Uygur Autonomous Region The PRC	The property comprises 16 parcels of land with a total site area of approximately 182,998.13 sq.m. and 19 buildings and various ancillary structures erected thereon which were completed in various stages between 2004 and 2008. The buildings have a total gross floor area of approximately 13,676.50 sq.m. The buildings mainly include an office building, industrial buildings, dormitories, a canteen and storages. The structures mainly include simple facilities, a wall, roads and cisterns. The land use rights of 12 parcels of the land with a total site area of approximately 171,359.60 sq.m. have been granted for various terms expiring on 19 May 2053 and 13 February 2031 for industrial use.	The property is currently occupied by the Group for production and ancillary purposes.	21,296,000 90% interest attributable to the Group: RMB19,166,000

Notes:

1. Hami Jinhua Mineral Resource Exploiture Limited ("Hami Jinhua") is a 90% interest owned subsidiary of the Company, and Hami Jiatai Mineral Resource Exploiture Limited ("Hami Jiatai") is a wholly-owned subsidiary of Hami Jinhua.

2. Pursuant to 12 State-owned Land Use Rights Certificates — Ha Mi Shi Guo Yong (2011) Di Nos. 0227 to 0236, 0050 and 0051, the land use rights of 12 parcels of land with a total site area of approximately 171,359.60 sq.m. have been granted to Hami Jiatai for various terms expiring on 19 May 2053 and 13 February 2031 for industrial use.

3. For the remaining 4 parcels of land with a total site area of approximately 11,638.53 sq.m., we have not been provided with any proper title certificate.

4. For the 16 parcels of land mentioned in notes 2 and 3,

   a. 2 parcels of land with a total site area of approximately 160,311.14 sq.m. are currently occupied by Hami Jiatai Concentrator (owned by Hami Jiatai for the processing of copper-nickel ore);

   b. 4 parcels of land with a total site area of approximately 8,131.93 sq.m. are currently occupied by Project No. 20 (ore body number 20 of a copper-nickel mine located at Huangshan Dong of Hami City, Xinjiang Uygur Autonomous Region);

c. 6 parcels of land with a total site area of approximately 2,916.53 sq.m. are currently occupied by Project H-989 (a copper-nickel mine in Huangshan H-989 of Hami City, Xinjiang Uygur Autonomous Region); and

d. for the remaining 4 parcels of land with a total site area of approximately 11,638.53 sq.m. are currently occupied by Project No. 2 (ore body number 2 of a copper-nickel mine located at Huangshan Dong of Hami City, Xinjiang Uygur Autonomous Region).

5. Pursuant to 19 Building Ownership Certificates — Ha Shi Fang Quan Zheng Ha Mi Shi Zi Di Nos. 00082350 to 00082357, 00082359 to 00082369, 19 buildings with a total gross floor area of approximately 13,676.50 sq.m. are owned by Hami Jiatai.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. the land use rights of the 12 parcels of land mentioned in note 2 are legally owned by Hami Jiatai and Hami Jiatai has the rights to occupy, use, transfer, lease and mortgage these land use rights in accordance with the valid term and usage stipulated by the State-owned Land Use Rights Certificates;

   b. for the land without proper land use rights certificates, Hami Jiatai does not have the legal rights to use these land;

   c. Hami Jiatai has legally obtained the Building Ownership Certificates of the property and has the rights to occupy, use, transfer, lease and mortgage the buildings of the property; and

   d. as confirmed by the Group, the property is not subject to mortgage, sequestration or any other encumbrances.

7. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the 4 parcels of land mentioned in note 3 and various structures erected thereon. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the structures (excluding the land element) as at the date of valuation would be RMB303,000 assuming all relevant title certificates have been obtained and the structures could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2011 *RMB*
3.	Unit 401 on Level 4, Entrance 1, Building 22 Dizhi Community located at Jianguo North Road Donghe District Hami City Xinjiang Uygur Autonomous Region The PRC	The property comprises a unit on Level 4 of a 6-storey residential building completed in 2005. The unit has a gross floor area of approximately 101.82 sq.m. The land use rights of the property have been granted for a term expiring on 28 January 2053.	The property is currently occupied by the Group for residential purpose.	265,000 90% interest attributable to the Group: RMB239,000

Notes:

1. Hami Jinhua Mineral Resource Exploiture Limited ("Hami Jinhua") is a 90% interest owned subsidiary of the Company, and Hami Jiatai Mineral Resource Exploiture Limited ("Hami Jiatai") is a wholly-owned subsidiary of Hami Jinhua.

2. Pursuant to a State-owned Land Use Rights Certificate — Ha Mi Shi Lou Fang Guo Yong (2005) Di No. 5735, the land use rights of the property with an apportioned area of approximately 19.73 sq.m. have been granted to Hami Jiatai for a term expiring on 28 January 2053 for residential use.

3. Pursuant to a Building Ownership Certificate — Ha Shi Fang Quan Zheng 2005 Zi Di No. 369, a unit with a gross floor area of approximately 101.82 sq.m. is owned by Hami Jiatai.

4. We have been provided with a legal opinion of the Company's PRC legal advisers, regarding the property interest which contains, *inter alia*, the following:

   a. Hami Jiatai has legally obtained the State-owned Land Use Rights Certificate of the property and has the rights to occupy, use, transfer, lease and mortgage the land use rights of the property in accordance with the valid term and usage stipulated by the State-owned Land Use Rights Certificate;

   b. Hami Jiatai has legally obtained the Building Ownership Certificate of the property and has the rights to occupy, use, transfer, lease and mortgage the building of the property; and

   c. as confirmed by the Group, the property is not subject to mortgage, sequestration or any other encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2011 *RMB*
4.	Unit 201 on Level 2, Entrance 1, Building 2 Jinxiuhuayuan Guangming Road Xinshi District Hami City Xinjiang Uygur Autonomous Region The PRC	The property comprises a unit on Level 2 of a 5-storey residential building completed in 2008. The unit has a gross floor area of approximately 152.75 sq.m. The land use rights of the property have been granted for a term expiring on 27 June 2052.	The property is currently occupied by the Group for residential purpose.	489,000 90% interest attributable to the Group; RMB440,000

Notes:

1. Hami Jinhua Mineral Resource Exploiture Limited ("Hami Jinhua") is a 90% interest owned subsidiary of the Company, and Hami Jiatai Mineral Resource Exploiture Limited ("Hami Jiatai") is a wholly-owned subsidiary of Hami Jinhua.

2. Pursuant to a State-owned Land Use Rights Certificate — Ha Mi Shi Lou Fang Guo Yong (2006) Di No. 0502, the land use rights of the property with an apportioned area of approximately 40.25 sq.m. have been granted to Hami Jiatai for a term expiring on 27 June 2052 for residential use.

3. Pursuant to a Building Ownership Certificate — Ha Shi Fang Quan Zheng Ha Mi Shi Zi Di No. 00079685, a unit with a gross floor area of approximately 152.75 sq.m. is owned by Hami Jiatai.

4. We have been provided with a legal opinion of the Company's PRC legal advisers, regarding the property interest which contains, *inter alia*, the following:

   a. Hami Jiatai has legally obtained the State-owned Land Use Rights Certificate of the property and has the rights to occupy, use, transfer, lease and mortgage the land use rights of the property in accordance with the valid term and usage stipulated by the State-owned Land Use Rights Certificate;

   b. Hami Jiatai has legally obtained the Building Ownership Certificate of the property and has the rights to occupy, use, transfer, lease and mortgage the building of the property; and

   c. as confirmed by the Group, the property is not subject to mortgage, sequestration or any other encumbrances.

VALUATION CERTIFICATE

Group II — Property interest leased and occupied by the Group in the PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Capital value in existing state as at 31 October 2011** *RMB*
5.	11 units on Level 4, No. 38 Guangchang North Road Donghe District Hami City Xinjiang Uygur Autonomous Region The PRC	The property comprises 11 units on Level 4 of a 5-storey office building completed in 2005. The units have a total lettable area of approximately 366 sq.m. The property is leased to Hami Jiatai Mineral Resource Exploiture Limited and Hami Jinhua Mineral Resource Exploiture Limited from an independent third party for a term of 16 years expiring on 29 March 2022, at a total annual rent of RMB30,000 exclusive of management fees, water and electricity charges.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Hami Jinhua Mineral Resource Exploiture Limited (“Hami Jinhua”) is a 90% interest owned subsidiary of the Company, and Hami Jiatai Mineral Resource Exploiture Limited (“Hami Jiatai”) is a wholly-owned subsidiary of Hami Jinhua.

2. Pursuant to an Office Agreement, a portion of the property with a lettable area of approximately 246 sq.m. is leased to Hami Jiatai from an independent third party for a term of 16 years expiring on 29 March 2022, at an annual rent of RMB20,000 exclusive of management fees, water and electricity charges.

3. Pursuant to an Office Agreement, the remaining portion of the property with a lettable area of approximately 120 sq.m. is leased to Hami Jinhua from an independent third party for a term of 16 years expiring on 29 March 2022, at an annual rent of RMB10,000 exclusive of management fees, water and electricity charges.

4. As confirmed by Hami Jiatai and Hami Jinhua, the Office Agreements mentioned in notes 2 and 3 have not been registered with the relevant local authority.

5. We have been provided with a legal opinion on the legality of the Office Agreements to the property issued by the Company’s PRC legal advisers, which contains, *inter alia*, the following:

   a. the Office Agreements are legal and valid;

   b. as confirmed by the Group, the property is not subject to mortgage, sequestration or any other encumbrances; and

   c. the Office Agreements are not registered with the local authority, so the Group may be requested to do the registration and even be subject to penalty.

minarco mineconsult

Huili Resources (Group) Limited

Xinjiang and Shaanxi Polymetallic Projects, China

Independent Technical Review and Competent Person's Report

December 2011

Project No. ADV-HK-03640

Competent Person's Report Xinjiang and Shaanxi Polymetallic Projects People's Republic of China

Runge Asia Limited
(Trading as Minarco-MineConsult)
13/F, 68 Yee Wo Street,
Causeway Bay,
Hong Kong

rungeasia@runge.com.au
www.runge.com.au

29 December 2011

Compiled by:	Peer Review by:
Jeremy Clark	Dan Peel
Principal Consultant Geologist	Operations Manager - Beijing

Huili Resources (Group) Limited.
20th Floor, Alexandra House
18 Chater Road, Central, Hong Kong

December 2011

RE: INDEPENDENT TECHNICAL REVIEW AND COMPETENT PERSON'S REPORT

Dear Sirs,

Runge Asia Limited ("RAL") trading as Minarco-MineConsult ("MMC"), has been engaged by Huili Resources (Group) Limited ("HRL" or the "Client" or "Company") to carry out an Independent Technical Review ("ITR") of the Xinjiang and Shaanxi Polymetallic Projects ("the Projects"), which are located in the Xinjiang Uyghur Autonomous Region and Shaanxi Province, People Republic of China ("PRC").

The assets located in Xinjiang are currently owned by Hami Jinhua Mineral Resource Development Company ("Jinhua"); HRL currently owns 90% of Jinhua. The assets located in Shaanxi are owned by Shaanxi Jiatai-Hengrun Mineral Resources Development Company Limited ("Jiatai Hengrun"). The Shaanxi Projects are being conditionally acquired by HRL.

The process and conclusions of the ITR are summarised in the attached Independent Technical Review and Competent Person's Report, which will be included in the prospectus of the Company in connection with the proposed listing of shares on the main board of the Hong Kong Stock Exchange ("HKEx").

MMC's technical team ("the Team") consisted of both international and Chinese national, Competent Persons, senior mining engineers and geologists. The Team undertook a number of site visits to the projects to familiarise themselves with site conditions. MMC's Competent Persons were responsible for compiling the report and the JORC Resource and JORC Reserve estimate stated within.

During the site visit, the Team had open discussions with the Company personnel on technical aspects relating to the Project technical issues. MMC found the personnel to be cooperative and open in facilitating MMC's work.

In addition to work undertaken to generate estimates of Mineral Resources and Ore Reserves, this report relies largely on information provided by the Company, either directly from the site and other offices, or from reports by other organisations whose work is the property of the Company. The data relied upon for the JORC Resource estimates completed by MMC have been compiled primarily by the Company. The "ITR" is based on information made available to MMC prior to the 30th of June 2011. HRL has not advised MMC of any material change, or event likely to cause material change, to the designs or forecasts since the date of asset inspections.

MMC has conducted its review and preparation of the Independent Technical Review and Competent Person's Report in accordance with the requirements of Chapter 18 of the Listing Rules of the HKEx. The report is also in compliance with:

- the "Australasian Code for Reporting Mineral Resources and Ore Reserves" (2004 edition published by the Joint Ore Reserves Committee ("JORC") of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia) (the "JORC Code"); for determining resources and reserves, and

- the Code and Guidelines for technical assessment and/or valuation of mineral and petroleum assets and mineral and petroleum securities for Independent Expert Reports (the "Valmin Code").

MMC operates as an independent technical consultant providing resource evaluation, mining engineering and mine valuation services to the resources and financial services industries. This report was prepared on behalf of MMC by technical specialists, details of whose qualifications and experience are set out in **Annexure A**.

MMC has been paid, and has agreed to be paid, professional fees for its preparation of this report. However, none of MMC or its directors, staff or sub-consultants who contributed to this report has any interest in:

- securities of the Company; or

- companies associated with the Company; or

- the assets reviewed in the report.

The work undertaken is an ITR of the information provided, as well as information collected during site inspections completed by MMC as part of the ITR process. It specifically excludes all aspects of legal issues, marketing, commercial and financing matters, insurance, land titles and usage agreements, and any other agreements/contracts that the Company may have entered into.

MMC does not warrant the completeness or accuracy of information provided by the Company which has been used in the preparation of this report.

The title of this report does not pass to the Company until all consideration has been paid in full.

Drafts of this report were provided to the Company, but only for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in the report.

Generally, the data available was sufficient for MMC to complete the scope of work. The quality and quantity of data available, and the cooperative assistance, in MMC's view, showed a willingness by the Company to assist the ITR process. All opinions, findings and conclusions expressed in the report are those of MMC and its specialist advisors.

PROJECT SUMMARY AND CONCLUSIONS

General Description

The Projects includes two mines currently under development, seven polymetallic exploration licences and one mine currently suspended pending the resolution of consolidation strategies located in the Xinjiang Autonomous Region, as well as two polymetallic exploration licences in Shaanxi province. The exploration projects range from early prospecting stage through to resource development stage. Exploration works completed to date range from broad scale geological and geophysical mapping on early stage projects through to detailed trenching and diamond drilling on the resource development stage projects.

Each project is located on a single licence, which are summarised below

PROVINCE	PROJECT	MINERAL	TYPE	SIZE (sq.km)	LICENSED PRODUCTION (Mtpa)	ELEVATION (m)	LICENCE EXPIRY
Xinjiang	Huangshan East No.2	Ni, Cu	ML	0.32	0.03	0-980	10-Jun-13
	Huangshan East No.20	Ni, Cu	ML	0.22	0.15	630-1,000	1-Jun-18
	Baiganhu	Pb, Zn	ML	0.96	0.3	1,056-1,310	November, 2013
	Heishan	Ni, Cu	EL	20.26	n/a	n/a	26-Jan-14
	H989	Ni, Cu	EL	1.91	n/a	n/a	19-May-14
	Huangshan	Ni, Cu	EL	3.49	n/a	n/a	17-Dec-12
	Baiganhu	Au	EL	1.28	n/a	n/a	19-May-14
	Yin'aoxia	Cu, Au	EL	8.93	n/a	n/a	26-Jan-14
	Hongshanpo	Pb, Zn	EL	3.98	n/a	n/a	23-Dec-13
	Xidagou	Pb, Zn	EL	4.78	n/a	n/a	26-Jan-14
Shaanxi	Huaba	V	EL	11.41	n/a	n/a	30-Apr-11
	Huanjinmei	Au	EL	4.29	n/a	n/a	under application*

Note: MMC viewed original licences

* *MMC notes that approval has been given for the Mining licence, for a production capacity of 200Ktpa, however the licence is yet to be received.*

The Shaanxi Projects include the Huaba V_2O_5 Project, the Huaba Cu Project and the Huanjinmei Project. Although no active mining and production has taken place, some minor exploration adits have been developed across the strike of the deposits. These workings are considered exploration in nature with no evidence of production stoping.

Statement of Mineral Resources

MMC has independently estimated the Mineral Resources contained within the Mining and Exploration Licences, based on the data collected by the local Chinese Bureau as at August 2011. The Resource estimates and the underlying data comply with the recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves prepared in 2004 by the Joint Ore Reserves Committee (JORC), therefore it is suitable for public reporting. The Mineral Resource estimates are shown below.

PROVINCE	PROJECT	CUT-OFF GRADE	RESOURCE QUANTITY INDICATED (kt)	INFERRED (kt)	TOTAL (kt)	AVERAGE GRADE
Xinjiang	Huangshan East No.2	0.2% Ni	910	570	1,480	0.6% Ni, 0.2% Cu
	Huangshan East No.20	0.2% Ni	1,330	1,260	2,590	0.7% Ni, 0.2% Cu
	Baiganhu	1.0% Zn	1,730	2,150	3,880	6.5% Zn, 4.0% Pb
	H989	0.2% Ni	3,390	2,370	5,760	0.5% Ni, 0.2% Cu
Shaanxi	Huaba V_2O_5	0.5% V_2O_5	49,900	53,360	103,260	0.8% V_2O_5
	Huaba Cu	0.5% Cu	1,330	1,210	2,540	1.4% Cu
	Huangjinmei	1.0g/t Au	1,310	1,870	3,180	2.95g/t Au

Note: Rounding errors affect the total metal amounts reported above. Estimates as of 2nd August 2011.

Reserves

MMC independently estimated Ore Reserves for the Xinjiang Project Area. The Mineral Resource estimates were based on data collected by the local Chinese Bureau as at August 2011. Ore Reserves have subsequently been estimated for the Huangshan East No.2 (No.2), Huangshan East No.20 (No.20) and Baiganhu mines based on the Mineral Resource estimates, relevant mine planning studies and a review of the current site operations. The Ore Reserve estimates comply with the recommendations outlined in the Australasian Code for Reporting of Mineral Resources and Ore Reserves prepared in 2004 by the Joint Ore Reserves Committee (JORC), therefore they are suitable for public reporting.

MMC's JORC Ore Reserve estimates for No.2, No.20 and Baiganhu are summarised the table below.

PROVINCE	PROJECT	RESERVE QUANTITY PROVEN (kt)	PROBABLE (kt)	TOTAL (kt)	AVERAGE GRADE
Xinjiang	Huangshan East No.2	—	544	544	0.64% Ni, 0.25% Cu
	Huangshan East No.20	—	1,099	1,099	0.64% Ni, 0.21% Cu
	Baiganhu	—	1,055	1,055	5.95% Zn, 3.73% Pb

Estimates as of 2nd August 2011.

Exploration

Significant exploration works have been completed on the Heishan, Yin'aoxia, Hongshanpo and Xidagou Projects in recent decades, indicating the presence of mineralisation. However, insufficient data is available to enable a Mineral Resource Statement, which is compliant with the recommended guidelines of the JORC Code, to be completed. MMC has not been supplied with any information pertaining to exploration works completed within the Heishan, Yin'aoxia, Hongshanpo and Xidagou Project areas, however, MMC understands some trenching and geophysical surveys have been completed.

All exploration is currently at an early stage and not material to the Projects involved in this transaction.

Project Descriptions: Xinjiang

Jiatai

The Jiatai projects include the No.2, No.20 and the H989 project.

The No.2 and No.20 Projects produced Nickel ("Ni") and Copper ("Cu") concentrates and are located approximately 140 km southeast of the regional city of Hami. Both mines have utilised standard underground mining methods to recover ore through multiple shafts back to the surface. Several underground developments levels have been completed documentation in each mine and both have a long production history.

The No.2 Ni and Cu mine was commissioned in 2001 and commenced production that year with a processing capacity of 400 tpd. Mining was via a system comprising of seven vertical shafts utilising the short-hole shrinkage stoping mining method. The current mining licence has a production capacity of 30ktpa. The mine has not produced since January 2011 and may be forced to consolidate with neighbouring competitors.

The No.20 Ni and Cu mine was commissioned and commenced production in 2001 with a production capacity of 300 tpd. Mining is currently undertaken using a shrinkage stoping mining method and sub-level open stoping with a system of six vertical shafts providing access to the deposit. The capacity of the mining licence of 150 ktpa is significantly higher than recent production levels. Two mineralised bodies have currently been developed within the Project on 4 levels to a maximum depth of 210 m. The operation is not currently producing ore.

The H989 Ni-Cu Project is in the early stages of development and consists of four shallow dipping mineralised zones. Although two shafts and a drive at 920 m elevation have been developed as part of the exploration stage, mining has not commenced.

Jinhua

The Jinhua mining operations include the Baiganhu mine, which is planned to commence construction in the third quarter of 2011 ramping up to a full capacity of 300 ktpa by the end of 2013. A Preliminary Design Report has been completed on the Project which details the planned development of a 300 ktpa mining operation. The report was approved in January 2011 and is a pre-requisite for the commencement of mine construction and trial operation. A safety permit was granted in March 2011.

The Jinhua operations includes the Baiganhu Pb-Zn deposit, which consists of three parallel moderately dipping mineralised bodies ranging in thickness from 1.5 m to over 5 m and dip to the south at approximately 50^{o}. The mineralised bodies are very continuous and are commonly separated by only a few metres with grades ranging from 1% to over 20% of Pb and Zn. Although no active production has taken place, five exploration shafts and two underground development levels along the strike of the Project have been completed. The Company plans to apply the short hole-shrinkage stoping mining method to extract Pb and Zn ore from the deposit. This mining method is considered to be suitable due to the narrow and moderately dipping nature of the deposit.

The 'Preliminary Design Report' details a mine life of approximately 15 years, with an annual ore production of between 210 ktpa and 300 ktpa. The estimated mine life currently only includes the upper levels of the mine where extensive exploration has been completed. There is an opportunity to increase the mine life through further exploration. MMC notes that as the estimated life of mine is based on the Ore Reserves estimate and the depletion of the ore Reserves is expected to be in line with the forecast yearly run of mine production.

Processing

There are currently two processing plants (the Jiatai Processing Plant and the Jinhua Processing Plant) used to treat ore extracted from the mining operations. The Jiatai Processing Plant is designed to process 1,500 tpd of Cu-Ni ore from the No.2, No.20 and H989 mines and ceased production in January 2011 due to insufficient Cu-Ni ore supply. The 1,500 tpd Jinhua Processing Plant is located adjacent to the Jiatai processing plant and will process Cu-Pb-Zn ore from the Baiganhu underground mine once production commences.

Project Descriptions: Shaanxi

Huaba

The Huaba Project is located near the village of Zuolong in Langoa County. The village of Zuolong is approximately 59 km from the cities of Lango and Ankang and is connected by provincial Highway 207. The city of Ankang is accessed by the dual lane state highway from Xi'an, which is approximately 400 km to the south (***Figure 2-3***).

Exploration has been carried out on the area since the early 1960's. This includes regional geological, structural and mineral resource mapping. It had been reported that geochemical sampling carried out in the early 1980's resulted in the identification of phosphorus, copper, vanadium anomalies. Further geological mapping identifying rock formations and stratigraphic sequences were conducted in 1998-1999, and more detailed exploration was carried out from April 2005 to September 2006, and in 2008. A list of these works has been compiled in ***Table 2-7***.

Huangjinmei

The Huangjinmei Project is located 15 km by sealed road from the regional town of Jinchuan, in the county of Ningshan. The town of Jinchuan is located approximately 140 km south of Xi'an City and is connected by the G210 state highway to Shaping.

In the early 1960's, regional geological surveys and preliminary studies on the stratigraphy, tectonics, magmatism and mineral resources in the region were carried out by the exploration brigade. In the 1980's geochemical prospecting identified gold anomalies, and further stream sediment surveys were taken in the vicinity of these anomalous areas. More geochemical prospecting was carried out in the late 1980's to early 1990's to better delineate the anomalous areas. Several more exploration programmes through 1996 to 1998 were conducted for delineation purposes. From February 2003 to June 2006, Shaanxi Mineral Development and Trade Company carried out surveys, which included two underground audits.

In 2005 gold resources were estimated in accordance with the Chinese standards by the Xi'an Institute of Geology and Mineral Resource Development under direction from the Shaanxi Provincial Bureau of Geological Exploration and submitted a report titled "Report of General Survey in Huangjinmei Mine in Ningshan County of Shaanxi Province". A review was organized by the Xi'an Institute of Geology and Mineral Resource Development. The details of this review have not been supplied to MMC.

Risks

The major risks associated with the Projects include a fall in global metal prices, limited mine planning exists for the planned expansion of the H989 Project and the Shaanxi Projects and the operations do not hold all of the required environmental, health and safety permits as yet. Furthermore, operations have ceased for No 2 whilst the government reviews consolidation strategies. The risks associated with these Projects have been detailed in **Section 12** of this report.

Opportunities

MMC has identified a number of opportunities during this ITR, which require further investigation. These opportunities include;

- Further exploration activities could result in an increase in the Resource and Reserve estimate, potentially increasing the life of the operations, and

- Additional elements are known to exist within the deposits, which could potentially occur in economically mineable qualities and quantities. Further exploration and mining studies are required to evaluate the extent of this opportunity.

Yours faithfully,

Jeremy Clark
Principal Consultant Geologist — China
Runge Asia Limited (Trading as Minarco-MineConsult)

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

1 INTRODUCTION

Runge Asia Limited ("RAL") trading as Minarco-MineConsult ("MMC") has been engaged by Huili Resources (Group) Limited ("HRL" or the "Client" or "Company") to carry out an Independent Technical Review ("ITR") of the Polymetallic Projects ("the Projects"), which are located in the Xinjiang Autonomous Region and Shaanxi Province, China. The Projects located within Xinjiang are currently owned by Hami Jinhua Mineral Resource Development Company, while the Projects located in Shaanxi are owned by Shaanxi Jiatai-Hengrun Mineral Resources Development Company Limited.

1.1 Scope of Work

MMC carried out the following scope of work for the Independent Technical Review:

- Gathered relevant information on the Projects including Chinese resources and reserves, life of mine production schedules, operating and capital cost information;
- Reviewed resources and reserves, including quantity and quality of drilling, reliability of historic data, adequacy of resource estimation methods;
- Completed Mineral Resource estimations in compliance with the recommendations of the JORC Code;
- Completed Ore Reserve estimations in compliance with the recommendations of the JORC Code;
- Reviewed and commented on the appropriateness of planned mining methods and mine design in the relevant technical studies;
- Reviewed and commented on forecast operating and capital expenditure in the relevant technical studies;
- Reviewed the Company's short and long term development plans;
- Reviewed potential production profiles, and
- Reviewed the environmental, health and safety performance of the Projects.

1.2 Relevant Assets

The Relevant Assets are located in the Xinjiang Uygur Autonomous Region and the Shaanxi Province. These include one dormant mine, two mines under development and seven polymetallic exploration licences located in the Xinjiang Uygur Autonomous Region and two exploration licences (each prospective for vanadium, copper/vanadium and gold respectively) located in Shaanxi Province. The Relevant Assets are summarised in ***Table 1-1*** below.

Table 1-1 Xinjiang and Shaanxi Polymetallic Projects - Relevant Assets

PROVINCE	PROJECT	MINERAL	LICENCE TYPE	LICENCES EXPIRY
Xinjiang	No.2	Ni, Cu	Mining	10 June, 2013
	No.20	Ni, Cu	Mining	1 June, 2018
	Baiganhu	Pb, Zn	Mining	November, 2013
	Heishan	Ni, Cu	Exploration	26 January, 2014
	H989	Ni, Cu	Exploration	19 May, 2014
	Huangshan	Ni, Cu	Exploration	17 December, 2012
	Baiganhu Gold	Au	Exploration	19 May, 2014
	Yin'aoxia	Cu, Au	Exploration	26 January, 2014
	Hongshanpo	Pb, Zn	Exploration	23 December, 2013
	Xidagou	Pb, Zn	Exploration	26 January, 2014
Shaanxi	Huaba	V	Exploration	30 April, 2011
	Huanjinmei	Au	Exploration	under application*

Note: MMC viewed original licences

* *MMC notes that approval has been given for the Mining licence, for a production capacity of 200Ktpa, however the licence is yet to be received.*

1.3 **Review Methodology**

MMC's ITR methodology included the following:

- Preparation for the study by translating and reviewing existing reports. The lists of reports reviewed are given in ***Information Sources*** below;

- Numerous site visits were conducted by International and Chinese resource geologists, environmental consultants, an international senior mining engineer and international and Chinese processing engineers between August and December 2010. Technical issues were discussed with technical project personnel;

- Project information was reviewed, and

- MMC prepared this Report and provided drafts to the Company and its specialist advisers.

The comments and forecasts in this report are based on information compiled by enquiry and verbal comments from the Company. Where possible, such information has been cross checked with hard data or by comment from more than one source. Where there was conflicting information on issues, MMC used its professional judgement to assess the issues.

1.4 **Site Visits and Inspections**

1.4.1 **Xinjiang Projects**

MMC's site visit team ("the Team") consisted of international and Chinese resource geologists (Jeremy Clark, Wenchi Zhang, Cui Ji), an international senior mining engineer (Dan Peel), a Chinese mining engineer (Kevin Qu) and international and Chinese processing engineers (Andrew Newell, Jim Jiang) for the projects located in Xinjiang. Two separate site visits were conducted in August and September, 2010 and August 2011. An underground inspection of the No.20 Mine and the No.2 Mine was completed by Mr Xu Jinping in December 2010.

ERM completed a reconnaissance survey of the sites, facilities and adjoining land as well as a review of available documents pertaining to EHS issues. Interviews were conducted with onsite personnel and relevant government authorities. The respective site inspections were conducted by Mr Limin Sun (Principal Consultant) and Mr Henri de Branche (Principal Consultant) of ERM from 9th to 13th September, 2010 and August 2011.

1.4.2 **Shaanxi Projects**

A site visit to the Shaanxi Projects was undertaken by an international senior mining consultant (Michael Johnson) and a translator from August 30th to September 2nd 2010.

During the site visits to both Projects, the Team undertook physical inspections of the surface and underground workings, processing plants and conducted general inspections of the surrounding countryside and infrastructure. The visits were used to gain a better understanding of the Projects and to ensure compliance with the JORC Code for the Mineral Resource and Ore Reserve estimates.

Open discussions were held with the Project owner's personnel and associated design institutes' experts on technical aspects of the Projects. Technical personnel were found to be co-operative in facilitating MMC's work.

1.5 **Information Sources**

The following information sources were provided for review:

Reports

- No.2 Mine Preliminary Design, "Xinjiang Hami City Huangshandong Cu-Ni Orebody No.1-2", Jinchuan Ni-Co Design Institute, May, 2003;
- Baiganhu Preliminary Design, "Hami, Xinjiang, Lead-zinc Mine Baigan Lake Mining Engineering Preliminary Design", Xinjiang Jinxiu Resources Consultancy, May, 2010;
- Baiganhu Mine Survey Report, "Xinjiang Hami City Baigan Lake Pb-Zn Mine Geological Exploration Report", Xinjiang Nonferrous Metals Geological Survey Bureau Geophysics Survey Team, Sep, 2006;

- H-989 Mine Detail Survey Report, "Xinjiang Hami City Huangshanxi H-989 Cu-Ni Orebody Detail Survey Report", Xinjiang Tianbo Survey Technical CO., LTD, Oct, 2009;

- No.2 Reserve Review Report, "Xinjiang Hami City Huangshandong Cu-Ni Orebody No.2 Reserve Review Report", Xinjiang Nonferrous Metals Geological Survey Bureau Geophysics Survey Team, Oct, 2007;

- No.2 2009 Reserve Annual Report, "Xinjiang Hami City Huangshandong Cu-Ni Orebody No.2 Reserve Annual Report", Xinjiang Tianbo Survey Technical CO., LTD, April, 2010;

- No.20 Reserve Review Report, "Xinjiang Hami City Huangshandong Cu-Ni Orebody No.20 Reserve Review Report", Xinjiang Nonferrous Metals Geological Survey Bureau Geophysics Survey Team, Oct, 2007;

- No.20 2009 Reserve Annual Report, "Xinjiang Hami City Huangshandong Cu-Ni Orebody No.20 Reserve Annual Report", Xinjiang Tianbo Survey Technical CO., LTD, April, 2010;

- Huaba Detail Survey Report, "Shaanxi Province Langao County Huaba Cu-V Mine Detail Survey Report", Shaanxi Mining Development Industrial and Trading CO. May, 2010;

- Huangjinmei Gold Detail Survey Report, "Shaanxi Province Ningshan County Huangjinmei Gold Mine Detail Survey Report", Shaanxi Mining Development Industrial and Trading CO. Mar, 2010;

- No.2 Development & Utilization Scheme, "Xinjiang Hami Huangshandong Cu-Ni 1-2 Orebody Development & Utilization Scheme", Xinjiang Huida Mineral Resource Exploration & Development Co., Ltd, May 2008, and

- No.20 Development & Utilization Scheme, "Xinjiang Hami Huangshandong Cu-Ni No.20 Orebody Development & Utilization Scheme", Xinjiang Huida Mineral Resource Exploration & Development Consulting Co., Ltd, April 2008.

Licences

- Mining Licence No. C65000002010043220062299 (0.03 Mtpa), Department of Land and Resources of Xinjiang, 10th June 2011;

- Mining Licence No. 6500000821957 (0.15 Mtpa), Department of Land and Resources of Xinjiang, June 2008;

- Mining Licence No. 6500000813189 (0.3 Mtpa), Department of Land and Resources of Xinjiang, October 2008;

- Exploration Licence No. T65120091202037935, Department of Land and Resources of Xinjiang, 26th January 2011;

- Exploration Licence No. T65120090102024383, Department of Land and Resources of Xinjiang, 19th May 2011;
- Exploration Licence No. T65120080602009606, Department of Land and Resources of Xinjiang, 17th December 2009;
- Exploration Licence No. T65120090102024095, Department of Land and Resources of Xinjiang, 19th May 2011;
- Exploration Licence No. T65120081102018044, Department of Land and Resources of Xinjiang, 26th January 2011;
- Exploration Licence No. T65120081102018086, Department of Land and Resources of Xinjiang, 23rd December 2010;
- Exploration Licence No. T65120081102018043, Department of Land and Resources of Xinjiang, 26th January 2011;
- Exploration Licence No. T61120090502028446, Department of Land and Resources of Shaanxi, 30th April 2009, and
- Exploration Licence No. T61120091102036343, Department of Land and Resources of Shaanxi, 31st October 2009.

1.6 Competent Person and Responsibilities

1.6.1 Mineral Resource

The information in this report that relates to Mineral Resources is based on information compiled by or under the supervision of Jeremy Clark who is a full time employee of MMC and a Member of the Australian Institute of Geoscientists. Jeremy Clark has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves ("The JORC Code").

The Mineral Resource estimate complies with the guidelines of the JORC Code. Therefore it is suitable for public reporting. The relevant experience of the Competent Person is detailed in ***Annexure A***.

1.6.2 Ore Reserves

The information in this report that relates to Ore Reserves is based on information compiled by Huili Resources (Group) Ltd. and reviewed by Brendan Parker who is a full time employee of MMC and a Member of the Australasian Institute of Mining and Metallurgy. Brendan Parker has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the JORC Code. The relevant experience of the Competent Person is detailed in ***Annexure A***.

1.6.3 **HKEx Requirements**

Mr Jeremy Clark meets the requirements of a Competent Person, as defined by Chapter 18 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These requirements include:

- Greater than five years' experience relevant to the type of deposit;
- Member of the Australian Institute of Geoscientists ("MAIG");
- Does not have economic or beneficial interest (present or contingent) in any of the reported assets;
- Has not received a fee dependent on the findings outlined in the Competent Person's Report;
- Is not an officer, employee of proposed officer for the issuer or any group, holding or associated company of the issuer, and
- Assumes overall responsibility for the Competent Person's Report.

Mr Jeremy Clark has over 9 years of experience working in the mining industry. During this time he has been responsible for the planning, implementation and supervision of various exploration programs, open pit and underground production duties, detailed structural and geological mapping and logging and a wide range of experience in resource estimation techniques. Mr Jeremy Clark's experience has included 5 years actively working in narrow vein gold mines which have similar styles of mineralisation the Deposit. His experience includes working and estimating resources both in underground and open pit operations in Western Australia, including the Saint Barbara gold operations at Southern Cross from 2001-2006, the gold Leonora operations in 2006 and the Jaguar mine (Pb-Zn-Ag) during his work with Jabiru mines in 2007. During this time Mr Jeremy Clark completed internal estimations (not public release) for the Marvel Loch, Golden Pig, Blue Haze, Jaccoleti, Nevoria, Jaguar, and Gwalia Deeps gold deposits which have similar style of mineralisation to the skarn type mineralisation which hosts mineralisation within the Project.

During his work with Runge from 2007 to the present, Mr Jeremy Clark has working on numerous epithermal base and precious metals deposit throughout the world including China, Central Asia, Europe, Africa, and North and South America. This work specifically has included resource estimation of deposits which has similar styles of mineralisation to the Projects. These deposits include but are not limited to the Central Ashanti Gold Project (Perseus Mining) in Ghana, the Gurupi Au-Ag deposit in Brazil (Jaguar Mines), the Sierra Mojada(Pb-Zn-Ag)deposit in Mexico (Metalline Mining), the Daisy Milano and Murchison Operations (Silver lake Resources) in Western Australia, the Silver Coin Gold deposit (Au-Ag-Zn-Pb) (Jayden Resources Canada) in Canada. All of these deposits were estimated in accordance with the JORC Code (Australia, Africa, Europe and Asia) or the NI-43-101 code (Canada, and South America) and resulted in public releases or Technical Reports, of which Jeremy was a Component or Qualified person and are available on the Australian Stock Exchange (ASX) or the Toronto Stock Exchange (TSX).

1.7 Limitations and Exclusions

The review was based on various reports, plans and tabulations provided by the Client either directly from the project sites and other offices, or from reports by other organisations whose work is the property of the Client. The Client has not advised MMC of any material change, or event likely to cause material change, to the operations or forecasts since the date of Relevant Assets inspections.

The work undertaken for this report is that required for a technical review of the information, coupled with such inspections as the Team considered appropriate to prepare this report. It specifically excludes all aspects of legal issues, commercial and financing matters, land titles and agreements, other than those that may directly influence technical, operational or operating and capital expenditures.

MMC has specifically excluded comments on the competitive position of the Relevant Assets compared with other similar and competing polymetallic producers around the world. MMC strongly advises that any potential investors make their own comprehensive assessment of both the competitive position of the Relevant Assets in the market, and the fundamentals of the market at large.

1.7.1 Limited Liability

MMC will not be liable for any loss or damage suffered by a third party relying on this report (regardless of the cause of action, whether breach of contract, tort (including negligence) or otherwise unless and to the extent that that third party has signed a reliance letter in the form required by MMC (in its sole discretion). MMC's liability in respect of this report (if any) will be specified in that reliance letter.

1.7.2 Responsibility and Content of this Report

The contents of this report have been created using data and information provided by or on behalf of the Company. MMC accepts no liability for the accuracy or completeness of data and information provided to it by, or obtained by it from, the Company or any third parties, even if that data and information has been incorporated into or relied upon in creating this report. The report has been produced by MMC using information that is available to MMC as at the date stated on the cover page. This report cannot be relied upon in any way if the information provided to MMC changes subsequently. MMC is under no obligation to update the information contained in the report at any time.

Notwithstanding the above, in MMC's opinion, the data and information provided by or on behalf of the Company was reasonable and nothing discovered during the preparation of this report suggests that there was any significant error or misrepresentation in respect of such data or information.

1.7.3 **Indemnification**

The Company has indemnified and held harmless MMC and its subcontractors, consultants, agents, officers, directors, and employees from and against any and all claims, liabilities, damages, losses, and expenses (including lawyers' fees and other costs of litigation, arbitration or mediation) arising out of or in any way related to:

a) MMC's reliance on any information provided by the Company; or

b) MMC's services or Materials; or

c) any use of or reliance on these services.

In all cases, save and except in cases of wilful misconduct (including fraud) or gross negligence on the part of MMC and regardless of any breach of contract or strict liability by MMC.

1.7.4 **Limitations and Exclusions for Chapter 11 Safety and Environment**

Chapter 11 Safety and Environment was written by an associate, Environmental Resources Management ('ERM').

Disclaimer for Chapter 11 Safety and Environment

This disclaimer, together with any limitations specified in the report, apply to the Chapter 11 Safety and Environment.

This Chapter was prepared in accordance with the contracted scope of services for the specific purpose stated and subject to the applicable cost, time and other constraints. In preparing this report, ERM relied on: (a) client/third party information which was not verified by ERM except to the extent required by the scope of services, and ERM does not accept responsibility for omissions or inaccuracies in the client/third party information; and (b) information taken at or under the particular times and conditions specified, and ERM does not accept responsibility for any subsequent changes. This report has been prepared solely for use by, and is confidential to, the client and ERM accepts no responsibility for its use by other persons, except where ERM expressly agrees otherwise. This report is subject to copyright protection and the copyright owner reserves its rights. This report does not constitute legal or financial advice.

This review is the result of applying scientific principles and professional judgments to certain facts. Professional judgments expressed herein are based on factual information available within the limits of the existing data, scope of work, budget and schedule. Assessment of the Project's compliance with legal, permitting and licensing requirements is explicitly excluded from this scope of work. To the extent that more definitive conclusions are desired by the client than are warranted by the currently available facts, it is specifically ERM's intent that the conclusions and recommendations stated herein will be intended as guidance and not necessarily as a firm course of action, except where explicitly stated as such. We make no warranties, expressed or implied, including, without limitation, warranties as to merchantability or fitness of the property for a particular purpose. In addition, the information provided in this report is not to be construed as legal advice.

Limitations and Use of the Safety and Environment Chapter

This Chapter or the findings in it must not be used or reproduced, in whole or part, for the purpose of any prospectus, offering circular or similar documentation without the prior written approval of ERM. The reproduction of any extract or summary of this report or the findings of the report for any use whatsoever are subject to the prior written approval of ERM. ERM's approval of the use of these or the findings of the report include approval of any limitations and disclaimers in the material in which the reproduction or use occurs.

1.7.5 **Intellectual Property**

All copyright and other intellectual property rights in this report are owned by and are the property of MMC.

MMC grants the Client a non-transferable, perpetual and royalty-free Licence to use this report for its internal business purposes and for the inclusion in the Prospectus to make as many copies of this report as it requires for those purposes.

1.7.6 **Mining Unknown Factors**

The findings and opinions presented herein are not warranted in any manner, expressed or implied. The ability of the operator, or any other related business unit, to achieve forward-looking production and economic targets is dependent on numerous factors that are beyond the control of MMC and cannot be fully anticipated by MMC. These factors include site-specific mining and geological conditions, the capabilities of management and employees, availability of funding to properly operate and capitalise the operation, variations in cost elements and market conditions, developing and operating the mine in an efficient manner, etc. Unforeseen changes in legislation and new industry developments could substantially alter the performance of any mining operation.

1.8 **Capability and Independence**

MMC provides advisory services to the mining and finance sectors. Within its core expertise it provides independent technical reviews, resource evaluation, mining engineering and mine valuation services to the resources and financial services industries.

MMC has independently assessed the Relevant Assets of the Client by reviewing pertinent data, including resources, reserves, manpower requirements and the life of mine plans relating to productivity, production, operating costs and capital expenditures. All opinions, findings and conclusions expressed in this Report are those of MMC and its specialist advisors.

Drafts of this report were provided to the Client, but only for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in this Report.

MMC has been paid, and has agreed to be paid, professional fees based on a fixed fee estimate for its preparation of this Report. None of MMC or its directors, staff or specialists who contributed to this report has any interest or entitlement, direct or indirect, in:

- the Company, securities of the Company or companies associated with the Company; or
- the Relevant Assets; or
- the outcome of this report.

This ITR was prepared on behalf of MMC by the signatories to this letter, details of whose qualifications and experience are set out in ***Annexure A*** to this ITR. The Specialists who contributed to the findings within this Report have each consented to the matters based on their information in the form and context in which it appears.

2 PROJECT OVERVIEW

The location of the Projects reviewed by MMC in Xinjiang Uyghur Autonomous Region and Shaanxi Province are show in ***Figure 2-1***. A summary of the Relevant Assets are shown in ***Table 2-1.***

Table 2-1 Xinjiang and Shaanxi Polymetallic Projects - Summary of Projects

PROVINCE	STATUS	PROJECT	MINERAL
Xinjiang	Operations Suspended	No.2	Ni, Cu
	Operations Suspended	No.20	Ni, Cu
	Mine Under Development	Baiganhu	Pb, Zn
	Exploration Licence	Baiganhu Gold	Au
	Exploration Licence	H989	Ni, Cu
	Exploration Licence	Huangshan	Ni, Cu
	Exploration Licence	Heishan	Ni, Cu
	Exploration Licence	Yin'aoxia	Cu, Au
	Exploration Licence	Hongshanpo	Pb, Zn
	Exploration Licence	Xidagou	Pb, Zn
Shaanxi	Exploration Licence	Huaba	V
	Exploration Licence	Huanjinmei	Au

2.1 Xinjiang Projects

2.1.1 Project Location

The Xinjiang Projects are located within close proximity to the regional city of Hami (also called Kumul), which is approximately 400 km southeast of the capital of Xinjiang Autonomous Region, Urumqi (***Figure 2-2***). Urumqi and Hami are connected via a National highway, a railway and also by air services.

Geographically the eastern portion of the Tianshan Mountains traverse the region and divide the Hami region into a southern oasis and a northern river valley and prairie, which form part of the Gobi Desert.

The region of Hami is approximately 600 m above sea level and has a typical continental climate consisting of dry weather with little to no rain. Northern parts of the district are cooler in the summer and contain vast grasslands, while the southern Kami Basin is dry with little vegetation and large temperature variation between day and night.

Projects

The two previously mined Projects located within Xinjiang Uyghur Autonomous Region are called the No.2 and No.20 mines. These areas are both located in the Huangshan Region, approximately 142 km southeast of the city of Hami as shown in ***Figure 2-1***. Access to both areas is via the national No.312 highway for 130 km followed by 15 km on a regional road. Both roads are sealed and in good condition.

- **No.2** - The No.2 mine is licensed to produce 30 ktpa of ore. The licence covers an area of 0.3227 sq.km and is located within the geographic coordinates of:

  Longitude: 94°43’17”E and 94°43’57”E, and
  Latitude: 42°16’10”N and 42°16’25”N.

  The licence was granted on 10th June 2011 and expires in 10th June 2013.

- **No.20** - The No.20 mine is licensed to produce 150 ktpa of ore. The licence is located approximately 5.5 km to the east of No.2 mine and covers an area of 0.2291 sq.km and is located within the geographic coordinates of:

  Longitude: 94°46’42”E;
  Latitude: 42°16’55”5N.

  The licence was granted on 27th June 2008 and expires in June 2018.

Exploration Projects

There is one Project under development (Baiganhu) and seven exploration licences, which are located in Xinjiang Uyghur Autonomous Region. These exploration licences include the H989, Heishan, Baiganhu Gold, Yin'aoxia, Hongshanpo, Huangshan and Xidagou. The locations of these projects are described below.

- **Baiganhu and Baiganhu Gold** - The Baiganhu and Baiganhu Gold Projects are located approximately 190 km southeast of Hami as shown in ***Figure 2-2***. The Projects are in close proximity to each other and can be accessed by four wheel drive vehicle via a 28 km dirt road from the 312 highway. The geographical coordinates of the Baiganhu Project are:

  Longitude: 94°54'45"E to 94°58'00"E, and
  Latitude: 42°01'30"N to 42°02'15"N;

- **H989 and Huangshan** - The H989 and Huangshan Projects are in close proximity to the operating mines No.2 and No.20 (**see *Figure 2-2***) and can be accessed via the sealed roads noted above;

- **Yin'aoxia, Hongshanpo and Xidagou** - All three Projects are located approximately 400 km southeast of Hami, near the border with Gansu Province and the regional town of Shuangjingzi (***see Figure 2-2***). The Projects are accessed via the national highway for approximately 160 km and followed by approximately 200 km of dirt tracks within the Gobi desert, and

- **Heishan** - The Heishan Project is located 70 km southwest of Hami and covers an area of 20.2 sq.km. The Project is located within the following geographical coordinates:

  Longitude: 83°05'00"E to 93°11'00"E, and
  Latitude: 42°27'30"N to 42° 30'00"N.

Processing Plants

The 1,500 tpd Jiatai Cu-Ni processing plant is located approximately 79 km from the No.2 and No.20 Cu-Ni mines and 77 km from Hami and is readily accessible by good quality roads.

The Jinhua processing operation shares infrastructure with the Jiatai processing operation. The infrastructure is sufficient to support the operation of both plants at the nominated treatment capacities. The Jinhua processing plant is located approximately 127 km from the Baiganhu Mine and Baiganhu Gold Project and 77 km from Hami in Xinjiang. The processing facility is readily accessible by good quality roads, however approximately 7 km of dirt road connects the plant to the National Highway.

Figure 2-1 Xinjiang and Shaanxi Polymetallic Projects - General Location Plan

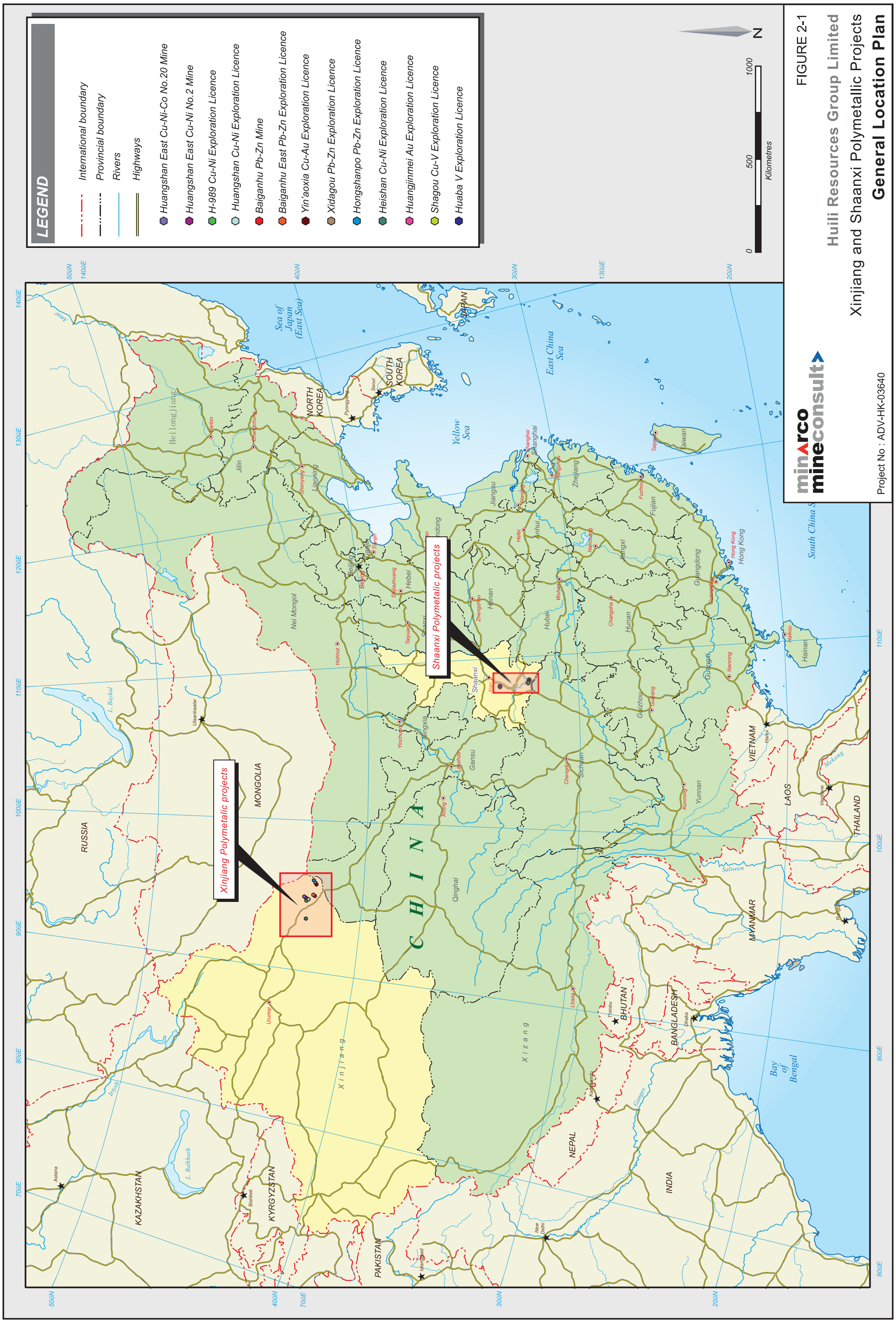
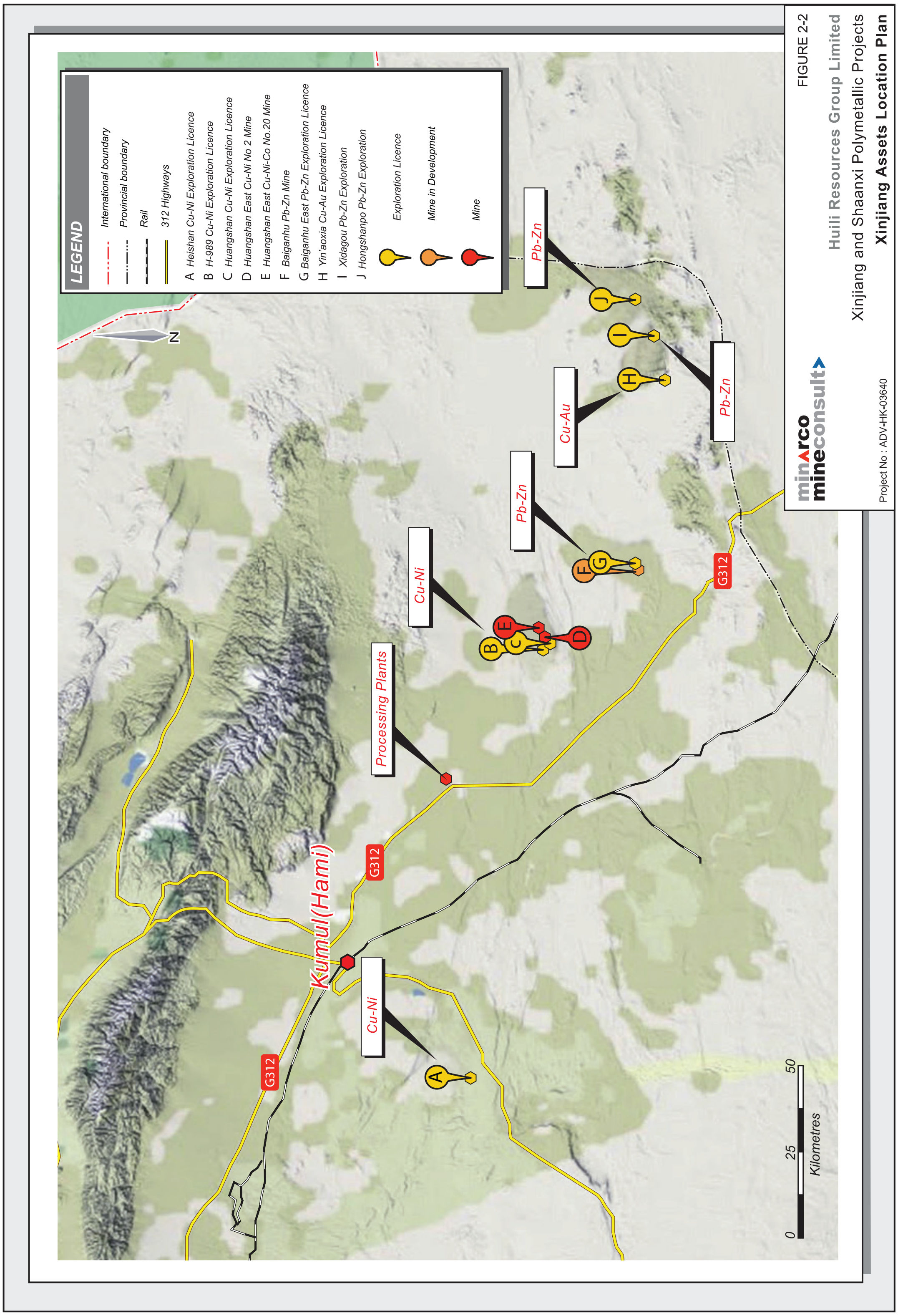


Figure 2-2 Xinjiang and Shaanxi Polymetallic Projects —Xinjiang Assets Location Plan



2.1.2 **Mineral Rights and Land Tenure**

The mineral rights for the Xinjiang Projects are outlined in ***Table 2-2*** below. The assets located in Xinjiang are currently owned by Hami Jinhua Mineral Resource Development Company ("Jinhua"); HRL currently owns 90% of Jinhua.

Table 2-2 Xinjiang and Shaanxi Polymetallic Projects - Xinjiang Project's Licence Details

PROJECT	MINERAL	LICENCE	SIZE (sq.km)	PRODUCTION (Mtpa)	ELEVATION (m)	LICENCES EXPIRY
Huangshan	Ni, Cu	ML	0.32	0.03	0-980	10-Jun-13
Huangshan	Ni, Cu	ML	0.22	0.15	630-1,000	1-Jun-18
Baiganhu	Pb, Zn	ML	0.96	0.3	1,056-1,310	Nov-13
Baiganhu Gold	Au	EL	1.28	n/a	n/a	19-May-14
H989	Ni, Cu	EL	1.91	n/a	n/a	19-May-14
Huangshan	Ni, Cu	EL	3.49	n/a	n/a	17-Dec-12
Heishan	Ni, Cu	EL	20.26	n/a	n/a	26-Jan-14
Yin'aoxia	Cu, Au	EL	8.93	n/a	n/a	26-Jan-14
Hongshanpo	Pb, Zn	EL	3.98	n/a	n/a	23-Dec-13
Xidagou	Pb, Zn	EL	4.78	n/a	n/a	26-Jan-14

Note: MMC viewed original licences

MMC provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

2.1.3 **Exploration History**

Regional

The region within Xinjiang where the projects are located, has a long history of exploration and mining activity. These works date back to the late 1950's and are summarised in ***Table 2-3*** below.

Table 2-3 Xinjiang and Shaanxi Polymetallic Projects - Regional Exploration History of the Xinjiang Projects

YEAR	ACTIVITY	CONDUCTED BY
1958	Regional Geological Survey at scale 1:200,000	Regional Survey Brigade of Xinjiang Geology Mineral Bureau
1977	Airborne Magnetic Survey at scale 1:50,000	Survey Brigade of the National Geological General Office
1979	Mineralisation Survey	No.2 of No.6 Geological Brigade of Xinjiang Geological Mineral Bureau
1983	Topographic Survey at scale 1:10,000	No.1 of No.6 Geological Brigade of Xinjiang Geological Mineral Bureau
1981-1989	460.7m of diamond Drilling in E Project	No.1 of No.6 Geological Brigade of Xinjiang Geological Mineral Bureau

Source: MMC viewed original document.

No.2, No.20, H989 and Baiganhu

Significant exploration works have been completed on the No.2, No.20, Baiganhu and H989 areas in the past few decades. These works were mainly completed in the late 1990's and early 2000's and consisted of surface and underground diamond holes, underground channel samples and surface trenching. In August to November 2010 a surface and underground diamond drill program was completed at the No.2, No.20 and H989 deposits to further define the mineralisation. All drilling and sampling works have been completed by the No.6 Geological Brigade of Xinjiang and are summarised in ***Table 2-4*** and ***Table 2-5*** below. A further detailed summary is provided for Baiganhu in ***Table 2-6***.

Table 2-4 Xinjiang and Shaanxi Polymetallic Projects - Xinjiang Projects No.2, No.20, Baiganhu and H989 1990's and early 2000's Exploration Works

DEPOSIT	TYPE	NUMBER OF HOLES	METRES
Huangshan East No. 2	Channel	41	625
	Drill Hole	16	2,323
	Trench	7	388
Huangshan East No. 20	Drill Hole	15	3,770
	Channel	66	462
	Trench	4	217
Baiganhu	Drill Hole	35	5,765
	Trench	15	304
H989	Drill Hole	45	12,982
	Trench	2	128

Source: MMC viewed original document.

Table 2-5 Xinjiang and Shaanxi Polymetallic Projects - Xinjiang Projects No.2, No.20 and H989 August - November 2010 Diamond Drilling

DEPOSIT	TYPE	NUMBER OF HOLES
Huangshan East No. 2	Underground	8
Huangshan East No. 20	Underground	11
H989	Surface	5

Source: MMC viewed original document.

Table 2-6 Xinjiang and Shaanxi Polymetallic Projects - Xinjiang Projects Baiganhu Exploration History

YEAR	ACTIVITY	CONDUCTED BY
1953	Regional Geological Reconnaissance Mapping at scale 1:500,000	Xinjiang Geological Survey Bureau
1958	Systematic Geological Surveys	No. 5 Squad Xinjiang Geological Survey Bureau
1958-65	Continuation of Systematic Geological Surveys	Xinjiang Coal Administrative Bureau
1966	Geological Mapping at scale 1:200,000	No.1 Local Geology Reconnaissance Brigade, Xinjiang Geological Bureau
2004	Exploration Survey	Xinjiang Geological Survey Bureau
2005	6 Exploration Holes	Xinjiang Geological Survey Bureau
2006	29 diamond Drill Holes	Xinjiang Geological Survey Bureau

Source: MMC viewed original document.

Huangshan Exploration

Exploration works on the Huangshan Project have included gravity and transient electromagnetic method surveys, which identified several anomalous areas. Information supplied to MMC indicates that some drilling and trenching has been completed and mineralisation has been intersected. A preliminary review indicated similar tenure and styles to the nearby operating mines. However, insufficient data is available to enable a Mineral Resource Statement, which is compliant with the recommended guidelines of the JORC Code, to be completed.

Baiganhu Gold Exploration

Exploration works within the Project were all completed in 2009 and included a geochemical rock survey on a 1:2,000 scale, smaller scale geochemical sampling, pitting (10 m total), trenching (100 cu.m) and rock analysis of 45 samples. However, no detailed information was supplied to MMC. Discussions with the Company indicated that insufficient data is available to complete a Mineral Resource Statement, which is compliant with recommended guidelines of the JORC Code.

Heishan, Yin'aoxia, Hongshanpo and Xidagou Projects Exploration

MMC has not been supplied with any information pertaining to exploration works completed within the Heishan, Yin'aoxia, Hongshanpo and Xidagou Project areas, however, MMC understands some trenching and geophysical surveys have been completed. Discussions with the Company have indicated that insufficient data is available to complete a Mineral Resource Statement, which is compliant with the recommended guidelines of the JORC Code.

2.1.4 **Mining History**

No.2

The No.2 Ni and Cu mine was commissioned and commenced production in 2001 with a production capacity of 400 tpd. Mining was recently undertaken using a shrinkage stoping mining method with a system of seven vertical shafts providing access to the mining operation. Although the capacity of the mining licence is restricted to 30ktpa, the potential output is more than 140ktpa. Two mineralised bodies have currently been developed within the Project on 5 levels to a depth of 260m. The mine is currently not producing and may be forced to consolidate with neighbouring operations as per the government's consolidation strategy.

No.20

The No.20 Ni and Cu mine was commissioned and commenced production in 2001 with a production capacity of 300tpd. Mining was recently undertaken using a shrinkage stoping mining method with a system of six vertical shaft providing access to the deposit. The current practical output is more than 110ktpa, which is significantly less than the capacity of the mining licence of 150ktpa. Two mineralised bodies have currently been developed within the Project on 4 levels to a maximum depth of 210m. The mine is currently not producing.

Baiganhu and H989

Although no active production has taken place, exploration shafts and underground development levels along strike of the Project have been completed within both projects. During the inspection of the workings, two shafts were observed at H989 while 4 shafts and two underground levels were found at Baiganhu.

Exploration licences

No mining has taken place in the licence areas of the other exploration projects.

2.2 **Shaanxi Projects**

The Projects located in Shaanxi are owned by Shaanxi Jiatai-Hengrun Mineral Resources Development Company Limited. The mineral rights for the Shaanxi Projects are outlined in ***Table 2-7*** below.

Table 2-7 Xinjiang and Shaanxi Polymetallic Projects - Shaanxi Project's Licence Details

PROJECT	MINERAL	LICENCE	SIZE (sq.km)	PRODUCTION (Mtpa)	ELEVATION (m)	LICENCES EXPIRY
Huaba	V	EL	11.41	n/a	n/a	30 April, 2011
Huanjinmei	Au	EL	4.29	n/a	n/a	31 October, 2011*

* *MMC notes that approval has been given for the Mining licence, for a production capacity of 200Ktpa, however the licence is yet to be received.*

MMC provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

2.2.1 **Project Location**

The Shaanxi Projects are all located within driving distance to the Provincial capital city of Xi'an, which is located in central China approximately 700 km south-west of Beijing. Xi'an lies on the Guanzhong Flood Plain (see ***Figure 2-3***) and borders the northern extension of the Qinling Mountains to the south and the banks of the Wei River to the north.

Shaanxi has a continental semi-arid climate that borders on a humid subtropical climate. Depending on the location within the province, the climate can be categorized as a hot semi-arid climate or a cold semi-arid climate. The region is characterised by hot humid summers and cold dry winters, with brief spring and autumn seasons. Shaanxi receives the majority of its annual precipitation between August and late October with snow occasionally falling in winter, which rarely accumulates. Summer months experience frequent but short thunderstorms and occasional dust storms. The yearly average temperature is 13.7^{o}C and ranges from around freezing in January to 26.6^{o}C in July.

Huaba

The Huaba Project is located near the village of Zuolong in Langao County. The village of Zuolong is approximately 59km from the cities of Lango and Ankang and is connected by the provincial highway 207. The city of Ankang is accessed by the dual lane state highway from Xi'an, which is approximately 400km to the south (***Figure 2-3***).

Huangjinmei

The Huangjinmei Project is located 15km by tarred road from the regional town of Jinchuan, in the county of Ningshan. The town of Jinchuan is located approximately 140km south of Xi'an City and is connected by the G210 state highway to Shaping.

2.2.2 **History of Exploration**

Huaba Deposit

In the early 1960's the Geological Brigade of the Qinlin Mountains district carried out regional geological mapping in the area of the Huaba deposit. Subsequently in 1966 the formation, structure, magmatism and mineral resources of the Ankang region were mapped, however the scale of this mapping was not supplied to MMC.

In the early 1980's, geochemical sampling on a 1:200,000 scale was conducted in the region on a 1:50,000 scale in the vicinity of the village of Zuolong. The results of these samples identified anomalies of phosphorus, copper, vanadium and other metals. No information was supplied as to which group completed these works.

In 1998 and 1999 the Bureau of Geology and Mineral Resources Exploration of Shaanxi Province completed 1:50,000 scale geological mapping in the vicinity of Zuolong. This mapping distinguished the rock formations and stratigraphic sequence of the area.

Preliminary exploration works were completed by the Jiatai Mine Company Limited of Shaanxi Province from April 2005 to September 2006. In 2008 the Shaanxi Nonferrous Metals Geophysical and Geochemical Prospecting Brigade completed further works on the identified mineralised areas. The works completed during this period are summarised in ***Table 2-8***.

Table 2-8 Xinjiang and Shaanxi Polymetallic Projects - Huaba Project Summary of Exploration Works Completed post 2005

YEAR	ACTIVITY	UNIT	AMOUNT	COMMENT
2005-2006	1:10,000 Sketch Geological Map	sq. km	88.63	
	1:2,000 Topographic Surveys	sq. km	2	
	1:1,000 Geological Profiling	m	5,000	
	1:1,000 Cross Section Profiles	m	2,000	
	Diamond Drilling	m	1,801	6 Holes Completed
	Shallow Pitting	m	108	
	Trenching	cu. m	4,586	
	Trench Sampling	cu. m	12,359	
	Sample Assaying	cu. m	18,683	
	Rock and Mineral Identification	each	39	
	GPS Measurement	point	28	
	Geochemical Exploration Samples	each	867	
2008	1:50,000 geological survey and geochemical prospecting			

Source: MMC viewed original document.

Huangjinmei Deposit

In the early 1960's, the Exploration Brigade of Qinling Region carried out 1:200,000 regional geological surveys and preliminary studies on the stratigraphy, tectonics, magmatism and mineral resources in the region.

In the early 1980's, 1:200,000 scale geochemical prospecting was conducted, which identified the Huangjinmei gold anomaly.

In the late 1980's, a 1:50,000 stream sediment survey was performed in the vicinity of the Huangjinmei anomalous area.

The Geophysical and Geochemical Brigade of Shaanxi Provincial Bureau of Geological Exploration completed additional geochemical prospecting on a 1:50,000 scale to further delineate the anomalous area from the late 1980's to the early 1990's.

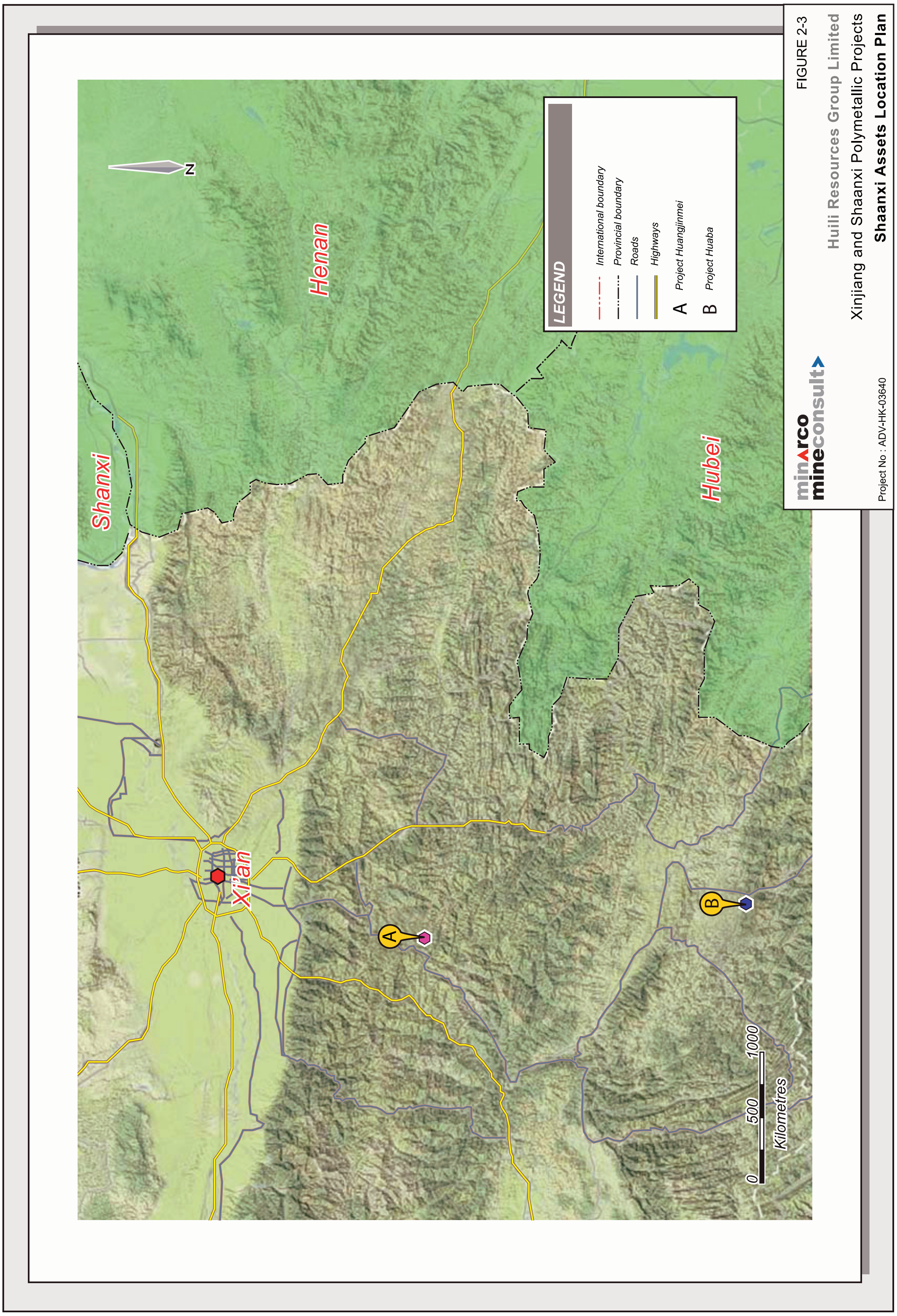
The Xi'an Institute of Geology and Mineral Resource Development under the direction of the Shaanxi Provincial Bureau of Geological Exploration carried out further survey works over the anomalous area from 1996 to 1998. However no details from these works were supplied to MMC.

The Xi'an Institute of Geology and Mineral Resource Development also carried out surveys of the Huangjinmei Project and delineated the main mineralised bodies from February 1999 to February 2003.

The Shaanxi Mineral Development and Trade Company carried out general surveys of the project from February 2003 to June 2006, which included underground development from two adits namely the PD1 and the PD2.

In 2005 gold resources were estimated in accordance with the Chinese standards by the Xi'an Institute of Geology and Mineral Resource Development under direction from the Shaanxi Provincial Bureau of Geological Exploration and submitted a report titled "Report of General Survey in Huangjinmei Mine in Ningshan County of Shaanxi Province". A review was organized by the Xi'an Institute of Geology and Mineral Resource Development. The details of this review have not been supplied to MMC.

Figure 2-3 Xinjiang and Shaanxi Polymetallic Projects —Shaanxi Assets Location Plan



3 GEOLOGY

3.1 Xinjiang Projects

3.1.1 Regional Geology

The Xinjiang Projects are located within various areas of the eastern Tianshan orogenic belt. The geology of the region is dominated by a series of volcanic and sedimentary units from the upper Paleozoic Era, however locally some Cainozoic sedimentary rocks have been deposited. The rock types have been divided into mappable units according to the mineral composition. These groups are described from oldest to youngest:

- **Lower Carboniferous series of Yamansu group -** The Carboniferous series generally outcrop in the east of the region to the east of Kushui and is generally conformable with the granitic basement below. The Yamansu group has been further subdivided into two subgroups:

  - **The first subgroup -** This group is composed of grey, purple and green dacitic crystal tuff, andesitic tuff, grey dacitic tuff, dacitic lithic crystal tuff and andesite, with small amount of carbonaceous slate and calcareous slate, and regionally the thickness is up to 2,500m, and

  - **The second subgroup -** This group is composed of grey, light grey and grey-green limestone, argillaceous rock, sandstone, tuff of acidic rock composition and metamorphic rocks such as slate, phyllite and sericite-chlorite schist.

- **Medium-Upper Carboniferous series -** This group is generally composed of rhyolitic or dacitic tuff, breccia tuff, dacitic volcanic breccia, andesitic tuff with rhyolitic porphyry, dacitic porphyry, andesite and limestone lenses. The thickness of the unit is up to 3,376m and is separated from the Lower Carboniferous series by a regional fault;

- **Upper Carboniferous series -** This group is generally composed of interbedding of calcareous, siliceous slate and conglomerate, with limestone and sandstone. The lithology changes to be marked by dacitic tuff, tuffaceous siltstone with dacitic slate along the strike. The thickness of the upper section is larger than 3,821m, and

- **Jurassic -** The Jurassic series of rocks host a great variety of sedimentary sequences which overlie the former groups.

The majority of the region is covered by Tertiary and Quaternary unconsolidated sediments of red-brown conglomerate, sandstone and siltstone grain size. Some localised clays and mudstone sized grains are also found in the valleys between the hills.

Several tectonic events have occurred which have resulted in folding structures being widely developed. Many of the east-west trending fold structures are cut and deformed by subsequent faulting. Regional heating and fluid flow during these tectonic events have resulted in a lower green schist metamorphism occurring in the majority of the rock units of sedimentary origin.

The fold structures include a series of anticlines and synclines which form a regional scale synform. The individual fold systems have been named the Tianshan (I), the Eugeosyncline of north Tianshan (II), the Jueluotage anticline (III), the Kushui syncline (IV), the northern limb of Shankou-Shuangchagou anticline (V) and the Kakeqiale-Hongqiuling depression (V). These fold systems are then sub divided into various smaller local scale fold structures which control major mineralised events in the region, including the deposits within the Projects.

The majority of faults are regional scale thrust faults and form tectonic boundaries of the main structural and lithological units in the region. The major fault structures are commonly associated with the main regional scale tectonic events described above. Several smaller local scale fault/ductile systems have developed, which are conjugate or parallel systems to the main east west trending regional structures. The smaller scale structures are usually low angle systems and trend in a north-west or north-east orientation.

Magmatic rocks are widely distributed in the region and mainly consist of ultramafic, granite and diorite with minor mafic intrusions. The main magmatic activity occurred during the Variscan phase and was very frequent and intense during the middle of this period. The intrusive bodies are commonly controlled by regional and local fault structures. The periodite and ultramafic intrusive units generally host the main Cu-Ni mineralisation within the region.

3.1.2 **Deposit Geology**

No.2, No.20, H-989, Heishan and Huangshan

The No.2, No.20, H-989, Heishan and Huangshan Projects are all close in proximity and as a result are hosted with the same sequence of rocks and have similar mineralisation styles.

The local geology in the area of these Projects is dominated by units of the Middle Carboniferous, in particular the Gandong group (C2g) from within the Yamansu series. The Gandong is a sequence of sedimentary and volcanogenic units composed mainly of conglomerate, gravel bearing sandstone, carbonaceous siltstone and tuffs. All units appear to strike slightly north of east and dip to the south between 70^{o} and 85^{o}. The Gandong unit is divided into the lower, middle and upper groups which are separated by fault structures.

As noted previously the magmatic events mainly occurred in the middle Variscan period of the Middle Carboniferous and consisted of numerous intrusions on a regional scale. Intrusive events in the vicinity of the projects are generally fault bound and composed predominately of basic and ultrabasic units of plagioclase-hornblende olivinite, altered olivinite, hornblende gabbro, pyroxene-hornblende olivinite, gabbro-norite, gabbro and diorite. Quartz veins and small granitic, dioritic, and pegmatitic diorite dykes are also located in the area.

The basic-ultrabasic olivinite rocks host the mineralisation within the Project areas.

Numerous localised faults are located within the licence boundaries, which offset geology and mineralisation and generally have a north-west orientation.

Mineralisation hosted by the ultrabasic and basic units is mainly associated with disseminated sulphide minerals and sulphide veins and veinlets. Mineralisation often occurs at the base of the magmatic layer with the intrusive body; however minor mineralisation occurs in the mafic rocks lower in the magmatic layering sequence. The sulphide minerals pentlandite, chalcopyrite and bornite contain the majority of the Ni and Cu mineralisation, while pyrite, cobalt pyrite, violarite, cubanite, and arsenopyrite also commonly occur as gangue minerals.

The contact of the mineralised zones are always sharp, however mineral boundaries are often diffused suggesting metamorphism and deformation have remobilised some of the mineralisation.

Alteration is strongly developed in the host rock both adjacent to and within the mineralised lenses. Alteration commonly consists of graphitization (probably sources from the nearby carboniferous slates and marbles), wollastonite, diopside, and garnet are also commonly found in the host rock.

The characteristics of mineralisation in the area are well understood due to the long history of mining. The geometry of mineralisation varies within the different Project areas; however all occur as lenses within layers of the ultrabasic and underlying mafic units. The lenses generally range in length from 50m to over 300m and have a width ranging from <1m to over 5m. All lenses strike east-west and dip approximately 60° to the south.

Review of the 3 dimensional shapes of the mineralised lenses constructed by MMC indicated that a westerly plunge occurs in the No.20 deposits; however this is not seen in any other area in the district. A number of faults and fault splays appear to have a major control of the geometry of the lenses, however, the displacement of these faults is only a few m at most and does not have a significant impact on mining.

Baiganhu and Baiganhu Gold

The local geology of the Baiganhu and Baiganhu Gold areas is similar to the No.2, No.20, H-989, Heishan and Huangshan areas, with similar stratigraphic units being found as described above.

Magmatic events during the middle Variscan period have resulted in three types of intrusive and volcanic rocks in the area, which include biotite porphyry, volcanic brecciate tuff and tuff. The tuff covers the majority of the area in the vicinity of the Project and consists of rhyolitic and andesitic mineral compositions.

Structurally the local area is complex and appears to be closely related to mineralisation in the area. A north-east trending fault about 6 to 7km long obliquely crosses the Project area, while an east-west trending sinistral fault transects the southern limits of the Project. Both faults appear to have multiple phases of activity and are commonly geographically associated with mineralisation.

Locally the Baiganhu Pb-Zn mineralised area is cut by two north south trending faults, however the displacement is interpreted to be small and as a result will not have a material impact on mining or the Mineral Resource.

Mineralisation is mainly hosted within a metamorphosed sandstone unit and occurs at the contact with the breccia and granitic bodies. Mineralisation is associated with galena, sphalerite, pyrite and minor chalcopyrite and other sulphide minerals and appears to be stratabound. The mineralisation occurs as disseminated sulphides and veins/veinlets within the sandstone unit.

The contact of the mineralised zones are always sharp, however mineral crystal boundaries are often diffused suggesting metamorphism and deformation have remobilised some of the mineralisation.

Alteration is strongly developed in the host rock adjacent to and within the mineralised lenses. Alteration commonly consists of calcification and silicification. The alteration zones appear associated with hydrothermal fluids moving along the fault planes as similar mineral assemblages form in the breccia and fault zones.

The ore body outcrop is affected by oxidation and secondary enrichment. Due to the climatic, vegetation, hydrogeological and geomorphologic characteristics of the region, the oxidation prevails over secondary enrichment. Oxidation at the breccia and diorite contact is intensive and represented by limonitisation and jarosite with chalcopyrite oxidised to covellite and malachite. Hypergene oxides, especially anglesite coating on the surface of galena, indicates strong oxidation. The oxidation zone within the mineralised zone commonly reaches a depth of 10 to 20m.

The Baiganhu Project consists of three parallel mineralised lenses which strike east west and dip to the south at approximately 50˚. The three lenses have similar geometry with a strike length of approximately 800m and width ranging from 2m to 3m, with the current drilling defining the lenses to a depth of 300m.

Review of the 3 dimensional shapes of the mineralised lenses constructed by MMC indicates that mineralisation remains open along strike and down dip. However internal review of the assays within the lenses indicates an easterly internal plunge of approximately 45˚.

Yin'aoxia, Hongshanpo, Xidagou

Due to the very early stage of exploration, limited data is available for these areas. The rock types are similar to those described previously for the other Xinjiang areas and rocks observed in the field consist of dioritic and dacitic tuffs, sandstone and mudstones.

Vast areas of the Projects are covered by quaternary alluvium formed by the weathering and erosional deposition of nearby rocks.

3.2 **Shaanxi Projects**

3.2.1 **Regional Geology**

Huaba Deposit

The Huaba deposit is located within the northern limb of Huangniba metamorphic regional dome structure. This structure is located in the Bashan Mountain nappe, a sheet like allochthonous terrain of the early Palaeozoic Baishui River-North Dabashan Mountain rift zone. This area forms part of the northern margin of the Yangtze Plate.

The Project is hosted by the Ziyang-Pingli strata, at the northern wall of Hongchunba-Zengjiaba Fault. The stratum is composed predominantly of sediments of marine origin and has been subdivided into formations based on mineralogical composition. The main formations in the region consist of the following from oldest to youngest:

- **Yang-ping Formation (Pt2yp) -** The upper portion of the formation consists of sericite-quartz schists interbedded with gravel and chlorite-quartz schists. This portion lies above fine grained greywacke and tuffaceous rocks, containing metamorphic feldspars and quartz. The thickness of the formation averages 730m;

- **Yao-ling-he Formation (Pt3yl) -** The upper portion of the formation consists of calcareous-chlorite phyllite, while the lower portion consists of glaucony (bluish-green) schist with gravel interbedding, tuffaceous rock with epidote, sericite and chlorite and intercalations of greywacke. This formation has an average thickness of 750m;

- **Dou-shan-tuo Formation (Z2d) -** The formation consists of calcareous and carbonaceous black slates, with sericite and occasionally pyrite occurring. This formation ranges in thickness from 320m to 530m and hosts the Vanadium mineralisation;

- **Deng-ying Formation (Z2-e1) -** The formation is composed mostly of dolomite occasionally interbedded with thin-bedded silica-carbonaceous slates. The thickness of the formation ranges from 230m to 980m;

- **Lu-jia-ping Formation (1l) -** The formation consists of thick layered cherts in the lower portion and black siliceous-carbonaceous slates in the upper portion. Occasionally carbonaceous limestones are interbedded in the formation, which ranges in thickness from 280m to 730m;

- **Jian-zhu-ba Formation (j) -** The formation is mainly composed of limestones with interbedding of carbonaceous and siliceous-carbonaceous slates. The thickness of the formation averages is 360m, and

- **Dong-he Formation (Odh) -** The lower portion of the formation consists of grey slates and sericite phyllite slates with thin interbedding of sandy limestone. In the upper portion consists of sericite-phyllite slates, silty slates, and pyroclastic volcanic rocks. The thickness of the formation ranges from 310m to 750m.

The region is situated within the northern limb of Ziyang-Zuolong Anticlinorium at the curvature on the westward oriented limbs. This system is composed of numerous folds and faults, which generally have a north-west orientation.

Three dominant fault sets are found in the region and are grouped according to their orientations, which include the north-west, meridional and latitude striking fault sets. These fault sets appear closely associated with mineralisation within the region, with several deposits commonly occurring along these faults.

Magmatic events in the Huaba area are rare with occasional volcanic dykes. No significant igneous bodies are present, although small gabbro, syenite porphyry and lamprophyre dykes have intruded concordant to the bedding planes.

Huangjinmei

The Project is hosted in upper Devonian rocks, which dominate the region and host the majority of gold occurrences. The stratum is composed predominantly of sediments of marine origin and has been subdivided into formations based on mineralogical composition and age. The main formations in the region consist of the following, from oldest to youngest:

- **Dengying Formation (Zdy)** - The formation is of Proterozoic Sinian age and composed of medium bedded marble of grey-white colour and is of tidal near shore coral sedimentary origin.

- **Shuigoukou Formation** - The formation from the Cambrian Period is composed mainly of black siliceous and carbonaceous schists interbedded with carbonaceous crystalline limestone. The formation is of a deep marine environment and appears in parallel unconformity with Dengying Formation.

- **Shiwengzi Formation** - The formation is composed mainly of thick bedded crystal limestone with local white block dolomitic marble. It has a flat carbonate tidal sedimentary origin.

- **Bailong Valley and Xichakou Formations** - The formations of Ordovician and Silurian age are composed mainly of marble and dolomitic limestone and two-mica calcite schists separated by a regional fault.

- **Xichakou Formation** - The formation consists of two-mica quartz schist units mixed with small amount of granulite and medium bedded marble.

- **Dafeng Valley Formation** - The formation is of Middle Devonian age and consists of a light grey sericite quartz schist, grey-white thick marble, muddy sandstone and medium bedded crystalline limestone.

- **Gudaoling** - The formation is mainly grey, medium bedded, muddy and sandy limestone interbedded with crystal limestone, along with dark grey biotite quartz schist and grey-green thick bedded tremolite marble.

- **Xinghongpu Formation** - The formation of Upper Devonian age consists mainly of grey medium bedded metasandstone, quartz metasandstone interbedded with grey-green medium bedded diopside and tremolite marble, and

- **Tongyu Temple** - The formation is mainly composed of green sericite phyllite, containing tuff interbedded with relicts of siltstone and bands of calcareous metasandstone.

The region is located within the Qinling Fold Belt, which was formed during intense tectonic activity in the late Paleozoic. The belt has a north-north-west orientation and consists of a system of anticlines, synclines, thrust faults, shear strike slip faults and ductile shear zones.

The faulting in the area is generally parallel to the strata or in a north-east direction. These north-east orientated faults generally control the emplacement of intrusive vents, which occurred in the early Mesozoic era. These intrusive events consisted mainly of medium-coarse grained hornblende-biotite granite plutons. Several other smaller intrusive events occurred in the Middle Proterozoic and consisted of schistose plagioclase and mica granite porphyry.

3.2.2 **Deposit Geology**

Huaba Local Geology

Generally, the stratigraphy in the area of the Project has a north-west trend and consists of all the formations noted above with the exception of the Yang-ping formation. These rocks, subsequent to their deposition have been metamorphosed and deformed to form slates, phyllites and schists. Typically the upper greenschist facies is the highest metamorphic grade reached, however localised granulite facies occasionally occur.

Local isoclinal folding associated with the regional folds is commonly found in the area. These folds appear parallel to the main strata orientation and have formed as a result of regional tectonic events in the Sinian. Two faults sets are found in the local area and these faults can be classified into two groups according to their spatial orientation; the north-west striking faults and north-south striking faults.

Huaba Mineralisation

Vanadium mineralisation within the area is hosted by the Dou-shan-tuo formation and more specifically the lower calcareous phyllites and slates. Exploration to date indicates that the mineralisation is strataform and substitutes into the clay and mica mineral crystal lattices, such as sericite.

Sericite is by far the most common mica mineral found in the area and is concentrated in the clay and silty layers within the formation. Post sedimentation processes appear to have influenced the distribution of the Vanadium with evidence of remobilisation and crystallisation being observed during the site visit.

Huaba Project Characteristics

The Huaba Project is a single large strataform mineralised body that has a total surface exposure of more than 4,800m and a thickness ranging from 20m to 140m. As it is a strataform deposit, the orientation is parallel to the stratigraphy in the north-west direction with a dip approximately 70˚ to the east.

Although the main mineralisation is known to occur in the lower portion of the formation, several smaller lower grade bodies occur in the upper portion of the formation. However, these are still closely associated with silty layer containing high concentration of sericite and clay minerals.

Huangjinmei Local geology

The geology of the Huangjinmei Project is dominated by the Xinghongpu Formation of the Upper Devonian system, which has been metamorphosed to low amphibolites facies. Locally the Xinghongpu Formation consists of a number of units and sub units depending on the mineral composition of the rocks, which commonly consist of mica schists, sandy limestones, limestones and marbles. The structure of the area is dominated by the north-east tending fault sets, which appear to host the majority of mineral occurrences in the area.

Huangjinmei Mineralisation

As noted previously the gold mineralisation in the area is closely associated with the northeast trending fault structures within the Xinghongpu formation of the upper Devonian. Gold mineralisation is commonly hosted by sandstone units, which have been strongly altered in close proximity to the mineralised zones. Alteration commonly consists of silification and/or pyritization. Although pyrite is commonly found in the host rock it appears to be closely associated with high grade mineralisation when is occurs on the salvages and within the Au bearing veins.

Veining is always associated with structures within the host rocks and commonly has a fault gouge on the contact with the host rock ranging from 0.1m to up to 2m.

Huangjinmei Project Characteristics

Four mineralised bodies have been defined to date within the Huangjinmei gold deposit. These include the main bodies I and III and the minor bodies II and IV. The bodies basically are concordant with the surrounding host fracture zones and the regional tectonic belt which hosts the mineralised occurrences with an overall strike of 20˚ and a dip to the south ranging from 50˚ to 60˚. The geometry of the mineralised bodies pinches and swells along strike, however, the overall thickness averages 6.5m with a maximum width of 8.5m.

4 DATA VERIFICATION AND MINERAL RESOURCE

MMC conducted an exhaustive review of the digital data provided by the Company for the Xinjiang and Shaanxi Projects. During this review MMC noted some inconsistencies with the data provided, these included:

- Differences between the digital drill hole locations and the geological maps;
- Differences between the drill hole logs, channel sampling plans and digital spread sheets;
- Differences between the names recorded on the geological and observations in the field locations;
- Incomplete channel sample (missing sample intervals on plan);
- Additional holes on geological maps not supplied in digital data, and
- General data entry errors.

During discussions with the Company it was determined that the errors were the result of incorrect data entry or miscommunication, rather than a fundamental systematic data error. These issues were subsequently corrected in the digital data and then used for the Resource estimation.

Further checks of the digital data by MMC included:

- The Company provided scanned copies of the original assay certificates for all of the holes and trenches completed to date. Comparisons of these certificates with the digital database indicated no errors;
- Checked the relative position of the drill hole collars and shafts using a GPS. Although some inconsistencies were noted, the majority of locations were consistent with the plans and digital datasets provided;
- Inspected underground workings (where practicable) to determine the accuracy of the mining plans, areas of historical and current mining and underground drill hole and channel sampling location and orientations;

- View and compared the original drill hole reports to the digital database, and

- Inspected the remaining drill core and underground workings to ensure observed mineralisation is consistent with the supplied assay results and the sample locations are accurate.

Although MMC has not witnessed the sampling methodology, the Company supplied the assay and sampling procedures of the core and channel samples in writing. Upon review of these procedures MMC believes that industry standard practices are being used. Therefore MMC consider these samples appropriate for use in a Resource estimate.

4.1 Quality Assurance and Quality Control

4.1.1 Internal and External Duplicate Checks

The quality assurance and quality control data supplied to MMC included internal and external duplicate samples. The internal duplicate samples were taken from the crushed material, while the external duplicates where taken from the pulverised material. The number of the duplicate samples for eachProjectis shown in ***Table 4-1***, while the comparison to the original sample is shown graphically in the scatter plots in ***Figure 4-1*** and ***Figure 4-2***.

A review of these scatter plots indicates that generally there is a good correlation between the original sample and the duplicate samples, however there is one notable exception. The No.2 internal duplicate sample shows significant variability with a poor correlation with the original sample. MMC believes this variability is partly due to mislabelling of the samples and also the relative high nugget effect in the deposit.

As noted previously the material for the internal duplicates is taken from the initial crushing that occurs in the sample preparation process. As a result this material is not homogenous, which causes variability in the correlation. MMC notes that although some variability is expected, the observed variability is high, particularly when compared with the No.20 scatter plot, which is a similar style of mineralisation.

Table 4-1 Xinjiang and Shaanxi Polymetallic Projects - Duplicate Samples for each Deposit

PROJECT	INTERNAL	EXTERNAL
Huangshan East No. 2	20	20
Huangshan East No. 20	20	20
H989	20	30
Baiganhu	35	35
Huaba	72	39
Huangjinmei	18	11

4.1.2 **Independent Pulp Re-assaying**

During the data validation process MMC collected a total of 247pulp samples, which were submitted to the independent Intertek Laboratories in Beijing, PRC. The samples collected included 40 from No.2, 36 from No.20, 10 from H989, 66 from Baiganhu, 35 from Huangjinmei, 47 Cu and 60 V_2O_5 samples from Huaba. A review of this data by MMC shows a good correlation between the original and duplicate sample however there is evidence for a slightly high bias from the primary laboratory used as shown in the scatter plots in ***Figure 4-3***.

All analyses completed by Intertek used four acid digestion methods with the following determination methods: 30 gram Fire Assay for Au at Huangjinmei, 50 gram ICP-MS for Cu at Huaba and 50 grams ICP-MS for Ni/Cu and Pb/Zn at No.2, No 20, H989 and Baiganhu.

4.1.3 **Data Quality Review**

The review of the drilling and sampling procedures completed by MMC indicates that some poor practices were used, including the incorrect core splitting and inaccurate recording of core recovery. MMC believes these practices will not have a material impact to any Mineral Resource estimate due to the style of mineralisation at the No.2, No.20 and H989 deposits, a good correlation of the results to the previous drilling and the relatively good reconciliation to historical production.

The QA/QC results indicate that some inconsistent sample preparation procedures have occurred, however the vast majority of the internal and external duplicate samples have good correlations to the original samples. Further to this is excellent correlation of the original samples to the independent check assays completed at the Intertek laboratory. As a result MMC believes the sample preparation and assay determination procedures have not resulted in any sample bias.

4.1.4 **Data Verification Statement**

As a result of the above data verification, the digital database used as the basis for resource and reserve estimation is supported by verified certified assay certificates, original drill logs and independent assay and survey data. Therefore MMC believes there is sufficient data to enable the use of this data in a Mineral Resource estimate and resultant classification following the guidelines set by the JORC Code.

Figure 4-1 Xinjiang and Shaanxi Polymetallic Projects - Shaanxi Internal and External Scatter Plots

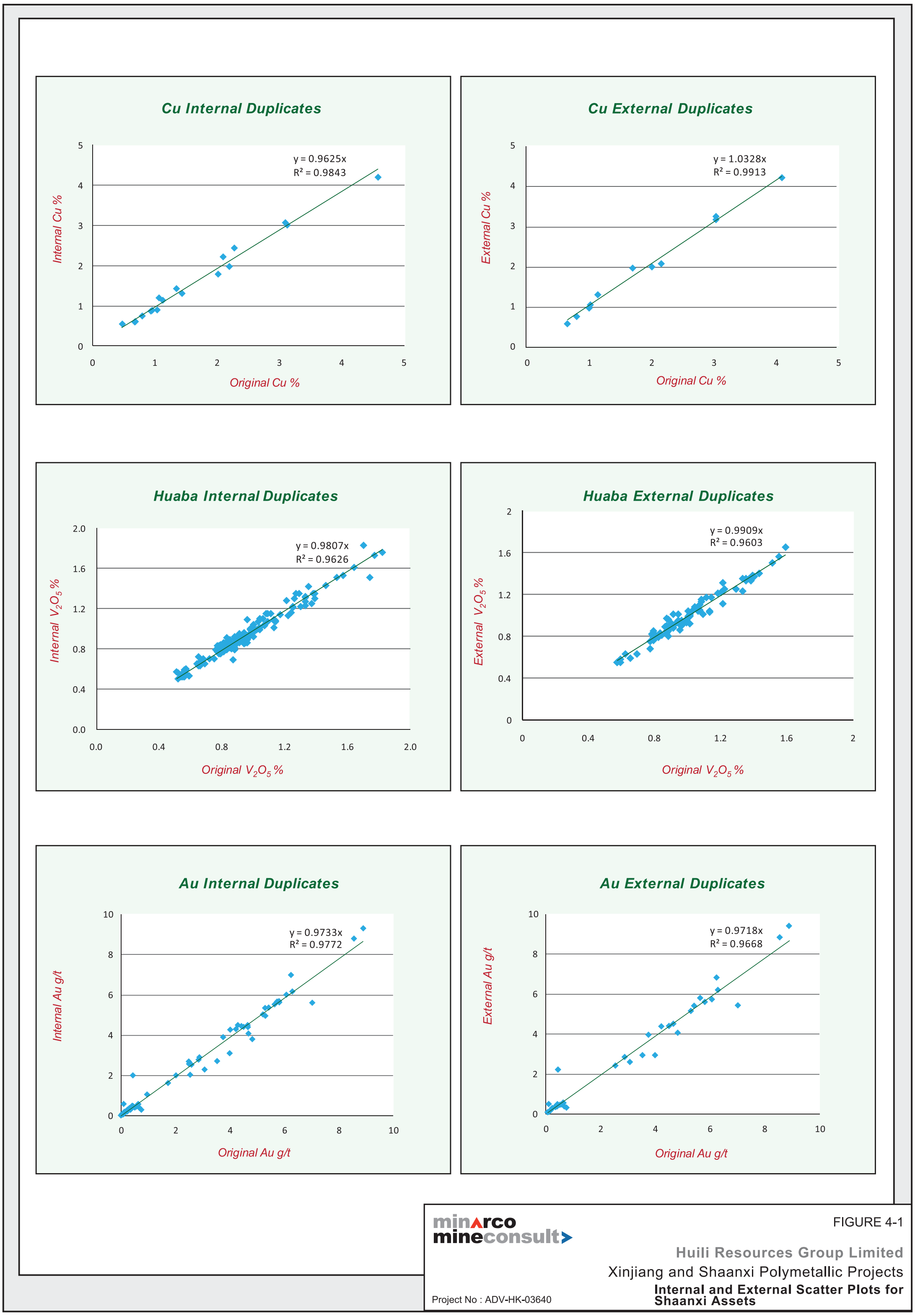


Figure 4-2 Xinjiang and Shaanxi Polymetallic Projects - Independent Re-Assays for Shaanxi Assets

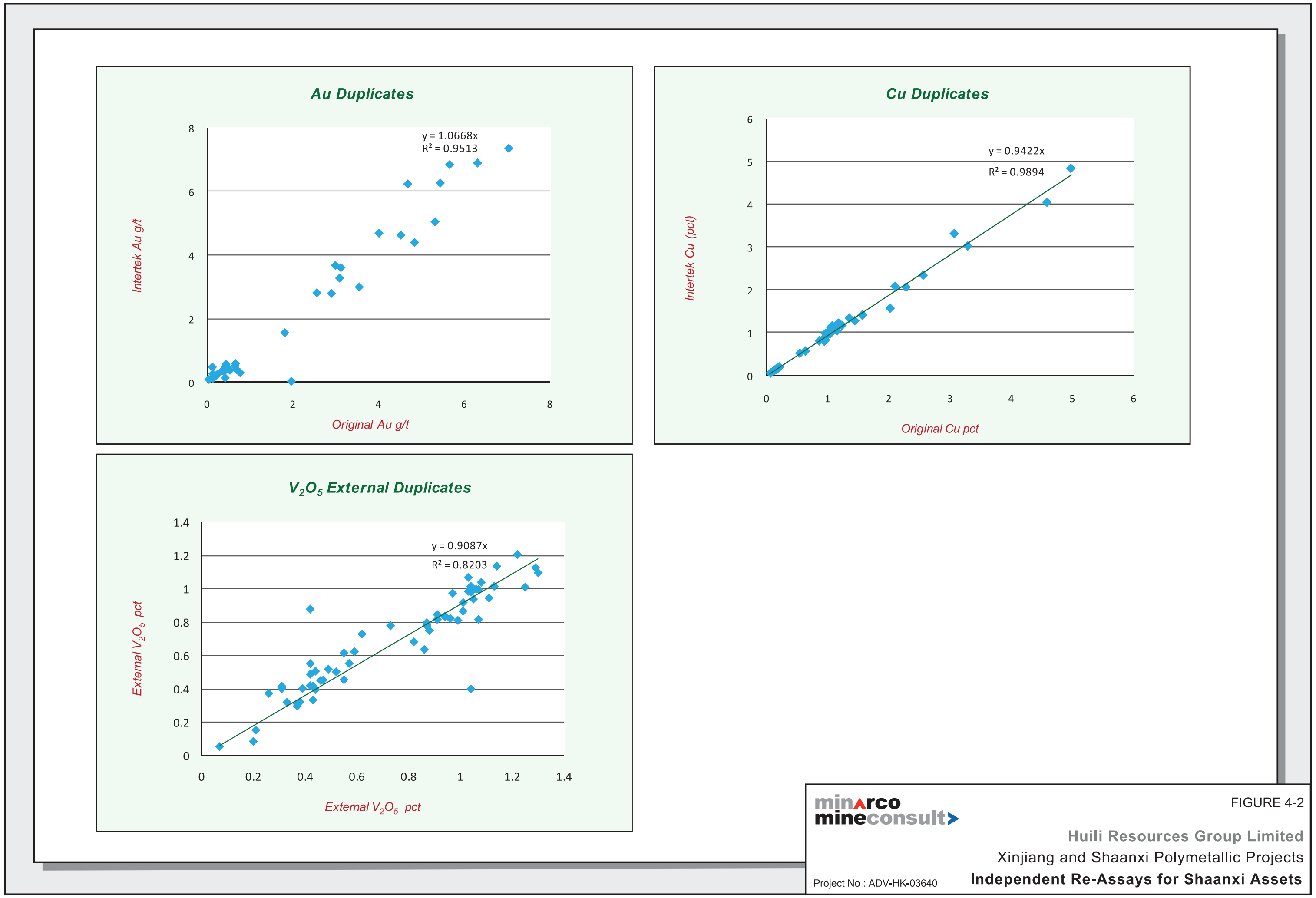


Figure 4-3 Xinjiang and Shaanxi Polymetallic Projects - Xinjiang Internal and External Scatter Plots

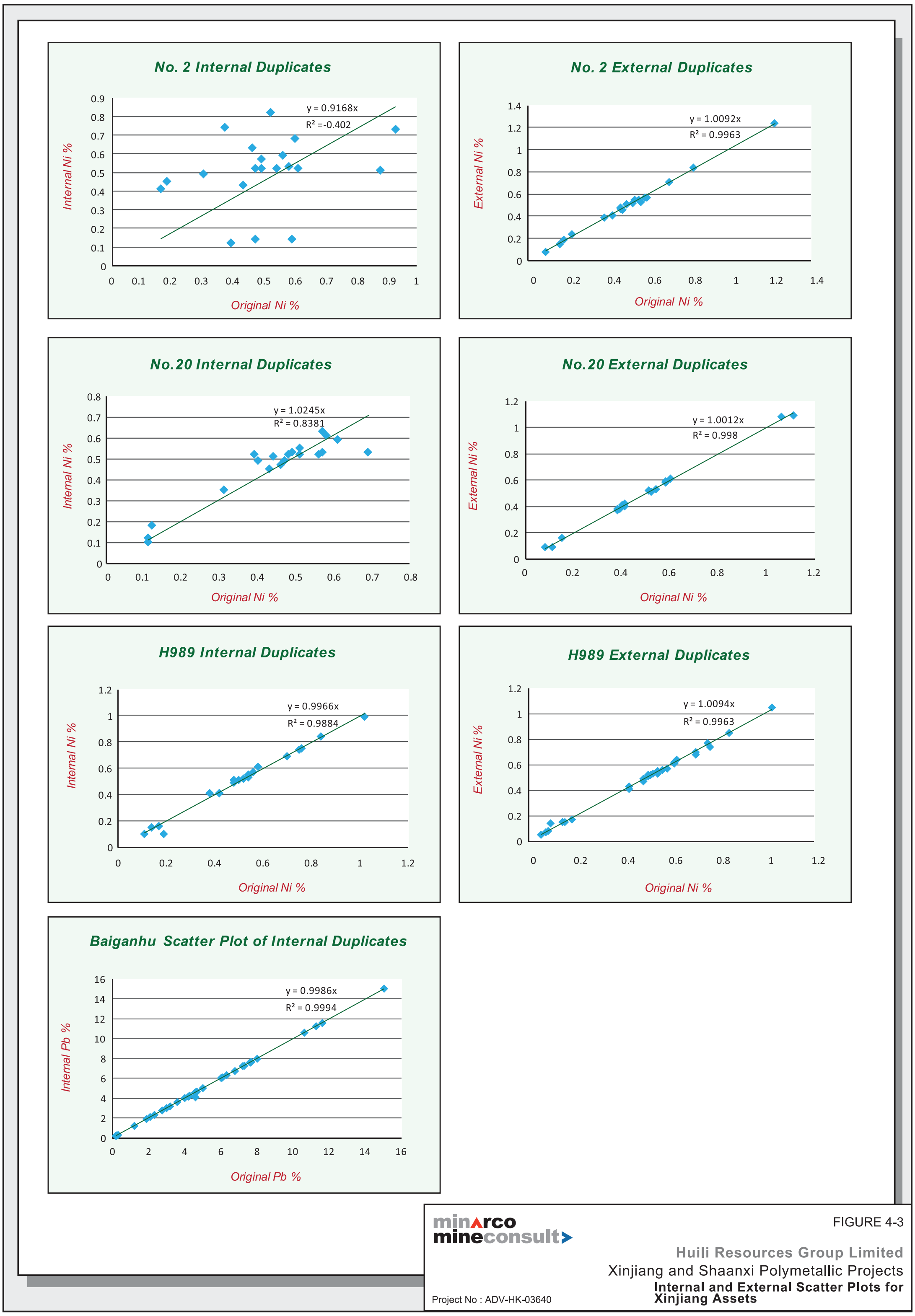
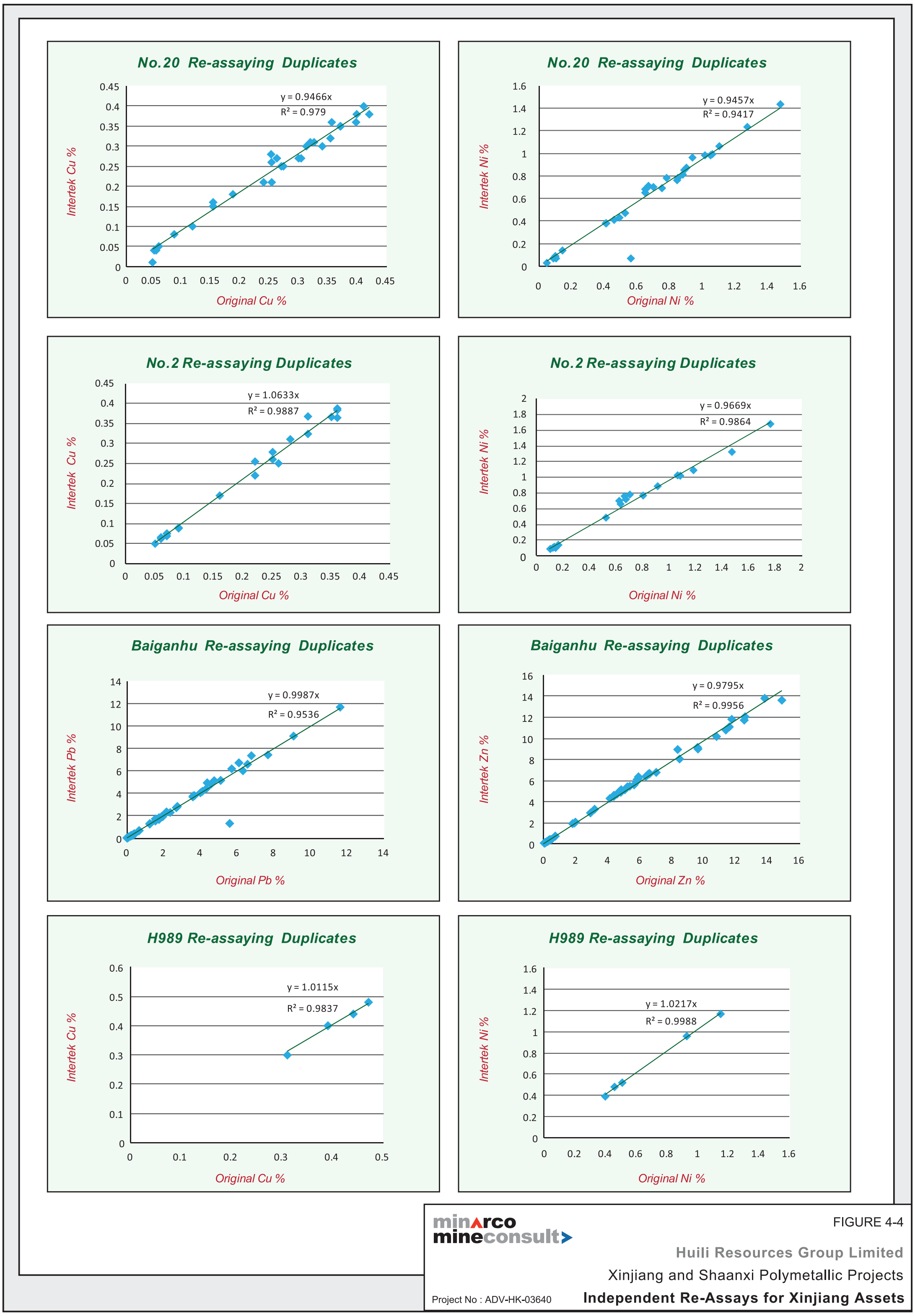


Figure 4-4 Xinjiang and Shaanxi Polymetallic Projects - Independent Re-Assays for Xinjiang Assets



4.2 Mineral Resource Estimation

MMC has completed a standalone Resource Report and Statement for the Xinjiang and Shaanxi Projects within the Project areas, for which JORC Mineral Resources have been estimated. The reports, entitled 'Xinjiang Polymetallic Resource Estimate Report' and 'Shaanxi Resource Estimate Report' have been compiled with appropriate 'Competent Person Sign Off' by Mr Jeremy Clark. This ITR document contains extracts from these standalone JORC Resource Reports.

4.2.1 Results

MMC has independently estimated the Mineral Resources contained within the Mining and Exploration Project, based on the data collected by the local Chinese Bureau as at August 2011. The Resource estimate and underlying data complies with the recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves prepared in 2004 by the Joint Ore Reserves Committee (JORC). Therefore it is suitable for public reporting. The MMC JORC Mineral Resource estimates for the Xinjiang projects are summarised in ***Table 4-2*** while the estimates for the Shaanxi projects are summarised in ***Table 4-3***.

The Mineral Resources for the Xinjiang projects are reported using a 0.2% Ni cut-off for the No.2, No.20 and H989 Projects, while a 1% Zn cut off was used for the Baiganhu Mineral Resource estimate. The Shaanxi projects were reported using a 0.5% V_2O_5 and Cu cut-off or the Huaba Mineral Resources, while a 1g/t Au cut-off was used for the Huangjinmei Mineral Resource.

Table 4-2 Xinjiang and Shaanxi Polymetallic Projects — Statement of Mineral Resources for Xinjiang Projects as at 2nd August 2011

Mineral Resources for No.2, No. 20 and H989 (0.20% Ni Cut-off)						
Project	**CLASSIFICATION**	**QUANTITY (kt)**	**Ni GRADE (%)**	**Cu GRADE (%)**	**Ni METAL (t)**	**Cu METAL (t)**
Huangshan East No. 2	Indicated	910	0.64	0.25	5,790	2,280
	Inferred	570	0.49	0.22	2,820	1,270
	Sub-Total	1,470	0.58	0.24	8,610	3,550
Huangshan East No. 20	Indicated	1,330	0.71	0.24	9,430	3,150
	Inferred	1,260	0.69	0.25	8,660	3,160
	Sub-Total	2,590	0.7	0.24	18,090	6,310
H989	Indicated	3,390	0.49	0.23	16,540	7,750
	Inferred	2,370	0.51	0.19	12,100	4,390
	Sub-Total	5,760	0.5	0.21	28,640	12,140
Total	Indicated	5,630	0.57	0.23	31,770	13,180
	Inferred	4,200	0.56	0.21	23,580	8,810
		9,830	0.56	0.22	55,340	21,990

Mineral Resources for Baiganhu (1.00% Zn Cut-off)

Project	CLASSIFICATION	QUANTITY (kt)	Zn GRADE (%)	Pb GRADE (%)	Zn METAL (t)	Pb METAL (t)
Baiganhu	Indicated	1,730	6.57	4.13	113,540	71,440
	Inferred	2,150	6.42	3.96	137,910	85,140
	TOTAL	3,880	6.49	4.03	251,450	156,580

Note: Rounding affects the total amounts reported above. Estimate as at 2nd August 2011

Table 4-3 Xinjiang and Shaanxi Polymetallic Projects — Statement of Mineral Resource for Shaanxi Projects as at 2nd August 2011

Statements of Mineral Resources for Huangjinmei (1.0 g/t Au Cut-off)

Project	CLASSIFICATION	QUANTITY (kt)	Au GRADE (g/t)	Au METAL (t)
Huangjinmei	Indicated	1,310	2.84	3.7
	Inferred	1,870	3.00	5.6
	TOTAL	**3,180**	**2.95**	**9.4**

Statement of Mineral Resources for Huaba Project (0.5% V_2O_5 and Cu Cut-off)

Project	CLASSIFICATION	QUANTITY (kt)	V_2O_5 GRADE (%)	Cu GRADE (%)	V_2O_5 METAL (t)	Cu METAL (t)
Huaba V_2O_5	Indicated	49,900	0.80	—	398,410	—
	Inferred	53,360	0.76	—	403,660	—
	TOTAL	**103,250**	**0.78**	**—**	**802,080**	**—**
Huaba Cu	Indicated	1,330	—	1.5	—	19,870
	Inferred	1,210	—	1.23	—	14,970
	TOTAL	**2,540**	**—**	**1.37**	**—**	**34,840**

Note: Rounding affects the total amounts reported above. Estimate as of 2nd August 2011.

The resource models are undiluted, so appropriate dilution needs to be incorporated into any evaluation of the deposit.

4.2.2 **Classification**

Within the Xinjiang and Shaanxi Projects there are significant number of holes that have been completed from both underground workings and from the surface, in addition to channel sampling, which has been completed within underground workings and surface trenches. These works have been undertaken in a number of phases, on a number of spacings and in a number of orientations. As a result, sample density is variable between the different deposits, with some densely spaced samples while in other areas samples are quite sparse. Therefore, different classification systems have been utilised for each deposit, which are detailed below for each Project and shown graphically in ***Figure 4-1*** and ***Figure 4-2***.

No.2, No.20, H989

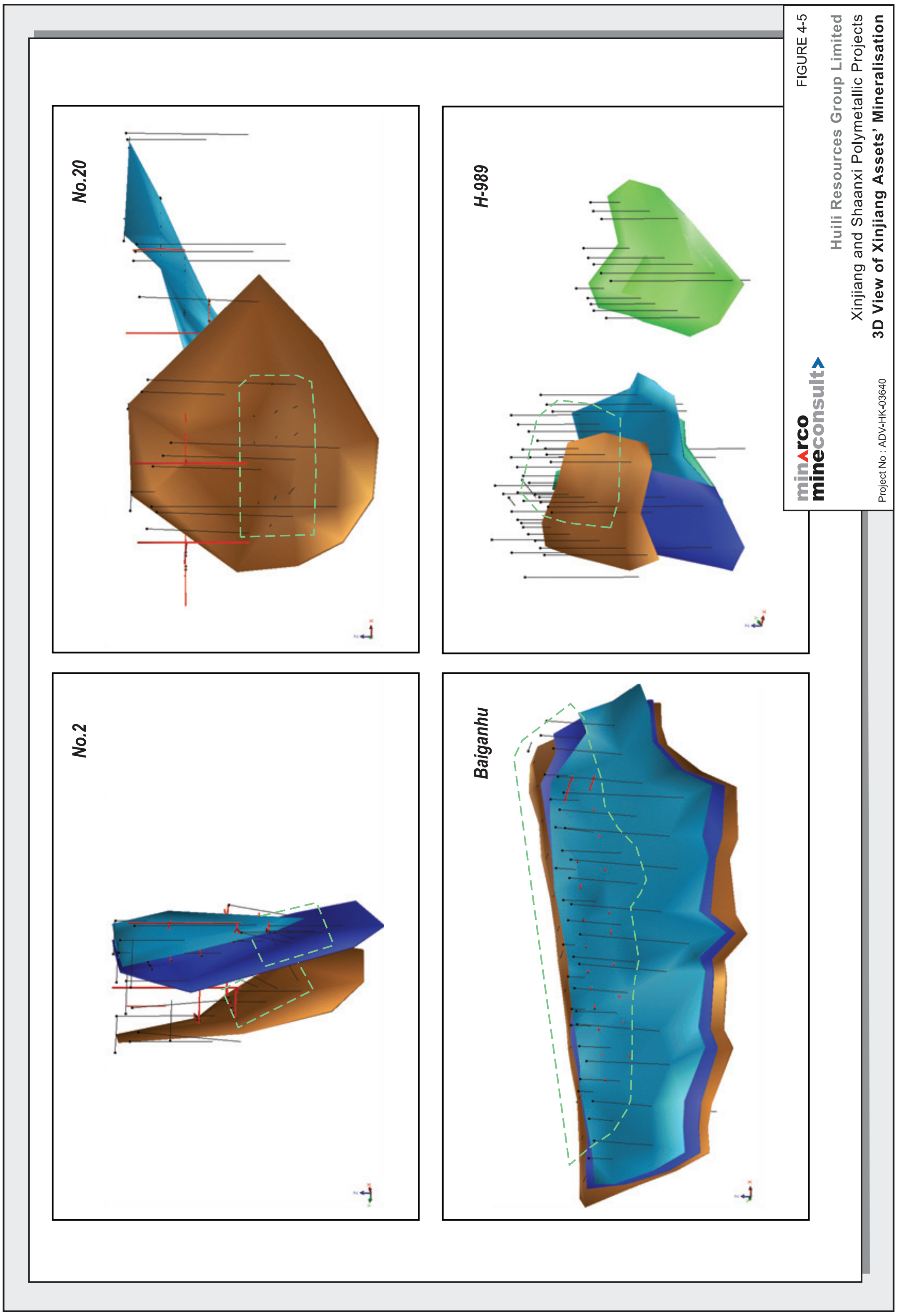
The Mineral Resources for No.2, No.20 and H989 were classified as JORC Indicated and Inferred Mineral Resources based on sampling, drill density and known mining history. Two of the veins within the deposits have a long history of mining using underground mining methods. Underground development drives have been sampled on 8 m to 10 m intervals and clearly demonstrate the continuity of the mineralisation and geometry of the veining, however they do show evidence of local grade variation. The development is currently on 30 m levels, confidence of the continuity of mineralisation and geology with portions of the Project surrounding the development levels is good. Therefore these areas have been classified as Indicated Mineral Resources. The remainder of the Project is supported by recent drilling and beyond a distance of 40 m from the development drives and up to 80 m from a drillhole, has been classified as Inferred Mineral Resources.

Baiganhu

The Mineral Resource was classified as JORC Indicated and Inferred Mineral Resource based on sampling, drill density and underground exploration drives. The three observed parallel mineralised bodies have all had channel sampling from the two levels of underground development, which demonstrate both continuity of geology and mineralisation. The two development levels are separated by approximately 40 m vertically and as a result, the confidence of the continuity of mineralisation and geology in the portion of the Project surrounding the development levels is good. Therefore these areas were classified as Indicated Mineral Resources. The remainder of the Project is supported by recent drilling and beyond a distance of 40 m from the development drives and up to 80 m from a drillhole, has been classified as Inferred Mineral Resources.

Additional elements such as Cu may exist within the Baiganhu Project in economically mineable qualities and quantities. Further exploration and mining studies would be required to evaluate the extent of this opportunity.

Figure 4-5 Xinjiang and Shaanxi Polymetallic Projects - Xinjiang Projects 3D View



Huangjinmei

The Mineral Resource was classified as JORC Indicated and Inferred Mineral Resources based on sampling, drill density and underground exploration drives. Three main mineralised bodies were interpreted with all having channel sampling from multiple underground developments. These underground developments indicate both continuity of geology and mineralisation, further supported by surface diamond drilling which intersected mineralisation along strike and down dip of these drives. The majority of the development drives are approximately 40-50 m apart vertically and as a result, the confidence of the continuity of mineralisation and geology in the portion of the Project surrounding the development levels is good, resulting in these areas being classified as Indicated Mineral Resources. The remainder of the Project supported by recent drilling and beyond a distance of 40 m from the development drives and up to 80 m from a drillhole, has been classified as Inferred Mineral Resources.

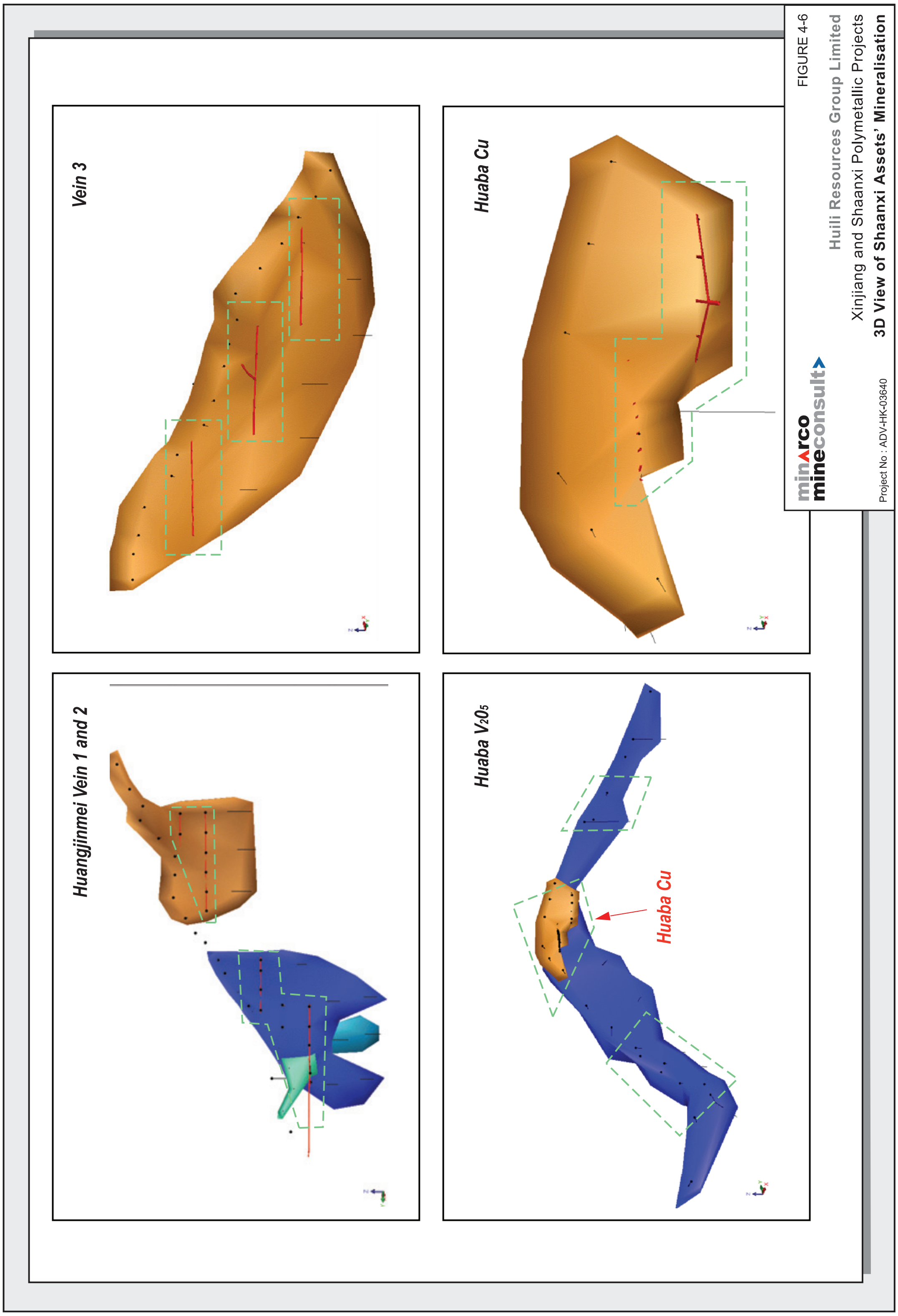
Huaba V_2O_5

The Mineral Resource was classified as JORC Indicated and Inferred Mineral Resources based on sampling, drill density and the interpreted geospatial continuity. Drilling and trench sampling to date have defined a single continuous mineralised body which has a known lateral length of over 4.1 km. Detailed statistical and geospatial analysis suggested that sample spacings of 100 m, 200 m and 400 m were appropriate for classification of Measured, Indicated and Inferred Mineral Resources respectively, which would be compliant with the recommended guidelines of the JORC Code. These distances were based on the variogram ranges for the major direction of continuity and the visual inspection of the grade within the drill hole. These distances represent the maximum distance between samples from at least two drill holes.

Huaba Cu

The Mineral Resource was classified as JORC Indicated and Inferred Mineral Resources based on sampling, drill density and underground exploration drives. One mineralised body was interpreted using the underground channel sampling and trench sampling. Two underground development levels have been completed which indicate both continuity of geology and mineralisation along strike and down dip of the mineralisation defined at surface by the trench sampling. The two development drives are approximately 40 m vertically apart and as a result, the confidence of the continuity of mineralisation and geology in the portion of the Project surrounding the development levels is good, resulting in these areas being classified as Indicated Mineral Resources. The remainder of the Project supported by the surface trenches (approximately 100 m apart) beyond a distance of 40 m from the development drives has been classified as Inferred Mineral Resources.

Figure 4-6 Xinjiang and Shaanxi Polymetallic Projects - Shaanxi Project 3D View



4.2.3 **Estimation Parameters and Methodology**

The Resource estimates for the deposits were completed using the following parameters:

- A site visit to the Xinjiang Projects was conducted by MMC technical consultants Mr Jeremy Clark and Mr Wenchi Zhang in August 2010, while technical consultant Mr Michael Johnson completed a site visit to the Shaanxi Projects in September 2010. A further site visit to the No.2 and No.20 mines was completed in August 2011 by Senor Consultant Geologist Mr Jinping Xu to review and verify exploration works and mining depletion since the initial visit in August 2010.
- The Chinese 1954 survey system was used for all estimates;
- The lateral length and the depth of mineralisation defined by the current exploration works for each Project are shown in ***Table 4-4*** below:

Table 4-4 Xinjiang and Shaanxi Polymetallic Projects - Extents and Depth of the Projects

DEPOSIT	EASTING	EXTENTS	MINIMUM DEPTH (m)	MAXIMUM DEPTH (m)
No. 2	16,642,890	16,642,920	620	1,000
No. 20	32,398,750	32,399,480	600	1,000
H989	32,385,600	32,386,500	500	950
Baiganhu	16,658,590	16,659,390	1,050	1,300
Huangjinmei	36,563,380	36,565,350	690	1,400
Huaba	3,658,000	36,581,600	360	1175

- Underground and surface drill holes, surface trenches and underground channel samples were used to define the resource envelopes for all deposits. Drilling has been conducted on predominantly 100 m spaced northeast-southwest sections for the H989, No 2 and No 20 deposits. Sections orientated from north to south spaced 60 m apart were used for the Baiganhu and Huangjinmei deposits, while 200 m to 400 m spaced sections were used for the Huaba deposit. All deposits have underground workings with development drives generally separated 40 m vertically, however the number of levels varies significantly throughout the deposits. Horizontal channel sampling was generally conducted on 8-10 m intervals within the development drives at each of the deposits. A summary of the data supplied and utilised for the estimates is shown in ***Table 4-5*** and ***Table 4-6*** below:

Table 4-5 Xinjiang and Shaanxi Polymetallic Projects - Data Utilised in the Xinjiang Estimates

	NO. 2		NO. 20		BAIGANHU		H989	
TYPE	NO.	METRES IN RESOURCE	NO.	METRES IN RESOURCE	NO.	METRES IN RESOURCE	NO.	METRES IN RESOURCE
Underground Diamond	8	212	11	91.8	—	—	—	—
Surface Diamond	8	158	11	137.5	35	426.1	45	1082.5
Trenches	7	16.5	4	20.6	15	48.9	2	0
Channels	41	391	57	179.6	132	302.8	—	—

Table 4-6 Xinjiang and Shaanxi Polymetallic Projects - Data Utilised in the Shaanxi Estimates

	HUANGJINMEI		HUABA V_2O_5		HUABA Cu	
TYPE	NO.	METRES IN RESOURCE	NO.	METRES IN RESOURCE	NO.	METRES IN RESOURCE
Underground Diamond	—	—	—	—	—	—
Surface Diamond	32	296.6	9	998	—	—
Trenches	34	181.1	16	1394.6	6	65.1
Channels	15	167	—	—	40	220.5

- The majority of surface diamond holes were drilled vertically in the No.2, No.20, H989, Huangjinmei and Huaba deposits, while all drill holes were drilled to 60° to the north for the Baiganhu deposit. HQ size drill rods were used from the surface and were then changed to NQ once the hole was established to produce a core sample;

- Underground drilling at the No.2 and No 20 mines was completed using BQ sized core from several levels. No consistent orientation was used, however the holes where generally oriented perpendicular to the strike of the mineralisation;

- All surface holes were surveyed at the collar using qualified Chinese surveyors and equipment, while down hole surveys were completed every 50 m using multishot cameras;

- Sampling of the holes was generally completed on 1 or 2 m intervals (depending on the deposit); however the length varied depending on the location of the vein or geological boundaries which were used to guide sampling;

- Sample preparation and assay determinations were completed by the Geological Institute which conducted the drilling and underground exploration. At Xinjiang, all exploration work was completed by the Xinjiang Uygur Autonomous Region Nonferrous Geological Exploration Bureau (Xinjiang Bureau), while the No.1 brigade of the Bureau of Geology, Shaanxi completed work at Huaba and the Xi'an Geology and Minerals Institute of the Bureau of Geology, Shaanxi completed works at Huangjinmei;

- Either the No. 704 or No.706 Laboratory of the Xinjiang Bureau completed the analytical determinations of the No.2, No 20, H989 and Baiganhu deposits using the AAS method with 4 acid digestions. The internal laboratories of the Shaanxi Bureau of Geology completed all assays for the Huaba deposits using AAS with 3 acid digestions, while carbon absorption by aqua regia was used for the Huangjinmei determinations;

- Mineralised envelopes were constructed at vein contacts or at a nominal 0.1%Ni cut-off grade for No.2, No. 20 and H989, a 1% Pb cut off for Baiganhu, a 1g/t Au cut-off grade for Huangjinmei and a 0.5% V_2O_5 or Cu cut-off grade for the Huaba deposits. The interpreted mineralised envelopes are shown graphically in ***Figure 4-5*** and ***Figure 4-6*** for the Xinjiang and Shaanxi Projects respectively;

- Samples within the envelopes were composited to an even 2 m for all deposits with the exception of Huangjinmei which was composited to 1 m. No high grade cut-offs were applied for in any deposit, as it was interpreted during the detailed statistical analysis that no outliers were present in the distributions;

- Six individual Surpac block models were created, which encompassed the full extent of the known mineralisation. All models with the exception of the Huaba model were created using a block size of 10 m NS by 10 m EW by 5 m vertical with sub-cells of 1.25 m by 1.25 m by 0.625 m to allow the local variability of the underground channel sampling to be estimated. The Huaba model was created using a block size of 25 m by 25 m by 10 m due to the increased drill spacing;

- Inverse Distance to the Power 2 (ID2) interpolation with an isotropic search was used to estimate all models with the exception of the Huaba V_2O_5 deposit, which was interpolated using the Ordinary Kriging method. The Inverse distance method was utilised as no robust variography could be interpreted for these areas due to the low number and spatial distribution of the data points. Each elements was interpolated using drill hole, channel and trench composites from within the interpreted envelopes. Three passes were used for each estimate using parameters shown in Table 4-7 and ***Table4-8***:

Table 4-7 Xinjiang and Shaanxi Polymetallic Projects - Pass Parameters Used for Xinjiang Estimates

	NO. 2 and NO.20			H989			BAIGANHU		
PASS	SEARCH (m)	MIN SAMPLES	MAX SAMPLES	SEARCH (m)	MIN SAMPLES	MAX SAMPLES	SEARCH (m)	MIN SAMPLES	MAX SAMPLES
1	50	6	15	150	10	25	75	10	25
2	75	6	15	150	5	25	75	5	25
3	75	3	15	150	2	25	150	2	25

Table 4-8 Xinjiang and Shaanxi Polymetallic Projects - Pass Parameters Used for Shaanxi Estimates

	HUANGJINMEI			HUABA V_2O_5			HUABA Cu		
PASS	SEARCH (m)	MIN SAMPLES	MAX SAMPLES	SEARCH (m)	MIN SAMPLES	MAX SAMPLES	SEARCH (m)	MIN SAMPLES	MAX SAMPLES
1	60	10	30	50	10	200	150	10	50
2	100	5	30	75	5	200	150	5	50
3	150	2	30	75	2	400	150	2	100

- A bulk density value of 2.9 t/cu.m was used for all mineralised material in the No.2, No.20, and Baiganhu deposits, while a value of 2.7 t/cu.m was used for the H989 and Huangjinmei. Within the Huaba Project a bulk density of 2.4 t/cu.m was used for the V_2O_5 mineralised material, while 2.65 t/cu.m was used for the Cu mineralisation. The unmineralised material for all deposits was assigned a bulk density of 2.6 t/cu.m. These figures are based on bulk density analysis that was completed during the exploration programmes at the various deposits. MMC conducted a review of this data and deemed that the values were consistent with the rock type and the style of mineralisation found at each deposit.

- All underground workings were depleted from the models based on 3 dimensional shapes created from plans and cross sections of the deposits.

5 ORE RESERVE ESTIMATION

The JORC code defines Ore Reserves as the economically mineable portion of a Measured and/or Indicated Mineral Resource, taking into account any diluting materials and allowances for losses, which may occur when the material is mined. The estimation of Ore Reserves involved:

- Characterising the deposits on a vein by vein basis;

- Reviewing the applied mining methods and current life of mine designs;

- Estimating appropriate rates of mining loss and ore dilution;

- Verifying the cut-off grades applied in the Preliminary Design Report as suitable for use in an Ore Reserve estimate, and

- Completing an operating cost assessment to determine the economic viability of extraction of the Ore Reserves.

This process and the findings are outlined in more detail below.

5.1 Results

MMC independently estimated Mineral Resources for the Xinjiang Project Area (outlined in Section 5). The Mineral Resource estimates were based on data collected by the local Chinese Bureau as at August 2011. Ore Reserves have subsequently been estimated for the assets within the Xinjiang Project Area based on the Mineral Resource estimates, relevant mine planning studies as well as a review of the current site operations. The Ore Reserve estimates comply with the recommendations outlined in the Australasian Code for Reporting of Mineral Resources and Ore Reserves prepared in 2004 by the Joint Ore Reserves Committee (JORC), therefore they are suitable for public reporting.

MMC's JORC Ore Reserve estimates for No.2, No.20 and Baiganhu are summarised in ***Table 5-1***.

Table 5-1 Xinjiang and Shaanxi Polymetallic Projects — MMC Estimated JORC Ore Reserves as at 2nd August 2011

HUANGSHAN EAST NO. 2 AND NO. 20 Ni-Cu DEPOSITS

DEPOSIT	RESERVE CLASSIFICATION	ORE QUANTITY (kt)	Ni GRADE (%)	Cu GRADE (%)	Ni TONNES (t)	Cu TONNES (t)
No. 2	Proven	—	—	—	—	—
	Probable	544	0.64	0.25	3,483	1,337
	Total	544	0.64	0.25	3,483	1,337
No. 20	Proven	—	—	—	—	—
	Probable	1,099	0.64	0.21	7,071	2,362
	Total	1,099	0.64	0.21	7,071	2,362

BAIGANHU Pb, Zn DEPOSIT

DEPOSIT	RESERVE CLASSIFICATION	ORE QUANTITY (kt)	Zn GRADE (%)	Pb GRADE (%)	Zn TONNES (t)	Pb TONNES (t)
Baiganhu	Proven	—	—	—	—	—
	Probable	1,055	5.95	3.73	62,773	39,352
	Total	1,055	5.95	3.73	62,773	39,352

Note: the Ore Reserves are inclusive of the JORC Mineral Resource and are not additional.

Approximately 60%, 82% and 55% of the available Measured and/or Indicated Mineral Resource have been converted into JORC Ore Reserves for the No.2, No.20 and Baiganhu deposits respectively.

5.2 Description of Mining Method

The underground mines reviewed include No.2, No.20 and Baiganhu, which are located in the Xinjiang Uyghur Autonomous Region, China. Two of the mines, No.2 and No.20 have operated until recently. The proposed Baiganhu Mine plans to utilise similar mining methods with similar mining parameters. A review of the 'Preliminary Design Reports' indicates plans to implement the same mining methods including a combination of short-hole shrinkage stoping and sub-level open stoping. These mining methods are outlined in further detail in ***Section 7***.

5.3 Reserve Estimation Parameters

MMC has determined suitable operating parameters to apply to the Ore Reserve estimates following discussions with site personnel, reviewing relevant mine planning reports and reviewing and applying the life of mine designs to the areas of the Project where Measured and/or Indicated Mineral Resources have been estimated.

The following mining parameters have been applied to the Ore Reserve estimates depending on the deposits mineralogy and selected mining method.

5.3.1 **Jiatai Mining Operations**

No.2

The following mining parameters have been applied to Ore Reserve estimates for No.2:

- Industrial grade (Life of Mine cut-off) of 0.4% Ni. This is the minimum overall grade for each ore vein that can be economically extracted, taking into account all operational and capital costs;

- Operational cut-off grade of 0.2% Ni. This is the operational grade that can be economically extracted taking into account mining dilution and all costs associated with drilling, blasting and extraction;

- Operational cut-off grade of 0.1% Cu. This is the operational grade that can be economically extracted taking into account mining dilution and all costs associated with drilling, blasting and extraction;

- Overall minimum mining width including ore and planned waste dilution of approximately 1.0 m;

- Mining dilution factor of 10% has been used for shrinkage stoping, which is based on historical figures obtained from the mine, and

- Each level is separated by 3.0 m crown and 5.0 m sill pillars, while a 6.0 m rib pillar separates each stoping panel in the stoping areas. These pillars are not extracted so a mining recovery factor of 70% has been estimated.

No.20

The following mining parameters have been applied to Ore Reserve estimates for No.20:

- Industrial grade (Life of Mine cut-off) of 0.4% Ni. This is the minimum overall grade for each ore vein that can be economically extracted, taking into account all operational and capital costs;

- Operational cut-off grade of 0.2% Ni. This is the operational grade that can be economically extracted taking into account mining dilution and all costs associated with drilling, blasting and extraction;

- Operational cut-off grade of 0.1% Cu. This is the operational grade that can be economically extracted taking into account mining dilution and all costs associated with drilling, blasting and extraction;

- Overall minimum mining width including ore and planned waste dilution of approximately 1.0 m;

- Mining dilution factor of 10% has been used for shrinkage stoping, which is based on historical figures obtained from the mine, and

- Each level is separated by 3.0 m crown and 5.0 m sill pillars, while a 6.0 m rib pillar separates each stoping panel in the stoping areas. These pillars are not extracted so a mining recovery factor of 75% has been estimated.

5.3.2 **Jinhua Mining Operations**

Baiganhu

The following mining parameters have been applied to Ore Reserve estimates for Baiganhu:

- Industrial grade (Life of Mine cut-off) of 0.7% Pb. This is the minimum overall grade for each ore vein that can be economically extracted, taking into account all operational and capital costs;

- Operational Cut-off grade of 0.3% Pb. This is the operational grade that can be economically extracted taking into account mining dilution and all costs associated with drilling, blasting and extraction;

- Operational Cut-off grade of 0.5% Zn. This is the operational grade that can be economically extracted taking into account mining dilution and all costs associated with drilling, blasting and extraction;

- Overall minimum mining width, including ore and planned waste dilution, of approximately 1.0 m;

- Mining dilution factor of 10% has been used for shrinkage stoping methods, based on the proposed mine designs, and

- Each level is separated by 5.0 m crown pillars and 5.0 m sill pillars, while a 6.0 m rib pillar separates each stoping panel in the stoping areas. These pillars are not extracted so a mining recovery factor of 70% has been estimated.

5.4 **Reserve Estimation Procedure**

Ore Reserves were estimated using Surpac Mine Planning Software and applied the reserve estimation parameters to the 3-D geological model created for the Mineral Resource estimate. The following steps were completed to accurately estimate Ore Reserves:

- Vertical sections were created 5 m apart around mineralised veins to determine the average grade for each planned mining level;

- The appropriate mining recovery factor for the designated mining method was applied to all sections to reflect the undiluted potentially recoverable;

- The appropriate mining dilution was added according to the designated mining method. The dilution estimate is based on historical data stated in the relevant mine planning reports which MMC deems appropriate for the proposed mining method. The grade of the applied dilution material was 0%;

- The diluted recoverable ore quantity and grade were estimated for every vein at 5 m vertical sections on each planned mining level;

- The appropriate minimum grade was applied to all 5 m sections. If the estimated grade (allowing for ore dilution and loss) was below the operational cut-off grade, it was assumed the section would not be mined and would remain in-situ as a pillar. As such, the material was not included in the Ore Reserve estimate;

- The appropriate minimum grade was applied to all mineralised veins. If the estimated grade for the mineralised vein (allowing for ore dilution and loss) was below the industrial grade, the mineralised vein was not included in the Ore Reserve estimate, and

- All estimated Ore Reserves were classified as Probable, as the highest categorisation of the Mineral Resource was Indicated.

6 MINING

The Projects consist of two mines named No.2 (non-producing since January 2011) and No.20 (currently in development), and a planned underground mine, Baiganhu. The No.2 and No. 20 mines are part of the Jiatai mining operations and produce Ni-Cu ore. A third deposit, H989, is planned for development within the Jiatai operation and is outlined in the ***Project Development*** section.

The Baiganhu deposit, which is currently undergoing development, is forecast to produce a Pb-Zn ore and forms part of the Jinhua operations.

6.1 Mining Process

A general description of the current mining process is outlined below:

6.1.1 Development Process

Mine development includes the development of vertical shafts and ore drives. These developments are known as primary extraction, as they represent the first stage of mining.

Shafts

Shafts provide access to and from the surface and the mining levels of the mine and are used to provide transport and services to the mine. Shafts are designed to last for the life of the mine, or the life of the area they are required to service.

Ore Drives

Ore drives provide access to the mineralised zone and support all mine services. The ore drives are used for storage of consumables and facilitate the distribution of services such as air, water, power and transport. The ore drives also provide access to the various working areas of the mine.

6.1.2 **Production Process**

The previous operations utilised short-hole shrinkage stoping, while future production is planned to use a sub-level open stoping method at the No. 20 mine. A brief explanation of these mining methods is outlined below.

Short-hole Shrinkage Stoping

Short-hole shrinkage stoping is a highly selective narrow vein mining method. Short-hole shrinkage stoping is used when the vein has a dip greater than the angle of repose, which is generally 45° (refer to ***Figure 6-1***).

The shrinkage stope is generally orientated along the strike of the mineralised zone with a panel length of 40-50 m when the mineralised zone width is less than 10m. However, the shrinkage stope is orientated perpendicular to the mineralised zone, when the width of the mineralised zone is greater than 10m

Sub-level Open Stoping

Sub-level open stoping is a bulk mining method that is well suited to wider deposits. Sub-level open stoping is used when the vein has a dip angle greater than the angle of repose, which is generally 45° and the vein width is greater than 3m (refer to ***Figure 6-2***).

6.1.3 **Ore Transport**

The ore is transported via rail mounted trolley carts to the main shaft where it is hoisted to the surface.

Figure 6-1 Xinjiang and Shaanxi Polymetallic Projects - Short-hole Shrinkage Stoping

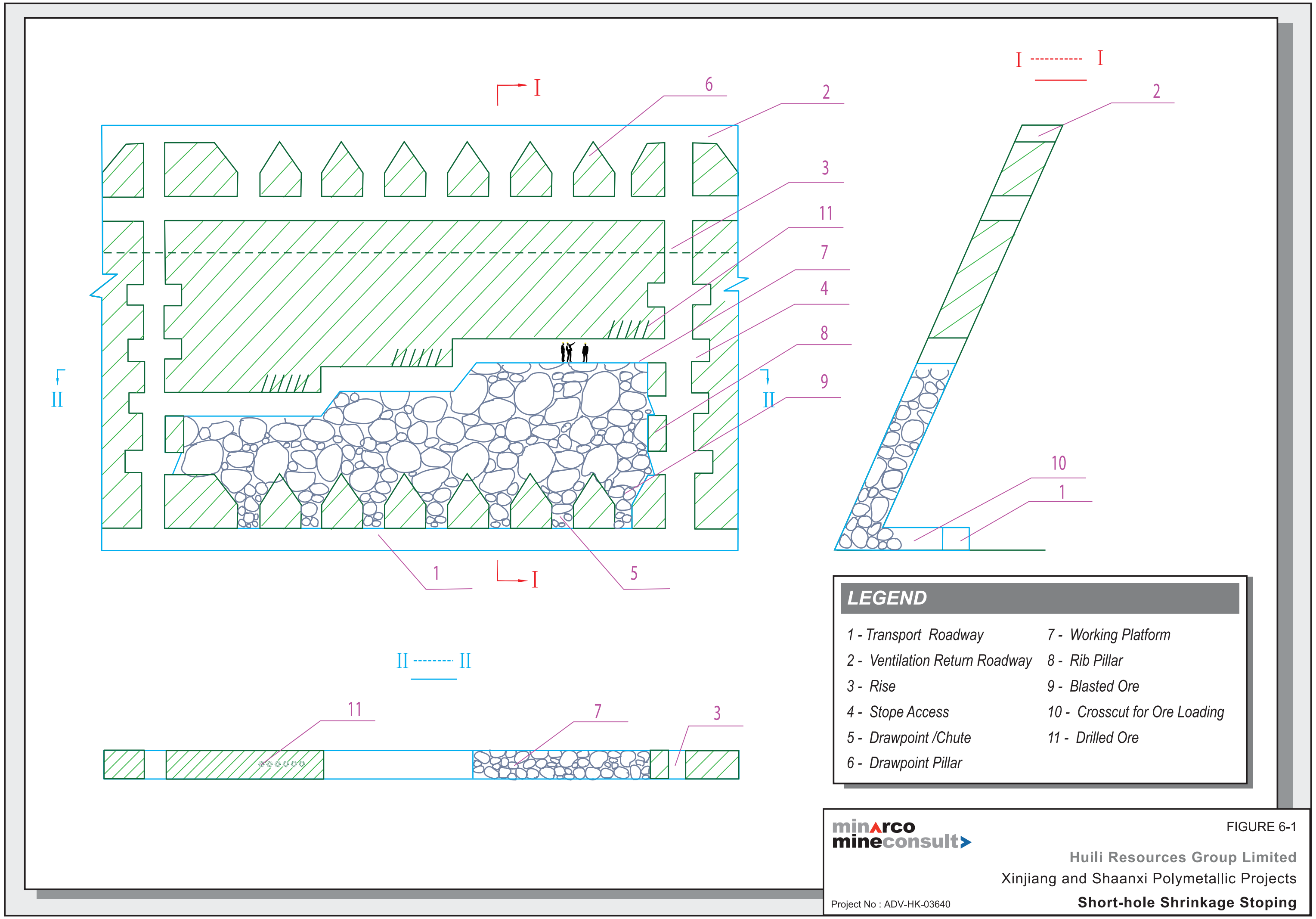
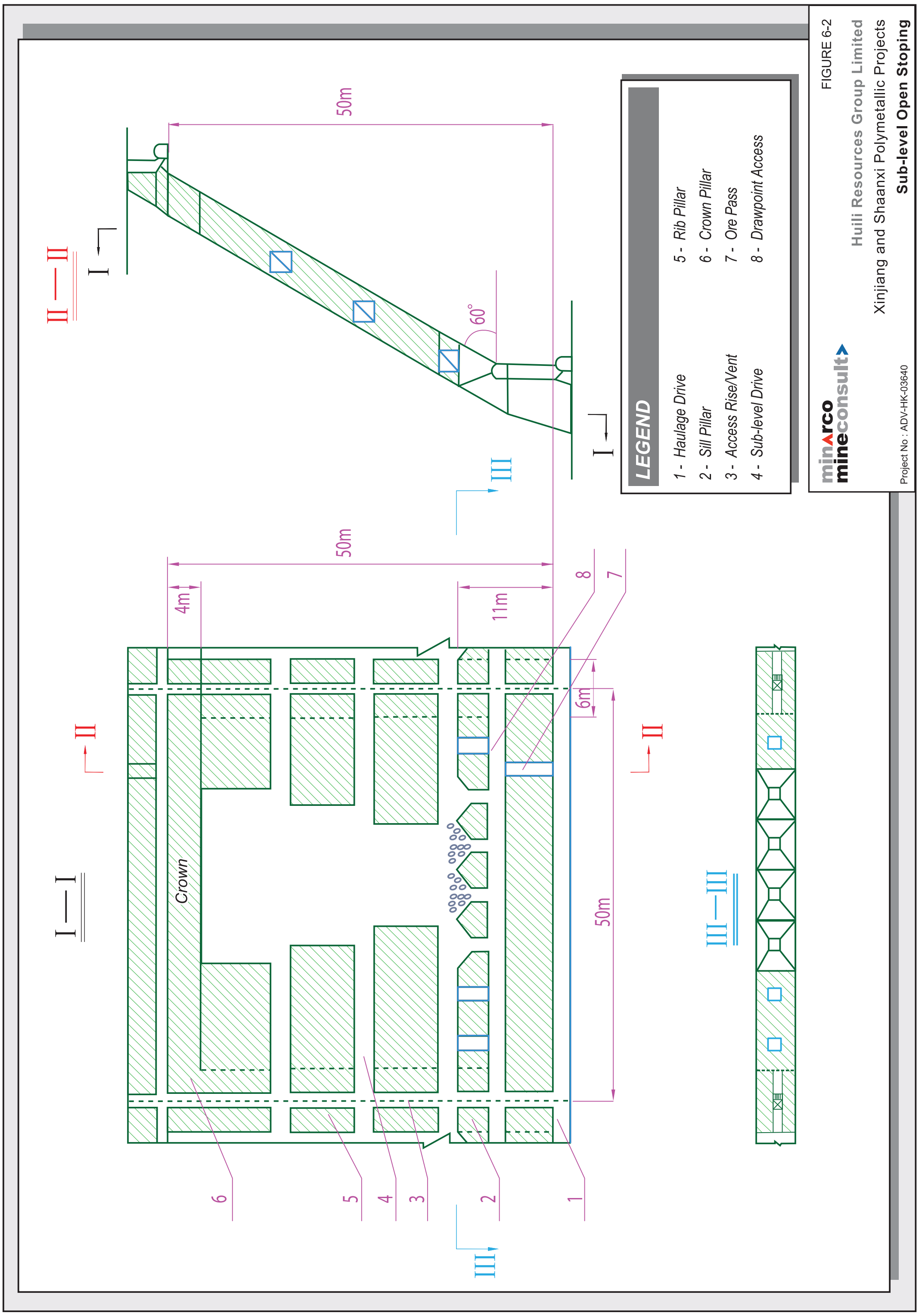


Figure 6-2 Xinjiang and Shaanxi Polymetallic Projects - Sub-level Open Stoping



6.2 Jiatai Mining Operations

The Jiatai No.2 and No.20 mining operations produced approximately, 121 ktpa in 2008, 49 ktpa in 2009 and 29.9 ktpa in 2010. The decrease in production was due to decreasing metal prices experienced between 2008 and 2010, and a postponed development in the lower mineralised zones. Company plans to expand production capacity to 350 ktpa by the end of 2014 (including 200 ktpa from H989).

6.2.1 No.2

The No.2 Ni and Cu Project consists of three mineralised bodies (the 2-1 mineralised zone, the 2-2 mineralised zone and the 2-3 mineralised zone), which vary in thickness from <1 m to over 15 m with an average grade of approximately 0.6% Ni and 0.3% Cu. The mine has a system of seven vertical shafts and five development levels, which have a production capacity of 400 tpd. The mine did not produce since January 2011 and may be forced to consolidate with neighbouring operations.

Mining Method and Development

The No.2 mine used the short hole-shrinkage stoping mining method to extract Ni and Cu ore from the deposit. This mining method is considered to be suitable for the No.2 Project due the narrow and steeply dipping nature of the deposit.

Access to the mine is currently via seven shafts that connect to six main ore drives which provide access to the mineralised zones. These drives are located on the 960 m level, 925 m level, 880 m level, 835 m level, 788 m level and the 730 m level. The 960 m level and the 925 m level have been depleted for all three ore bodies, while the 2-1 ore body has been depleted in the 835 m and 880 m levels.

In order to facilitate future ventilation and to enable future mining, an extensive amount of development is required. The 880 m level and the 835 m level will be extended to mine all three mineralised zones and to fulfil ventilation requirements. The 788 m level, the 730 m level and the 680 m level will be developed and/or extended to enable the lower parts of the mineralised zones to be exploited. Future mining operations will also require Shaft 4 to be upgraded for hoisting and Shaft 5 to be extended to provide adequate ventilation for future mining operations.

Mining Parameters

Table 6-1 below tabulates the key mining parameters for the No.2 mine which are used to guide designs.

Table 6-1 Xinjiang and Shaanxi Polymetallic Projects — Key Mining Parameters for No.2 mine

DESCRIPTION	NO. 2
Width (m)	2 — 16
Dip	58°-88°
Panel Length (m)	40
Panel Height (m)	45 — 58
Sill Pillar (m)	5
Crown Pillar (m)	3
Rib Pillar (m)	6

Source: Preliminary Design Report

Production Schedule

Currently there is no forecast production until the resolution of the current licence consolidation issue. There is therefore, no estimation of mine life.

Equipment

The following equipment was used at the No.2 mine:

- Shrinkage stoping utilises a combination of YT-7655 (YT-23), YT-28 and YSP-45 air-leg hammer drills for drilling activities. YT-23 and YT-28 hand-held drilling machines are operated by separate air and water supplies and are primarily used in mine development. The YSP-45 is a slightly larger hand-held drilling machine, which is used primarily in stope drilling and is suitable to the method of mining implemented;

- Broken ore is transferred to the loading chute/funnel by gravity, where it is loaded into 0.5 cu.m wheel mounted rail trolley ore carts with a diesel powered wheel loader (ZL50), and

- Carts are then used to transport the ore to the shaft where it is hoisted to the surface.

Table6-2 shows the mining equipment at the No.2 mine.

Table 6-2 Xinjiang and Shaanxi Polymetallic Projects —No.2 Mining Equipment

EQUIPMENT NAME	SPECIFICATION	QUANTITY
Rock Drill	7655	14
Main Fan	K45-13	1
Fan	JK58—2No4	3
Rock Loader	ZL50	1
Cart	0.5cu.m	18
Cage	2# light cage	1
Hoist	2JT1600/824	1
Air Compressor	VY-9/7	4

Source: No.2 Development & Utilisation Scheme, May, 2008

Infrastructure

The following infrastructure is employed:

- Ore is transported to the Jiatai Processing Plant via highway trucks;
- A 12 cu.m air compressor and a 10 cu.m air compressor are required to support mining operations and are located at the top of the main shaft;
- There are several sources of water for the mine:
  - Domestic water is sourced from the Luotuo Juanzi, Miao'ergou water source area;
  - Underground water from mine drainage system, and
  - Mine water used in the mine, predominantly for dust management and fire fighting system, is sourced from the mine waste water treatment plant.
- The power supply required is sourced from the two diesel generators that can be run in parallel and have a capacity of up to 150kW. An additional 50kW diesel generator can be used to run the lighting, ventilation and drainage system as required, and
- The ventilation requirements according to the Preliminary Design Report total 10 cu.m/s. Fresh air enters the mine via the main shaft, while return air exits the mine via the ventilation shaft.

6.2.2 **No.20**

The No.20 Ni and Cu Project consists of two mineralised bodies which vary in thickness from <1 m to over 20 m with an average grade of 0.7% Ni and 0.2% Cu. One of the mineralised bodies has a system of vertical shafts and four development levels. Mining was undertaken using a shrinkage stoping mining method. The licenced mining rate of 150ktpa is significantly higher than the actual production rates in recent years.

Mining Method and Development

The No.20 mine has used the short hole-shrinkage stoping mining method to extract Ni and Cu ore. This mining method is considered to be suitable for the narrow and steeply dipping deposit. The mine plans to use sub-level stoping in the future as mining progresses into wider areas of the deposit.

Access to the mine is currently via six shafts, which connect five main ore drives that provide access to the mineralised zones from the shafts. These drives are located on the 960 m level, 920 m level, 880 m level, 830 m level and 790 m level. All levels above the 790 m level for the northern mineralised zone have been depleted. Mining operations are currently underway on the 880 m level, the 830 m level and the 790 m level for the southern body, which has not seen any significant production to date.

An additional shaft is planned to facilitate the future movement of equipment and materials. This shaft will also be used to transport ore from the mine. An additional ventilation shaft is also required to ensure adequate ventilation is maintained as the mine is developed deeper. Extensive development will be required in the future to extract the ore. The additional levels required include the 920m level, 880m level, 830m level, 790m level, 730m level, 680m level and the 630m level. These levels will be linked by blind shafts and will target both the northern and southern mineralised zones.

There are four main mining blocks including the 333-1 block, the 333-4 block, the 333-5 block and the 333-6 block. All the blocks apart from the 333-1 block have a width of greater than 3 m and are therefore amenable to sub-level stoping. Utilising this method, a production rate of approximately 300 tpd may be achieved for each block, which would allow the total capacity of the mine to reach 150 ktpa. The application of sub-level open stoping, although enabling a higher production rate, will likely result in higher dilution of the extracted ore, which will potentially lower the grade.

Table 6-3 Xinjiang and Shaanxi Polymetallic Projects - No.20 Forecast Development Schedule

Description	Unit	2011	2012	2013	2014	2015
Development	m	1,107	4,672	5,874	5,874	5,924

Mining Parameters

Table 6-4 below tabulates the key mining parameters for the No.20 mine.

Table 6-4 Xinjiang and Shaanxi Polymetallic Projects — Key Mining Parameters for No.20

DESCRIPTION	NO. 20
Width (m)	8 — 23
Dip	57° - 65°
Panel Length (m)	50
Panel Height (m)	50
Sill Pillar (m)	5
Crown Pillar (m)	3
Rib Pillar (m)	6

Source: "Preliminary Design Reports"

Production Schedule

The production schedule was provided by the Company and is shown in ***Table 6-5;*** MMC considers the forecast production rate to be reasonable. It should be noted that the production schedule did not specify the grade of the ore.

Table 6-5 Xinjiang and Shaanxi Polymetallic Projects - No.20 Forecast Production Schedule

Description	Unit	2011	2012	2013	2014	2015
Ore	kt	10	72	120	150	150

Source: Company Forecast

The anticipated production in 2011 primarily comes from the remaining ore in the 880 m level and the 830 m level within the southern body, while some ore is recovered during ore drive development. In 2012 the upper part of the 333-5 and 333-6 blocks will be mined and it is expected that production will reach 80% of capacity with full capacity being reached in 2013. The mine life is anticipated to extend to approximately 8.4 years, commencing in August 2011 with ore mined during development, and based on the updated Reserves of 1,099 kt outlined in ***Section 5*** and the production schedule outlined in ***Table 6-5***.

Equipment

Mining equipment typically includes drilling, loading and hauling equipment. The following equipment is currently used at the No.20 mine:

- Shrinkage stoping utilises a combination of YT-7655 (YT-23), YT-28 and YSP-45 air-leg hammer drills for drilling activities. YT-23 and YT-28 hand-held drilling machines are operated by separate air and water supplies and are primarily used in mine development. The YSP-45 is a slightly larger hand-held drilling machine, which is used mainly in stope drilling and is suitable to the method of mining implemented;

- Sub-level open stoping utilises the same drills mentioned above for development, but uses an YGZ-90 drill for stoping operations. This hand-held drilling machine is operated by separate air and water supplies and has the ability to drill longer holes, which makes the drill suitable to stoping operations;

- Broken ore is transferred to the loading chute/funnel by gravity, where it is loaded into 0.5 cu.m wheel mounted rail trolley ore carts with a diesel powered wheel loader (ZL50), and

- Carts are then used to transport the ore to the shaft where it is hoisted to the surface.

Table 6-6 shows the mining equipment at the No.20 mine.

Table 6-6 Xinjiang and Shaanxi Polymetallic Projects — No.20 Mining Equipment

EQUIPMENT NAME	SPECIFICATION	QUANTITY
Rock Drill	YGZ-90	8
Rock Drill	YT-28/7655	2
Loading Vessel	YSP-45	2
Main Fan	BQ-100	
Fan	K40-6-No.13	1
Rock Loader	JK58-1No.0.4	5
Hoist	YGC1.2-6	
Cage	JKMD-2.25 x 4 (I) E	
Scraper	3# double-layer cage	
Air Compressor	ZDPJ-55	5

Source: No.20 Development & Utilisation Scheme, April, 2008

In order to achieve the planned expansion, additional mining equipment will be required.

Infrastructure

The following infrastructure is required:

- Ore is transported to the Jiatai Processing Plant via the highway using trucks;

- Two YV-9/7 movable diesel air compressors are required to support mining operations at the No. 20 mine. One of these air compressors is used at any one time, while the second air compressor is available as a backup. The air compressors are located at the top of the main shaft;

- There are several sources of water for the mine:

  - Domestic water is sourced from the Luotuoquanzi or Miao'ergou water supply;

  - Underground water from mine drainage system, and

- Mine water used in the mine, predominantly for dust management and fire fighting system, is sourced from the mine waste water treatment plant.

- The mine currently has two groups of diesel generators consisting of 150kW and 200kW respectively. These generators can be run together or separately as required. Generally the 200kW generators are sufficient to meet the demand of the mine, and

- The ventilation requirements according to the Preliminary Design Report total 10 cu.m/s. Fresh air enters the mine via the main shaft, while return air exits the mine via a ventilation roadway constructed at 960 m elevation.

6.3 Jinhua Mining Operations

The Jinhua mining operations include the proposed Baiganhu underground mine. The Jinhua mining operations plan to commence in third quarter of 2012 ramping up to a production of 200 ktpa in 2013. The Baiganhu mine has a Preliminary Design Report to support the planned development of a 300 ktpa operation. The report was approved in January 2011; approval of the Preliminary Design is a pre-requisite for the commencement of mine construction and trial operation.

6.3.1 Baiganhu

The Baiganhu Project consists of three parallel mineralised bodies, which range in thickness from 1.5 m to over 5 m and dip to the south at approximately 50°. The mineralised bodies are commonly separated by only a few metres and have grades ranging from 1% to over 20% for Pb and Zn. Even though no active production has been undertaken, five exploration shafts and two underground development levels along the strike of the Project have been completed.

Mining Method and Development

The short hole-shrinkage stoping mining method is planned to extract Pb and Zn ore from the deposit. This mining method is considered to be suitable due the narrow and steeply dipping nature of the deposit.

Although no active production has taken place, four exploration shafts and two underground development levels have been completed. The shafts, each with a depth of approximately 65 m, are evenly spaced along the mineralised zone from west to east. Although the 1,272 m level and the 1,240 m level have been developed, mining operations have not yet commenced and no significant depletion of the resource has occurred. However a small amount of material has been depleted from the 1,272 m level for metallurgical test works.

The mining levels planned for the Baiganhu Mine include the 1,240 m level, the 1,195 m level, 1,150 m level, 1,105 m level and 1,060 m level. The 1,272 m level is planned to be used for ventilation only. There are plans to develop the skip shaft down to 1150 m RL and build an ore pass loading system between 1195 m RL and 1150 m RL. The cage shaft will be extended to 1060 m RL and the ventilation shafts extended to 1240 m RL.

Mining is planned to commence on the 1,240 m level with information supplied to MMC indicating that the Company anticipates construction to commence in the third quarter of 2011.

Table 6-7 Xinjiang and Shaanxi Polymetallic Projects - Baiganhu Forecast Development Schedule

Description	Unit	2011	2012	2013	2014	2015
Development	m	220	6,510	4,550	6,076	6,126

Mining Parameters

Table 6-8 below tabulates the key mining parameters for the Baiganhu mine.

Table 6-8 Xinjiang and Shaanxi Polymetallic Projects — Key Mining Parameters for Baiganhu

DESCRIPTION	BAIGANHU
Width (m)	1.7 — 3.6
Dip	48° — 54°
Panel Length (m)	50
Panel Height (m)	45
Sill Pillar (m)	5
Crown Pillar (m)	5
Rib Pillar (m)	6

Source: "Preliminary Design Reports"

Production Schedule

The production schedule was provided by the Company and is shown in ***Table 6-9***; MMC considers the forecast production rate to be reasonable. It should be noted that the production schedule did not specify the grade of the ore.

Table 6-9 Xinjiang and Shaanxi Polymetallic Projects - Baiganhu Forecast Production Schedule

Description	Unit	2011	2012	2013	2014	2015
Ore	kt	10*	125	200	300	300

Source: Preliminary Design Reports

* *Ore produced during development*

It is anticipated that some ore will be produced during the fourth quarter of 2011 as development on the 1,240 m level commences. Production is expected to increase to 125 kt in 2012 when production begins on the 1,240 m level. It is planned that production will then reach full capacity of 300 ktpa during 2013. The mine life is anticipated to extend 4.8 years, commencing in November 2011 with ore mined during development, and based on the updated Reserves of 1,055 kt outlined in ***Section 5*** and the production scheduled outlined in ***Table 6-9***.

Equipment

Mining equipment typically includes drilling, loading and hauling equipment. The following equipment is forecast to be used at the Baiganhu mine:

- Shrinkage stoping utilises a combination of YT-7655 (YT-23), YT-28 and YSP-45 air-leg hammer drills for drilling activities. YT-23 and YT-28 hand-held drilling machines are operated by separate air and water supplies and are primarily used in mine development. The YSP-45 is a slightly larger hand-held drilling machine, which is used mainly in stope drilling and is suitable to the method of mining implemented;

- Broken ore will be transferred to the loading chute/funnel by gravity, where it is loaded into 0.5 cu.m wheel mounted ore carts with a diesel powered wheel loader (ZL50), and

- Carts are then used to transport the ore to the shaft where it is hoisted to the surface.

Infrastructure

- Ore is transported underground to the main shaft where it is hoisted to the surface. The ore will be transported to the Jinhua Processing Plant via highway truck;

- Mine water used in the mine, predominantly for dust management and fire fighting system, will be sourced from the mine waste water treatment plant;

- Power is planned to be supplied to the Project from three 500 kW diesel generators, and

- The maximum pumping requirement for the mine, according to the Preliminary Design Report, is 150cu.m/d. A sump will be constructed on the 1,060 m level, from which point water will be pumped to the surface via the auxiliary shaft.

7 MINERALOGY

7.1 Jiatai Cu-Ni Properties (No.20 and H989)

The mineralogy of these two deposits is typical of disseminated Cu-Ni sulphide deposits, containing pentlandite (nickel), chalcopyrite (copper) and pyrrhotite (iron) as the main sulphides which are hosted in ultrabasic rocks (refer to ***Table 7-1***).

Table 7-1 Xinjiang and Shaanxi Polymetallic Projects — No.20 Project Mineralogy

TYPE	MAJOR	MINOR
Sulphide minerals	Pyrrhotite, pentlandite and chalcopyrite	Pyrite, cobalt pyrite, violarite, cubanite, ackinawite, nickel pyrites, arsenopyrite, bornite, chalcocite, covellite
Gangue minerals	Olivine, pyroxene, plagioclase, hornblende	Diopside, uralite, chlorite, serpentine and talc

Source: Geophysical Prospecting Team of Xinjiang Nonferrous Geological Prospecting Bureau Report, 2007

Pyrrhotite (FeS) is the main sulphide mineral within the Project and is relatively coarse, varying between 100 to 400 microns in size. Nickel occurs mainly as pentlandite ($(Ni,Fe)_9S_8$) with some violarite ($FeNi_2S_4$). Pentlandite is relatively fine grained varying from 10 to 100 microns and is closely associated with gangue minerals as well as pyrite, chalcopyrite and flame textures in pyrrhotite.

Chalcopyrite($CuFeS_2$), the main copper-bearing mineral, varies in size from 50 to 300 microns and is commonly associated with pyrrhotite, pentlandite and other sulphides. Pyrite(FeS_2) is fine grained and is generally associated with the gangue minerals and pentlandite.

The main host rock, ultramafic, is characterised by the presence of diopside, uralite, chlorite, serpentine and talc.

Mineralogical analysis of the H989 ore by the Chinese Academy of Geological Sciences, known as the Zhengzhou Institute of Multipurpose Utilization of Mineral, confirmed the sulphide mineralogy consisted of chalcopyrite, pentlandite, pyrrhotite, talc (MgO) and silica (SiO_2) (refer to ***Table 7-2).*** The study also concluded that 18% of the nickel was present as nickel silicate, which is not recoverable by flotation. MMC envisage that it is highly likely that non-recoverable nickel is present in the ores processed from the No.20 Project and could explain the modest nickel recoveries achieved.

The presence of nickel silicate would limit the maximum nickel recovery to below 82%, however it is not known if all H989 ores have the same nickel silicate content as seen in the examined ore sample and MMC recommends further testwork.

Table 7-2 Xinjiang and Shaanxi Polymetallic Projects - H989 Cu-Ni Mineralogy

ABUNDANCE (%)									
Cu	Ni*	Fe	Co	CaO	Al_2O_3	MgO	SiO_2	Ag (g/t)	Au (g/t)
0.22	0.55	11.75	0.01	10.94	5.63	20.12	41.95	1.39	0.51

Source: Zhengzhou Institute of Multipurpose Utilization of Mineral report, 2009

* *0.1% Ni mined grade as nickel silicate*

7.1.1 **Feasibility Studies and Metallurgical Testing**

The processing aspects of the Project were based on a 2001 Feasibility Study completed for the Huangshan East Copper Nickel Mining and Processing Company prepared by the Kunming Non-ferrous Design Institute. This study was based on metallurgical testing results contained within the 'Ore Processability Test Report for Hami Copper and Nickel Mine' as well as data from similar operations, such as the Yunfeng processing plant.

The preliminary metallurgical testing involved two programs, consisting of one roughing stage and two scavenging flotation stages, to produce a bulk nickel-copper concentrate (refer to ***Table 7-3***). It should be noted that the copper feed grade of the samples used in the test were higher than what is planned to be mined and also Cu-Ni separation was not tested. However, the metallurgical testing demonstrated a suitable processing route for the Hami ores.

Table 7-3 Xinjiang and Shaanxi Polymetallic Projects - Preliminary Testing

TESTING PROGRAM	FEED GRADE (%)		BULK CONCENTRATE GRADE (%)		RECOVERY (%)	
	Cu	Ni	Cu	Ni	Cu	Ni
1	1.57	0.66	2.77	6.09	91.24	83.97
2	1.57	0.67	3.42	7.23	88.06	79.47

Source: Kunming Nonferrous Design Institute Report, 2001

The Feasibility Study Report proposed two stages of crushing consisting of a jaw crusher and a cone crusher in closed circuit with a screen. The screen undersize (minus 12mm), stored in a Fine Ore Storage Bin, would feed a ball mill in a closed circuit with a spiral classifier to a produce a grind size of 70% passing 74 microns (P_{70} = 74 microns). The ground ore would report to a Rougher-Scavenger (2 stages) bulk flotation bank followed by a differential flotation circuit where the bulk concentrate would be separated to produce the final nickel concentrate and copper concentrate. The cleaning section would consist of two separate circuits, each with three stages. The proposed design criteria are presented in ***Table 7-4***. The design ore feed grades were higher than the mined feed grades. Although the copper metallurgy has exceeded expectations (concentrate grade and recovery), the proposed nickel recovery has not been met.

Table 7-4 Xinjiang and Shaanxi Polymetallic Projects - Process Design Targets

		GRADE (%)		RECOVERY (%)	
PRODUCT	**MASS**	**Cu**	**Ni**	**Cu**	**Ni**
COPPER CONCENTRATE	1.100	22.000	1.230	50.100	1.540
NICKEL CONCENTRATE	21.500	0.800	5.800	25.480	85.760
TAILINGS GRADE	77.400	0.090	0.250	14.420	13.310
FEED GRADE	100.000	0.483	1.454	100.000	100.000

Source: Feasibility Study Report, 2001

The Feasibility Study also estimated a water demand of 2,250cu.m/d, with a fresh water requirement of 870cu.m/d based on a 500tpd processing operation.

As a basis for this Feasibility Study, metallurgical testing was conducted in 2003 by Jiatai's laboratory to better understand the processing properties of the ores from No.20 mine. A similar testing procedure was used, however, with the inclusion of the differential flotation stage to produce separate copper concentrate and nickel concentrates (refer to ***Table 7-5***). These results correctly reflect plant metallurgy as well as the ore feed grade.

Table 7-5 Xinjiang and Shaanxi Polymetallic Projects - 2003 Metallurgical Testing Result

	GRADE (%)		RECOVERY (%)	
PRODUCT	**Cu**	**Ni**	**Cu**	**Ni**
COPPER CONCENTRATE	30.90	0.79	85.51	9.72
NICKEL CONCENTRATE	0.58	6.01	7.71	76.87
TAILINGS GRADE	0.30	0.08	6.78	13.41
FEED GRADE	0.37	0.52	100.00	100.00

Source: Feasibility Study Report, 2004

*Testing conducted in 2004 by Jinchuan Institute Design and Research for Nickel and Cobalt produced similar results, despite the tests occurring on very high ore feed grades (refer to **Table 7-6**).* This indicates that the nickel and copper recoveries are not strongly dependent upon mined grade.

Table 7-6 Xinjiang and Shaanxi Polymetallic Projects - 2004 Metallurgical Testing

	GRADE (%)		RECOVERY (%)	
PRODUCT	**Cu**	**Ni**	**Cu**	**Ni**
COPPER CONCENTRATE	29.98	0.81	84.06	9.01
NICKEL CONCENTRATE	0.62	5.98	8.96	76.46
TAILINGS GRADE	0.40	0.11	6.98	14.53
FEED GRADE	0.67	1.57	100.00	100.00

Source: Feasibility Study Report, 2004

A trial metallurgical operation confirmed that the metal recoveries and concentrate grades could be produced on the plant scale (refer to ***Table 7-7***).

Table 7-7 Xinjiang and Shaanxi Polymetallic Projects - 2003-2004 Trial Metallurgy

	GRADE (%)			RECOVERY (%)	
PRODUCT	MASS	Cu	Ni	Cu	Ni
COPPER CONCENTRATE	0.88	32.03	1.01	76.01	4.00
NICKEL CONCENTRATE	8.68	0.76	5.80	9.11	73.38
TAILINGS GRADE	90.44	0.16	0.06	14.88	22.62
FEED GRADE	100.00	0.38	0.65	100.00	100.00

Source: Feasibility Study Report, 2004

The 2004 Feasibility Study Report maintained a similar processing circuit, however, increased the number of crushing stages to three, which required 98 staff to operate the processing plant. The capital cost for expansion to a capacity of 1,000 tpa was estimated at RMB 20.68 M, while the operating cost was planned to remain at 70.27 RMB/t.

The H989 ore was investigated by the Xinjiang Tianbo Exploration Technology Co.Ltd. in 2009 and confirmed the similarity of this mineralised zone to that of the No.20 Mine as outlined in the 'Detailed Prospecting Report of Huangshan West H-989 Cu-Ni Mine in Hami city, Xinjiang'. Oxidation or weathering of the mineralised zones is not significant.

Testing of ore samples from H989 was conducted in 2009 by the Institute of Mineral Resources, which is known as the China Academy of Geological Sciences, Zhengzhou. The results showed that similar metallurgy was possible with this ore, although the nickel recovery would be limited to 82%.

After a moderately fine grind (P_{75} = 74 microns), a number of reagent combinations were explored in order to improve the nickel recovery. The original reagent suite consisted of soda ash, CMC, sodium hexametaphosphate, sodium sulphide, butyl xanthate and butylamine to recover the copper and nickel sulphide minerals, while depressing the talc and other gangue minerals. However, no significant improvement was found due to the nickel mineralogy. A summary of the testing is presented in ***Table 7-8***and indicates that the H989 ores would be amenable to treatment in the existing Jiatai copper-nickel processing plant.

Table 7-8 Xinjiang and Shaanxi Polymetallic Projects - H989 Cu-Ni Testing

PROCESS STREAM	MASS RECOVERY (%)	GRADE (%)		RECOVERY (%)	
		Cu	Ni	Cu	Ni
FEED	100.00	0.23	0.55	100.00	100.00
Cu-Ni BULK CONCENTRATE	7.83	4.03	5.72	91.76	81.56
COPPER CONCENTRATE	7.16	27.74	0.91	80.47	1.10
NICKEL CONCENTRATE	0.67	6.18	0.37	11.29	80.46
TAILINGS	92.17	0.02	0.11	8.24	18.44

Source: Institute of Mineral Resources Report, 2009

The copper concentrate contained 2.5g/t of gold and 26.2g/t of silver, which would attract smelter credits.

7.2 **Jinhua Properties (Baiganhu)**

A Preliminary Mine Design was conducted by the Xinjiang Geophysical Prospecting Team of Nonferrous Geological Prospecting Bureau ("Baiganhu Pb-Zn Mine of Hami City, Xinjiang") in 2006, which also included metallurgical testing of blended samples of primary ore from drilling core and trenches.

The Project consists of mainly galena (PbS) and sphalerite ([Zn, Fe]S), which are located between other sulphide minerals such as chalcopyrite, pyrite and quartz (refer to ***Table 7-9***). Galena occurs mainly at the edge of the gangue or in quartz filled caverns occasionally accompanied by sphalerite. Sphalerite occurs as irregular grains in crevices and intergranularly with galena. The grain size of both the galena and sphalerite is coarse, varying between 200 microns to 1 mm for the galena and 100 microns to 1 mm for the sphalerite. Chalcopyrite is embedded in sphalerite and galena with minor covellite, bornite, and tetrahedrite. The chalcopyrite rims are sometimes oxidised into covellite. Details of the sizing of the chalcopyrite were not supplied to MMC.

Pyrite (FeS_2) and arsenopyrite (FeAsS) are present as fine grains larger than 30 microns associated with both the galena and sphalerite and are disseminated in the gangue. Arsenopyrite and pyrrhotite (FeS) increase in abundance as the galena content decreases. The gangue minerals are dominated by quartz and feldspar, which are irregular in shape. Minor magnetite is also present and disseminated, varying in size between 200 microns and 2mm. Hematite is found in the oxidised zones, while in the altered zones epidote, chlorite, actinolite and hornfels are common.

The No.1 mineralised zone outcrops at surface from alteration and breccia zones within granite, while the No.3 mineralised zones occurs beneath the breccia with minor intrusions into the granite. The footwall rock is dominated by sandstone and occasionally granodiorite with contact alteration that includes chlorite, calamite, and amphibole.

Table 7-9 Xinjiang and Shaanxi Polymetallic Projects - Baiganhu Mineralogy

TYPE	MAJOR	MINOR
Sulphide minerals	Galena, sphalerite, pyrite and chalcopyrite	Covellite, arsenopyrite, pyrrhotite, chalcocite and bornite
Gangue minerals	Quartz and feldspar	Muscovite, calcite and clay

Source: Nonferrous Geological Prospecting Bureau Report, 2006

7.2.1 Feasibility Studies and Metallurgical Testing

The development of the process flowsheet to produce separate copper, lead and zinc concentrates was undertaken by the Company in 2004 ("Copper-Zinc-Lead Separation Test report on Baiganhu, Copper and Zinc-rich ore, Jinhua", Jinhua Company' Laboratory, November, 2004). The test work focused on the separation of copper from the lead, which is the most difficult of all flotation separations. Separation of the lead from the zinc was not tested, as it is relatively straightforward. The flowsheet employed a conventional suite of reagents and good separation demonstrated. Test work aimed at improving the flotation process and the copper concentrate quality ([Pb% + Zn%] <10%) was undertaken in the company's laboratories in April, 2005. The new processing flowsheet employed another suite of reagents, namely calcium chloride, sodium humate and potassium dichromate to replace the previous reagent suite (viz. sodium sulfide, zinc sulfate and potassium dichromate) with better results (refer to ***Table 7-10***). This report also provided indicative reagent costs of 10.58 RMB/ROM t.

Table 7-10 Xinjiang and Shaanxi Polymetallic Projects - Copper-lead Separation Testing Results

	GRADE (%)			RECOVERY (%)		
PROCESS STREAM	Cu	Pb	Zn	Cu	Pb	Zn
FEED	2.07	4.60	6.97	100.00	100.00	100.00
COPPER CONCENTRATE	25.68	1.55	4.89	89.52	2.43	5.08
LEAD — ZINC BULK CONCENTRATE	1.12	29.75	44.52	7.84	94.16	93.01
TAILINGS	0.07	0.02	0.17	2.64	3.41	1.91

Source: Jinhua Company Laboratory Report, 2004

Two plant trials were conducted between May and August 2008 where 6,000 t of ore was successfully treated. The first trial period produced copper and bulk lead-zinc concentrates, while the second plant trial also separated the lead from the zinc to produce good quality marketable concentrates at acceptable metal recoveries (refer to ***Table 7-11***).

Table 7-11 Xinjiang and Shaanxi Polymetallic Projects - Plant Trial Results

	GRADE (%)			RECOVERY (%)		
ROCESS STREAM	Cu	Pb	Zn	Cu	Pb	Zn
FEED	0.50	1.50	2.90	100.00	100.00	100.00
CONCENTRATE	28.00	53.66	52.26	60.00	90.00	70.00

Source: Jinhua Company

7.3 **Huaba Vanadium and Copper Properties**

In the metallurgical testing conducted by the Northwest Nonferrous Geological Research Institute, two separate mineralised zones with different mineralisation types were reported, namely vanadium and copper.

Vanadium ore

The vanadium ore is hosted in the Doushantuo Formation in three varieties of slate including yellow-brown silty-sericite slate, carbonaceous-silty-sericite slate and blue-grey calcareous-silty-sericite slate. These slates carry between 0.2% and 0.5% V_2O_5, which is not economic. The vanadium is present as pentoxide (V_2O_5) in the lattices of the micas (particularly sericite and the clays). The sericite content of the rocks is generally greater than 50%, where the V_2O_5 grades exceed 0.5%. The V_2O_5 grade varies from 0.6% to 1.3% (maximum of 2.78%), which decreases towards the bottom of the mineralised zone. Most of the rocks are platy and crumble readily, indicating that mining and crushing would be relatively easy and inexpensive.

The primary economic minerals of interest are sericite, muscovite, tourmaline and limonite, while the gangue minerals include quartz, plagioclase, carbonaceous, dolomite, illite, pyrite, magnetite and apatite.

Based on a cut-off grade of 0.5% V_2O_5, three classifications can be made:

- 0.2%-0.5% is classified as vanadium mineralization;
- 0.6%-0.89% is classified as industrial ore, and
- greater than 0.9% is classified as rich ore.

The location, morphology, occurrence and variation of the ore zones are generally consistent throughout the mineralised zone. One or two layers of industrial ore exist between the richer ore zones.

A comprehensive analysis did not reveal the presence of any other elements at economic levels and as a result it was concluded that the ore contained a low content of beneficial and harmful components.

Copper ore

The copper ore is oxidised with 89.28% of the copper minerals present as oxides. The copper ore occurs nearby and separate to the vanadium Project and has an average mined grade of 1.11% Cu with a high porosity, making it suitable for acid leaching. The copper mineralisation is coarse and dominated by malachite ($Cu_2(CO_3)(OH)_2$, 20 micron to 2 mm) and azurite ($Cu_3(CO_3)2(OH)_2$, 50 microns to 1.5mm), with minor cornetite ($Cu_3(PO_4)(OH)_3$, 10 to 30 microns) and volborthite ($Cu_3V_2O_7(OH)_2.2H_2O$), 20 microns).Other minerals that are found within the copper mineralisation include pyrite, graphite, limonite and chalcopyrite. The gangue minerals are dominated by quartz and also include smaller quantities of feldspar, sericite - muscovite, dolomite, barite, apatite, kaolin and carbon.

7.3.1 **Metallurgical Testing**

Vanadium ore

A very comprehensive metallurgical testing programme, based on calcination followed by leaching, was conducted by the Northwest Nonferrous Geological Research Institute (Report for Leaching of Huaba Vanadium Ore, November, 2008). The testing was carried out on 185 kg of samples and found that the majority of Vanadium was present in mica minerals (66.92%). Vanadium was also found in oxidised iron and clay minerals (30.76%) and insoluble sericite (2.32%).

The testing flowsheet consisted of grinding followed by calcination, leaching and ion exchange. A composite sample containing 0.81% V_2O_5 was calcined and then leached with either acid or alkali under a variety of process conditions. The best testing results recovered 71.5% of the contained V_2O_5 into solution, resulting in a final marketable product of 98% V_2O_5. Although the overall recovery of the V_2O_5 was not reported, it was expected to around 70%. The flowsheet consisted of fine grinding (90% passing 74 microns) followed by pelletisation with calcium oxide (17.5%) and sodium bicarbonate (16%). The pellets are calcined at 800°C for 2.5 hours before leaching with ammonium bicarbonate at ambient temperatures for 1.5 hours at 60% solids. Ion exchange methods were used to purify the leach solution and yield a high grade vanadium pentoxide product.

The nature of the vanadium leaching losses was not reported and it is not known whether vanadium is more readily extracted from the micas (e.g. sericite) or the clays.

Copper ore

A metallurgical testing programme based on heap leaching was undertaken by the Northwest Nonferrous Geological Research Institute (Metallurgy Testing Report for the Oxidised Copper Ore of An'kang Huaba, October, 2009). Testing was completed on 1,200kg of composite sample assaying 1.08% Cu. The oxidised copper minerals with fine even grains (0.005-0.02mm) made up 99.4% of the copper mineralisation. These copper minerals occur in oxidised and porous quartz siltstone and therefore the leaching method is preferred. Some vanadium was also present.

After testing alternative processes such as flotation and gravity separation, with poor metal recovery observed, the testing focused on heap leaching using columns and sulphuric acid. Although more work is required, an overall copper recovery into solution of 91.8% was demonstrated, on minus 35mm material, over a 9 day leaching and a 3 day washing cycle. This is a good copper recovery employing a high but acceptable irrigation rate (15L/h/m^2). The acid consumption was 45 kg/t. The copper leaching solution contained 0.48 g/L of V_2O_5 with high Fe and Mg content. It seems that this vanadium content is too low to recover and further study work may be required if this vanadium is identified to be economic.

Two methods were suggested for recovery of the copper from solution, namely electrowinning to produce 99.9% copper cathodes or the use of scrap iron to make copper sponge (63.3% Cu). In practice, depending upon the climate, the leaching and washing cycle would be expected to be more than 30 days, which is relatively short in terms of standard heap leaching practice.

The selection of the final copper recovery method would be influenced by the size of the copper deposit, the availability of significant power to site, availability of scrap iron in the district and the distance to market.

7.4 **Huangjinmei Gold Property**

The Shaanxi Mining Development and Trading Corporation have studied the Project as outlined in the "Detailed Geological Prospecting Report of Huangjinmei Gold Deposits Ningshan County, Shaanxi Province", 2010. The Huangjinmei gold property has three distinct ore types, namely oxidised (surface to 15 m), transition (15m to 30m) and primary (below 30 m). The ores are typically disseminated in quartz and rarely found in narrow veins. Lower cost bulk mining methods are considered to suit the Project as it is located near the surface rather than in narrow veins. In the oxidised ores, the pyrite has been oxidised to limonite (FeO(OH).nH2O).

Two gold-bearing sulphide minerals are present, potentially pyrite (FeS_2) and arsenopyrite (FeAsS). Copper is present as chalcopyrite ($CuFeS_2$), while silver (Ag) occurs in economic quantities. The presence of antimony (Sb) suggests that the silver occurs as sulphosalts, such as tetrahedrite and freibergite.

The pyrite is coarse grained (90% greater than 74 microns) while the arsenopyrite is fine grained. The gold mineralogy is bi-modal, with 83.3% of the gold located within the pyrite grains and sulphide minerals with the remainder of the gold mineralogy present as fine grained inclusions in the quartz at low grades. This indicates that the maximum gold recovery may be limited.

7.4.1 **Metallurgical Testing**

Initial metallurgical studies on the surface ores were conducted by the Heap Leaching Central Laboratory of Shaanxi Provincial Geological Survey Bureau in 2006. Neither the nature of the testing programme, nor the results from the programme were supplied to MMC.

In September, 2009, the Zhengzhou Mineral Resources Institute of Chinese Academy of Geological Sciences undertook flotation testing with a 400 kg composite sample consisting of equal proportions of mixed and primary ores. The sample, with a heading grade of 2.7 g/t, was ground to

85% (passing 74 microns) and floated to produce a good quality concentrate (83 g/t Au and 130 g/t Ag) at a gold recovery of 87.4%. The silver recovery was somewhat lower at 69.8%, which is not unusual. The amount of arsenic and other impurities in the gold-bearing concentrate were not reported.

The report indicated that the Huangjinmei ores are easy to treat.

8 PROCESSING PLANT

Two processing plants, the Jiatai and the Jinhua, are available for operation. The Jiatai processing plant is currently inactive and is designed for processing Cu-Ni ore, while the Jinhua processing plant which is to be put into operation, is designed to process Cu-Pb-Zn ore. Both plants have a throughput capacity of 1,500 tpd.

8.1 Jiatai Processing Plant

MMC inspected the Jiatai (Cu-Ni) processing facility on the 9th of September, 2010. This facility was constructed in 2002 with a capacity of 150 tpd, processing ore from No.2 and No.20 underground mines. The capacity of the processing plant is currently 1,500 tpd after undergoing expansions in 2003 (500 tpd) and 2004 (1,000 tpd). The operation ceased production in late 2009 as a result of the global financial crisis, and focused on mine development to improve the reliability of the feed source. Although the plant operated from September 2010 to November 2010, the plant has again ceased operations for maintenance since January 2011.

A summary of the Jiatai processing plant is presented in ***Table 8-1.***

Table 8-1 Xinjiang and Shaanxi Polymetallic Projects - Jiatai Processing Plant Overview

NAME OF PLANT	PROCESSING LINES	DAILY CAPACITY tpd	ANNUAL CAPACITY* ktpa	ORE TYPE	STATUS
Jiatai	Single	1,500	450	Cu-Ni	Not Operating

Source: Provided by Jiatai Management

* *300 operating days per year*

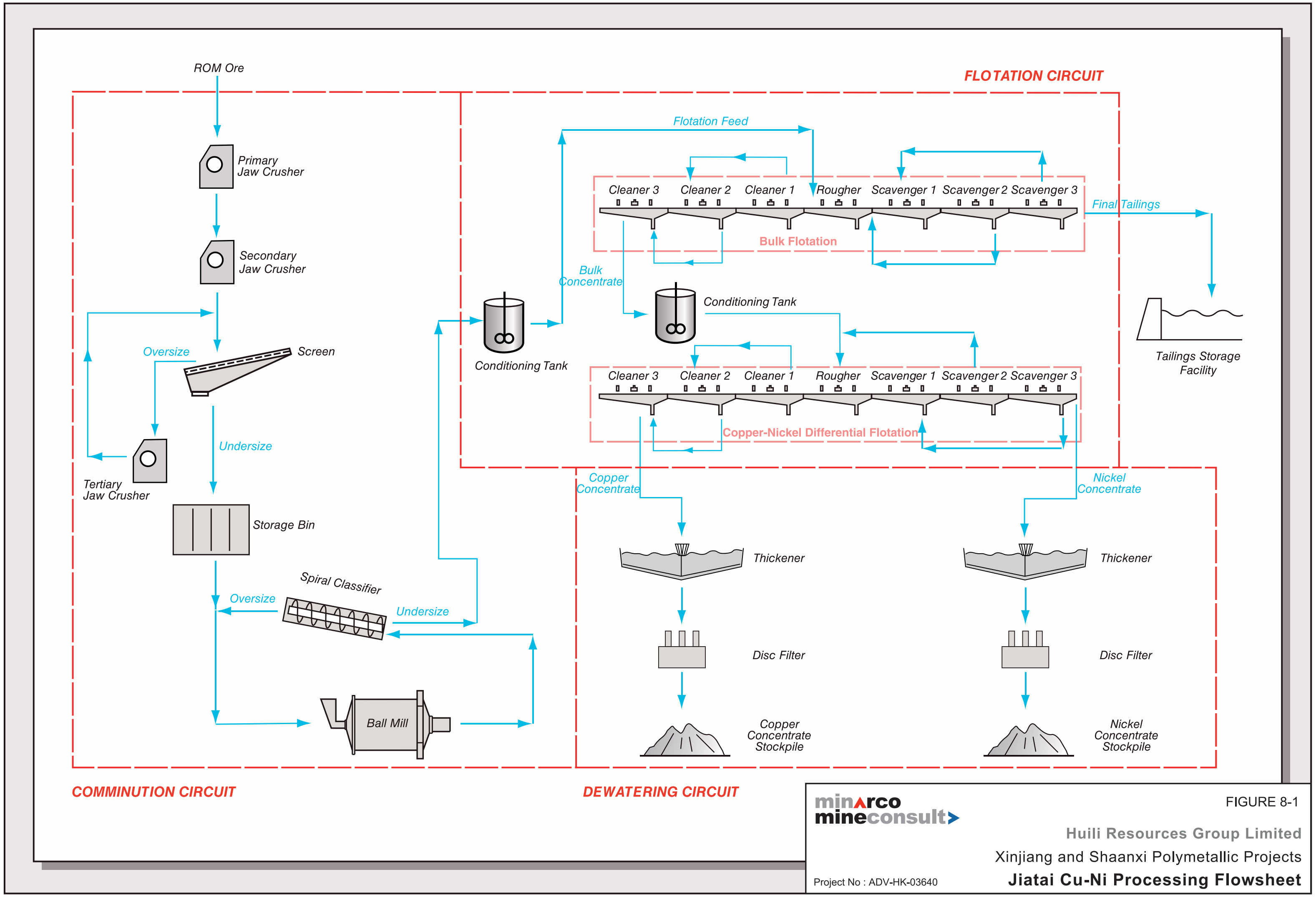
8.1.1 Future Processing Plans

MMC is unaware of any plans the Company has to expand the Jiatai processing capacity beyond the current capacity of 1,500 tpd. The plants are waiting for the development of feed sources in the coming months, before processing can recommence.

Process Description

The Jiatai processing circuit is a non-conventional flotation operation in which separate nickel and copper concentrates are produced from a bulk concentrate. The flowsheet (***Figure 8-1***) consists of three stages of crushing, one milling stage followed by bulk flotation and a Cu-Ni separation flotation circuit. The concentrates are dewatered by thickening and filtration.

Figure 8-1 Xinjiang and Shaanxi Polymetallic Projects -Jiatai Cu-Ni Processing Flowsheet



The crushing circuit consists of two primary PE 600mm x 900mm jaw crushers, four secondary PE 1000mm x 1200mm jaw crushers and eight tertiary JC 150mm x 750mm jaw crushers with the oversize from a double screen(15mm apertures) feeding the tertiary crushers. Two cyclone dust collectors were observed covering the tertiary crushers. The final crushed ore measures minus 12mm and is stored in a fine ore storage bin with a live capacity of 1,500 t (24 hours storage).

Ore is recovered from the storage bin and fed into an overflow long ball mill (diameter of 2.7 m, length of 5.5m and motor of 500 kW) in a closed circuit with a spiral classifier. The classifier underflow is returned to the ball mill feed for further regrinding while the overflow (P_{75} = 74 microns) reports to the flotation circuit.

Although the process is not a typical Cu-Ni separation process, MMC deems it is an appropriate process that results in the production of marketable copper and nickel concentrates. The first stage consists of a bulk flotation process where the sulphide minerals are separated from the gangue minerals into separate nickel and copper concentrates. In the bulk flotation processing stage, reagents are added to disperse and depress the gangue minerals, such as talc (which attracts a significant penalty in smelting), while promoting the flotation of the sulphide minerals. The bulk flotation circuit is conventional, consisting of a rougher (nine 10 cu.m cells) and three stages of scavengers (twelve 10 cu.m cells), with the rougher concentrate upgraded in four stages of cleaning (three 10 cu.m cells and one 4 cu.m cell).The tailings from the scavenger circuit are directed to a settling sump where water is recovered for re-use in the process before the thickened solids are discharged into the Jiatai tailings dam for storage.

The cleaned bulk concentrate is further processed by depressing the nickel and iron sulphides and by floating the copper sulphide in a roughing circuit (five 2.8 cu.m) followed by five stages of scavenging (thirteen 2.8 cu.m cells). Four stages of cleaning (six 2.8 cu.m cells and one 1.2cu.m cell) are employed in both circuits to produce final grade concentrates. The overall flotation time for the copper and nickel flotation is approximately 65 minutes.

The copper and nickel concentrates are then dewatered in dedicated dewatering circuits, consisting of thickeners (12 m diameter) followed by ceramic disc filters (nickel 12 m^2 and copper $2m^2$) to produce final marketable products. Water is recovered from de-watering and re-used in the process.

The copper concentrate produced from the adjoining Jinhua Copper-lead-zinc processing plant, when in operation, is blended and sold with this copper concentrate.

8.1.2 **Equipment**

The key processing equipment is summarised in ***Table 8-2***. The equipment type and size is satisfactory for an operation of this capacity and generally appears to be in reasonable condition. The sequential expansion of this plant over time has resulted in the duplication of equipment and circuits. Although this may guarantee performance, it may have been more cost effective to undertake a single expansion. For example, the eight tertiary crushers may have been replaced by two larger units, preferably cone crushers, with some capital and operating costs savings.

Table 8-2 Xinjiang and Shaanxi Polymetallic Projects - Jiatai Processing Plant Equipment List

DESCRIPTION	TYPE / SPECIFICATION	MANUFACTURER	POWER kW/unit	NUMBER
Jaw Crusher	PE600x900	Shandong Zhaoyuan Gold Machinery Plant	75	2
Jaw Crusher	PEX250x1200	Shandong Zhaoyuan Gold Machinery Plant	45	4
Jaw Crusher	JC1575	Shandong Zhaoyuan Gold Machinery Plant	30	8
Electric Vibrating Screen	700mm	—	15	2
Energy-saving Ball Mill	2.7Øx5.5	Qixia Dali Mining Machinery Co., Ltd.	500	1
Electromagnetic Separator	650M	—	—	2
Dust Collector	—	—	55	1
Conditioning Tank	1.5Øx1.8	Zibo Datong Mining Machinery Manuf Co.,Ltd	7.5	2
Flotation	SF 10	—	37	24
Flotation	SF 4	Qixia Dali Mining Machinery Co., Ltd.	15	3
Flotation	SF 2.8	Qixia Dali Mining Machinery Co., Ltd.	11	27
Flotation	SF 1.2	Qixia Dali Mining Machinery Co., Ltd.	7.5	2
Classifier	FC 2.4	Qixia Dali Mining Machinery Co.,Ltd.	22	1
Ceramic disc Filter	TC-12	—	15	1
Ceramic disc Filter	TC -2	—	6	1
Conditioning Tank	1.5Øm x 3.6m	—	7.5	2
Feeder	—	—	—	1

Source: Provided by Jinhua

8.1.3 **Production**

MMC reviewed the daily production records for 2006-2010, which included feed tonnes and grades, concentrate tonnes and grades, tailing grades and recovery calculations. These records are summarized in ***Table 8-3*** and show that marketable grades of copper and nickel were still being produced as metal recoveries improved over the period. Reasonable nickel metallurgy was achieved in 2009 compared with the poorer metallurgy achieved in earlier years, which MMC deemed to result from inconsistent feed supply. The feed grade to the plant has varied over the years, which has potentially impacted concentrate production.

Table 8-3 Xinjiang and Shaanxi Polymetallic Projects — Jiatai Cu-Ni Processing Plant Production

ITEM	UNIT	2006	2007	2008	2009	2010
Feed tonnes	tpa	152,928	138,366	154,179	55,123	30,239
Feed grade Cu	%	0.39	0.23	0.24	0.35	0.33
Concentrate tonnes Cu	tpa	888	806	516	529	259
Concentrate grade Cu	%	32.17	29.44	26.65	27.80	28.60
Recovery Cu	%	77.40	71.94	74.40	75.24	74.19
Feed grade Ni	%	0.57	0.42	0.40	0.55	0.53
Concentrate tonnes Ni	tpa	9,255	5,176	6,028	3,885	2009
Concentrate grade Ni	%	5.59	6.46	6.17	6.27	6.34
Recovery Ni	%	72.00	68.22	74.11	82.24	80.51

Source: Provided by Jinhua

Assays of grab samples from each concentrate stockpile are presented in ***Table 8-4***.

Table 8-4 Xinjiang and Shaanxi Polymetallic Projects - Assays of Jiatai Stockpiles

SAMPLE	Ni (%)	Cu (%)	Co (ppm)	Fe (%)	S (%)	Mg (%)	Al (%)	Ag (g/t)	Au (g/t)	Pd (g/t)	Hg (ppm)	As (ppm)
Rich Ore	3.49	3.82	1,122	37.48	21.23	4.36	2.32	16.70	0.04	—	—	7
Typical Ore	0.32	0.42	120	6.93	2.00	4.35	8.90	3.80	0.08	—	—	11
Nickel Concentrate	5.40	0.81	1,982	34.50	29.78	1.89	0.11	—	—	55	272	944
Copper Concentrate 1	1.70	23.40	648	29.46	28.17	0.76	0.11	—	—	86	752	723
Copper Concentrate 2	0.79	26.43	319	30.66	29.35	0.60	0.11	—	—	63	850	499

Source: Grab samples taken by MMC of Site Stockpiles

8.1.4 **Infrastructure**

The Jiatai processing plant is located approximately 79km from the Huangshan East Cu-Ni mines and 77 km from Hami in Xinjiang. The processing facility is readily accessible by good quality roads, however approximately 7km of dirt road connects the plants to the National Highway.

The company has signed a yearly contract with Xinjiang Hami Electric Power Bureau of State Grid, which MMC understands allows power to be sourced from Hami through dedicated power lines. The electrical supply agreement appears to be flexible with no restriction to further increases in power if required for any potential plant expansions.

Water is supplied by three wells located around the processing property, which extract water from an aquifer some 80 m to 120m deep. MMC understands the Company has a licence for five wells and as a result access to sufficient water supplies is not seen as a limitation to any potential site developments. Waste water is also recovered from the Jiatai tailings prior to discharge into the final tailings dam.

The tailings dam is located close to both the Jiatai and Jinhua processing plant and has more than sufficient storage capacity for several years of production.

8.1.5 **Jiatai Cu-Ni Processing Risk Summary**

The primary processing risks are:

- Lower nickel feed grades, which usually result in lower nickel recoveries (and revenue). Although this can be managed to some extent by careful management of the mining dilution, the grade of the Project may decrease in certain areas;

- Increased levels of non-sulphide nickel, which would lower nickel recoveries (and revenue). This is a mineralogical issue;

- Decease in the size of the mineral grains, which would result in the need for finer grinding. This would have a significant impact on the processing circuit (additional grinding, flotation and dewatering capacity would be required i.e. capital expenditure) resulting in poorer metallurgy and higher operating costs;

- Low availability of ore. Historically this has been a problem and needs to be resolved. The advantages of maintaining full processing capacity are lower unit costs, and

- The corrosion of equipment due to nickel in solution, particularly during periods of downtime, would lead to increased equipment maintenance costs.

Increased operating costs including labour, consumables, power and transport is another potential risk associated with the processing plant.

Nickel recoveries are relatively modest and there would appear to be little potential to increase recoveries due to the mineralogy of the deposit. Based on mineralogical studies of H989 ores, it was found that up to 18% of the nickel is present within silicate minerals and are not readily amenable to recovery by flotation. It is recommended that mineralogical and flotation testing be conducted on future ores from the No.20 mine, firstly to confirm the amount of non-recoverable nickel and secondly, to determine future nickel recoveries.

8.1.6 **Jiatai Cu-Ni Processing Opportunity Summary**

Processing

The major processing opportunity lies in improving the nickel concentrate grade. This would significantly increase revenue and decrease transportation costs, which would considerably improve the profitability of the Project. This would mean preferentially depressing the pyrrhotite, which is apparently non-magnetic. In many nickel floatation operations, such as those found around Sudbury in Canada, the pyrrhotite is magnetic and can be readily removed by magnetic separation, thereby increasing the nickel concentrate grade. The nature of the pyrrhotite should be more closely studied, particularly for future ores, in order to improve the nickel concentrate grade. Increased nickel concentrate grade would also increase the cobalt level, improving revenues.

General

The acquisition and consolidation of other nickel mines and processing plants represents a significant opportunity to rationalise mining and processing efforts. It will be possible to drive operating costs down and perhaps explore other more cost-effective ways of exploiting or mining the resources.

8.2 **Jinhua Processing Plant (Baiganhu Cu-Pb-Zn Project)**

The Jinhua processing plant is designed to process copper-lead-zinc ores, such as those from the Baiganhu and Baiganhu Gold Projects.

The 1,500tpd Jinhua processing plant is located adjacent to the Jiatai processing facility and is planned to be fed by Cu-Pb-Zn ore from Baiganhu mine. The proposed processing capacities are summarised in ***Table 8-5***.

Table 8-5 Xinjiang and Shaanxi Polymetallic Projects — Jinhua Processing Facilities

NAME OF PLANT	PROCESSING LINES	DAILY CAPACITY tpd	ANNUAL CAPACITY* ktpa	STATUS
Jinhua	Single	1,500	450	Installed and Tested
Jinhua (Future)	Single	800	240	Not Installed

Source: Provided by Jinhua

* *300 operating days per year*

The general design and installed equipment is very similar to that of the Jiatai Processing Plant as described previously. ***Figure 8-2*** presents the flowsheet for this operation and details that ore is crushed in three stages of a crushing circuit, which includes jaw crushers and tertiary crushers in closed circuit with a -16 mm screen (1.5m x 3.6m).The crushed ore (-16mm) is stored in a fine ore storage bin with a live capacity of 1,500 t (24 hours storage) and withdrawn to feed a ball mill (2.4m Ø x 5 m long, 380kW motor) with a spiral classifier. The underflow of the spiral classifier is returned to the ball mill for further regrinding while the overflow (P_{70} = 74 microns) reports to conditioning tanks where the pH is adjusted with CaO and Na_2CO_3, while $ZnSO_4$ is added to prevent activation of the sphalerite.

The flotation circuit consists of three separate selective flotation stages that sequentially produce copper, lead and zinc concentrates, with an overall flotation time of approximately 50 minutes. This flowsheet is conventional for processing ores with this specific copper to lead ratio. The copper mineral is firstly recovered in a rougher and two stage scavenger circuit, which consists of three 8 sq.m roughing cells followed by five 1.2 cu.m scavenging cells. The second scavenger concentrate is returned to the head of the first scavenger bank while the first scavenger concentrate is returned to the head of the roughing bank. The rougher concentrate is upgraded in two stages of the cleaning circuit, which consists of six 1.2 cu.m and two 0.8 cu.m cleaning flotation cells.

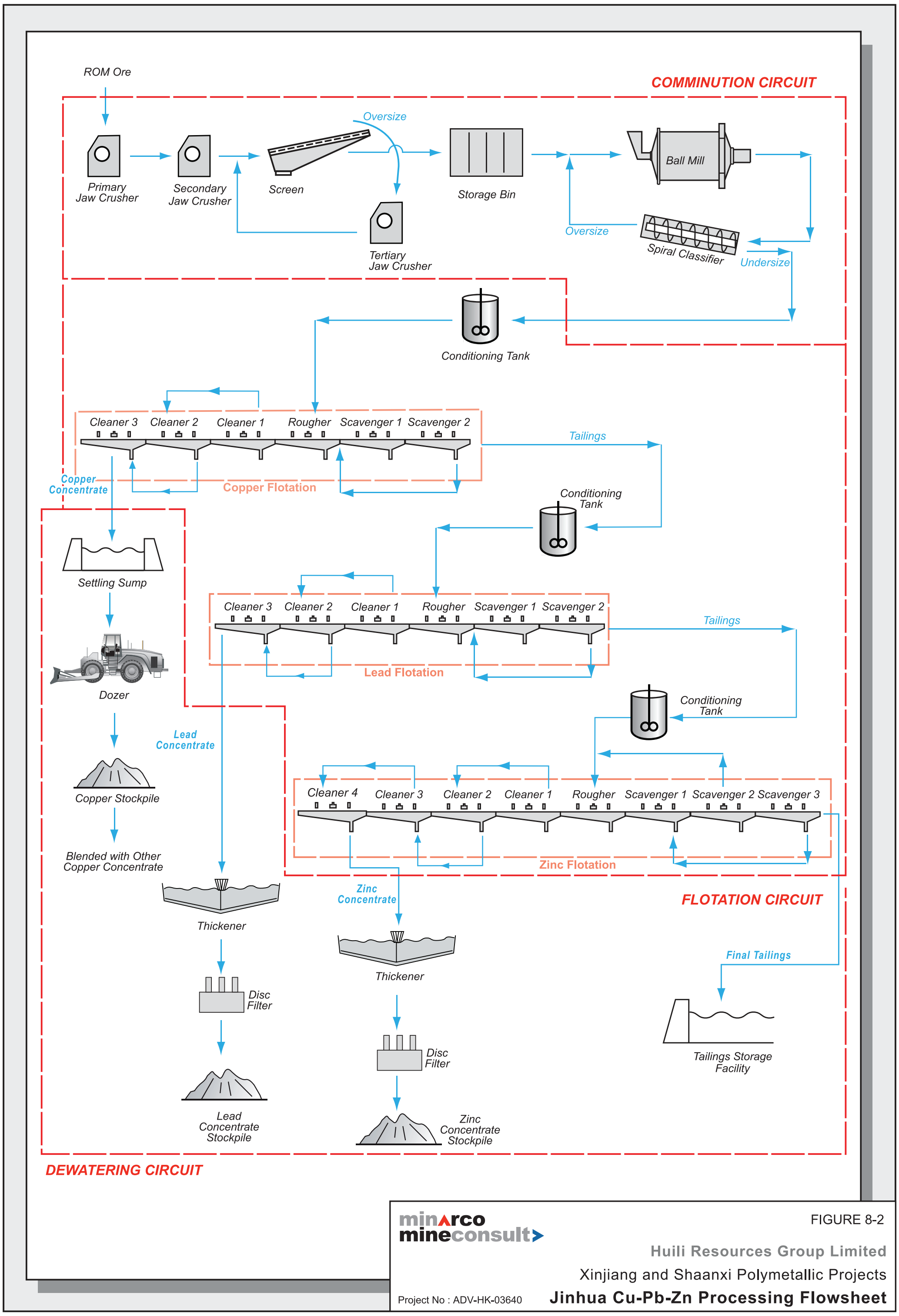
The tailings from the copper circuit report to a conditioning tank where the lead minerals are encouraged to float, while the zinc minerals are inhibited. The lead is then recovered from the conditioned slurry in a two stage scavenger circuit consisting of five 8 cu.m roughing cells and nine 8 cu.m scavenging flotation cells (known as a rougher). The second scavenger concentrate is returned to the head of the first scavenger bank while the first scavenger concentrate is returned to the head of the roughing bank. The rougher concentrate is cleaned in a three stage cleaning circuit consisting of three 2.8 cu.m flotation cells followed by three 0.8 cu.m cleaning flotation cells.

The tailing of the lead circuit reports to a conditioning tank where the slurry is prepared for zinc recovery. A rougher concentrate is recovered from the conditioned slurry in a rougher. The scavenger concentrates are recycled back to the previous scavenger stage, with the first scavenger concentrate feeding the rougher. The rougher concentrate is cleaned in four stages consisting of one 1.2 cu.m, three 2.8 cu.m and eight 8 cu.m flotation cells. The final tailing from the zinc flotation circuit is pumped to the nearby tailings dam.

Both the final lead and zinc concentrates are dewatered by 12 m diameter thickeners followed by ceramic disc filters (surface area of 8 sq.m) to produce marketable products.

The copper concentrate is transported to the nearby Jiatai Nickel-Copper processing plant for blending with the copper concentrate produced at this operation.

Figure 8-2 Xinjiang and Shaanxi Polymetallic Projects - Jinhua (Cu-Pb-Zn) Processing Flowsheet



8.2.1 **Equipment**

The key processing equipment was purchased in 2004 and is summarised in ***Table 8-6***. The equipment type and size is satisfactory for an operation of this capacity. However, MMC notes that while eight tertiary crushing units require less capital, tertiary crushers are less efficient and more costly to operate compared to cone crushers. The large mill motor (380kW) indicates that there is flexibility to increase production and to handle any potentially harder ore types.

Table 8-6 Xinjiang and Shaanxi Polymetallic Projects - Jinhua Processing Plant Equipment List

DESCRIPTION	TYPE / SPECIFICATION	MANUFACTURER	POWER kW/unit	NUMBER
Electric vibrating feeder	L=700 mm	—	—	1
Trough feeder	980 mm × 1.24 m	—	—	1
Jaw Crusher	PE600 mm × 900 mm	Shandong Zhaoyuan Gold Machinery Plant	75	1
Jaw Crusher	PEX 250 mm × 1.2 m	Shandong Zhaoyuan Gold Machinery Plant	45	3
Jaw Crusher	JC1575	Shandong Zhaoyuan Gold Machinery Plant	30	4
Screen	1.5 m × 3.6 m	—	22	2
Ball Mill	2.4 mØ × 5.5 m	—	380	1
Spiral Classifier	FC - 2.4 mØ	Qixia Dali Mining Machinery Co., Ltd.	22	1
Flotation	SF8 cu.m	—	30	62
Flotation	SF2.8 cu.m	—	11	5
Flotation	2A1.2 cu.m	—	5.5	18
Conditioning tank	1.5 mØ	—	7.5	10
Conditioning tank	2 mØ	—	15	2
Conditioning tank	0.75 mØ	—	3	7
Conditioning tank	2.5 mØ	—	15	1
Thickener	NZS - 12 mØ	—	3	2
Ceramic Filter	TC - 8 m2	Yantai Sunny Nuclear Star Environmental Equipment Co. Ltd.	16	2

Source: Provided by Jinhua

8.2.2 **Future Production Plans**

The current capacity of the Jinhua copper-lead-zinc processing plant is 1,500 tpd. Although MMC understands there are currently no plans to increase the capacity of the Jinhua processing plant, the Company plans to develop the Baiganhu Mine. The Mine Safety Production Permit was granted in March 2011. When the Baiganhu mine commences stable production, the plant will commence formal operation. This is expected to be in the first half of 2012.

During the site visit by MMC, another processing plant of 800 tpd capacity located next to the Jinhua processing plant was inspected. Although the equipment at this plant has been selected and purchased, it has not been installed. The intention for this operation is to treat lead-zinc ores mined from future discoveries located near the current mine, in addition to purchasing ore from other mining companies in the local area. The final flowsheet has not been determined at this stage and as a result cannot be reviewed by MMC.

The results from 2007 and 2008 process plant trial production are presented in ***Table 8-7,*** which are in line with expectations.

Table 8-7 Xinjiang and Shaanxi Polymetallic Projects - Jinhua Process Plant Trial Production

ITEM	UNIT	2007	2008
Feed tonnes	ktpa	10.89	16.3
Feed grade Cu	%	—	0.5
Concentrate tonnes Cu	tpa	—	297
Concentrate grade Cu	%	—	28
Recovery Cu	%	—	60
Feed grade Pb	%	1.79	1.5
Concentrate tonnes Pb	ktpa	0.78	0.3
Concentrate grade Pb	%	46.54	53.66
Recovery Pb	%	90	90
Feed grade Zn	%	2.6	2.9
Concentrate tonnes Zn	ktpa	—	0.49
Concentrate grade Zn	%	54.61	52.26
Recovery Zn	%	70	70

Source: Provided by Jinhua

The Jinhua processing operation shares the same infrastructure with the Jiatai processing operation. The infrastructure is sufficient to support the operation of both plants at the nominated treatment capacities. The Jinhua processing plant is located approximately 127 km from the Baiganhu mine and Baiganhu Gold license and 77 km from Hami in Xinjiang. The processing facility is readily accessible by good quality roads, however approximately 7 km of dirt road connects the plant to the National Highway.

8.2.3 Jinhua Processing Risk Summary

The primary processing risks are outlined below:

- Variations in the ratio of copper to lead minerals, which result in a poorer quality separation and potentially unsalable copper and lead concentrates (and revenue);

- Decease in the size of the mineral grains, which would require finer grinding. This would have a significant impact on the processing circuit (additional grinding, flotation and dewatering capacity would be required i.e. capital expenditure) resulting in poorer metallurgy and higher operating costs, and

- Lower availability of ore. This is a common issue particularly in thin veined mineralised zones where the ore needs to be transported some distance to the processing plant. The advantages of maintaining full processing capacity are lower unit costs.

Increased operating costs including labour, consumables, power and transport is another potential risk associated with the processing plant.

8.2.4 **Jinhua Opportunity Summary**

Processing

The major processing opportunities are:

- Improving the lead concentrate grade (72% Pb would be expected);
- Improving the copper recovery (trial operation only 60%), and
- Improving the zinc recovery (trial operation only 70%).

Although the impurity grades of the final concentrates, such as the amount of copper in the lead concentrate and the quantity of lead in the copper concentrate, are not known, it is expected that these values will need to be decreased. Improving the metal recovery would also assist in meeting this goal, since there would be less metal to be displaced into other concentrates.

General

The acquisition and consolidation of other lead-zinc/copper-lead-zinc mines and processing plants represents a significant opportunity to rationalise mining and processing efforts. It would be possible to reduce operating costs and perhaps explore other more cost-effective ways of exploiting the resources. The lead-zinc/copper-lead-zinc ores are present at good grades and would appear to be more profitable than the Cu-Ni ores.

8.3 **Huaba Vanadium and Copper Properties**

8.3.1 **Huaba Processing Risk Summary**

The primary risks involved in processing vanadium are:

- Variations in the ratio of mica to clay, which may affect the leach recovery of vanadium;
- Changes in the mineralogy;
  - Finer mineralisation, which may require finer crushing to improve calcining and subsequent leaching of the vanadium bearing micas;

    - An increase in the amount of fines, such as clays, which may affect the pelletising process, and

    - Increased quantities of acid consuming materials during calcining, which would increase the operating costs (more calcium oxide and ammonium bicarbonate consumed).

The primary risks involved in processing copper are:

- Variations in the ratio of oxidised copper to sulphide copper minerals, resulting in poorer leach recoveries,

- Changes in the mineralogy:

    - Finer mineralisation, which may require finer crushing to access the copper mineral for leaching;

    - An increase in the amount of fines, such as clays, which may affect the permeability of the heap (e.g. more clays) and may decrease copper leach recoveries, and

    - Increased quantities of acid consuming materials, which would increase the operating costs (more acid consumed).

It should be noted that the agglomeration of the copper ore fines would need to be investigated.

8.3.2 **Huaba Processing Opportunity Summary**

The potential economics of the following opportunities would need to be closely studied and would be influenced by the size of the proposed operation.

The main opportunities for the vanadium ores are:

- Recovery of other metals dissolved during leaching, and

- Improved vanadium recoveries.

The main opportunities for the copper ores are:

- Potential recovery of vanadium dissolved during leaching, and

- Potential recovery of the precious metal values in the ore.

8.4 Huangjinmei Gold Property

8.4.1 Huangjinmei Processing Risk Summary

The primary processing risks are:

- The proportion of arsenopyrite in the ore, and
- The impurities contained in the gold-bearing concentrate (which may impact revenues).

The impact of any impurities in the final concentrate, such as arsenic, antimony, mercury, etc. will depend upon the refinery terms.

8.4.2 Huangjinmei Processing Opportunity Summary

The major processing opportunities are:

- improving the silver recovery;
- improving the gold recovery, and
- improving the gold concentrate grade (which will increase revenue and decrease concentrate transport costs).

8.5 Sales and Marketing

MMC reviewed the 2010 contracts for the sale of the nickel, copper, lead and zinc concentrates. The details of the various contracts are summarised in ***Table 8-8*** to ***Table 8-10***. MMC also reviewed the up to date hardcopies of sale and purchase receipts from product buyers, which were found to be consistent with the contract statements.

8.5.1 Jiatai Concentrate Products

Nickel Concentrates

Based on the sale contract of March, 2010, Jiatai nickel concentrates are sold to Nickel Industry Corporation (sub-company of Jinchuan Group in Jinchuan Gansu Province). The concentrate is transported to the refinery by rail or truck with typical cost of 400 RMB/t of concentrate.

The price received for the nickel concentrate is based on the average 30 day spot price on the day it arrives at the buyer's facilities. The nickel payment will be based on the metal contained in the product and the spot sale price of 9990 Electrolytic Nickel by Jinchuan Group Company (the largest nickel producing company in China). The payment scale is based on 73.5% of the nickel price when the concentrate assay exceeds 10%, 72.5% when the assay is greater than 7.5%, 70.5% when it is above 6.5%, 68.5% when it exceeds 5.5%, while only 66.5% when it exceeds 5%. The Jiatai product generally has a nickel grade of less than 6.5% and thus receives 68.5% of the nickel price. Cobalt and copper are the only elements that attract a credit when Cu >3% and Co >0.35%. The copper payment is based on the metal in product, which is 30% of that spot copper sale price of Shanghai Metal Trade Centre minus 400 RMB. Cobalt payment is 25% of the 9980 Big Board average price of electrolytic cobalt of Jinchuan Group Company.

An assay of a sample of the nickel concentrate stockpile revealed that cobalt content would attract a credit.

If selected contaminants exceed specified limits such as Pb>0.1%, Zn>0.1%, As>0.1%, $MgO+Al_2O_3$>15%, the concentrate is either rejected or a discount or penalty applied. No penalties are applied to Jiatai products.

Copper Concentrates

Jiatai copper-bearing concentrate is mainly sold to Zhuhai South Jinchuan Company in Gansu province (Jinchang Railway Station), with a transportation cost of approximately 400 RMB/t concentrate. If selected contaminants exceed specified limits such as Ni>1.5%, As>0.3%, Pb+Zn>8%, Bi+Sb>0.5% and MgO>4%, the concentrate is either rejected or a discount or penalty applied. The schedule for impurity penalties is presented in ***Table 8-8***. MMC inspected the receipts from the buyer, which indicate that the Jiatai concentrate have not received any penalties to date.

Table 8-8 Xinjiang and Shaanxi Polymetallic Projects - Impurity Penalty Schedule

IMPURITY	PENALTY
Ni	Cut-off 1.5%, penalty is 10 RMB/ conc t when exceed each 0.5%
As	Cut-off 0.3%, penalty is 10 RMB/ conc t when exceed each 0.1%
Pb + Zn	Cut-off 8%, penalty is 10 RMB/ conc t when exceed each 1%
Bi + Sb	Cut-off 0.5%, penalty is 10 RMB/ conc t when exceed each 0.1%
MgO	Cut-off 0.3%, penalty is 10 RMB/ conc t when exceed each 0.1%

The payment received for the copper concentrate is based on two sets of terms, namely the terms presented in ***Table 8-9*** and ***Table 8-10.*** Credits are paid for gold and silver once they exceed a threshold level. Payment for copper is based on the contained copper metal content, (Au>=1 g/t; Ag >=20 g/t).

Table 8-9 Xinjiang and Shaanxi Polymetallic Projects - Copper Price Payments Terms

BASED ON COPPER PRICE	PAYMENT
20,000<Base Price<25,000 RMB/t	80% of Base Price
25,000<Base Price<30,000 RMB/t	81% of Base Price
30,000<Base Price<40,000 RMB/t	82% of Base Price
40,000<Base Price<45,000 RMB/t	83.5% of Base Price
45,000<Base Price<50,000 RMB/t	84% of Base Price
50,000<Base Price<55,000 RMB/t	85% of Base Price
55,000<Base Price	86% of Base Price

Table 8-10 Xinjiang and Shaanxi Polymetallic Projects - Copper Concentrate Grade Payments Terms

BASED ON COPPER GRADE	PENALTY
30%≤Cu grade	Based on 25%, additional 40 RMB/t when exceed each 1%
25% ≤ Cu grade≤30%	Based on 25%, additional 40 RMB/t when exceed each 1%
20% ≤ Cu grade≤25%	Based on 20%, additional 50 RMB/t when exceed each 1%
18%≤ Cu grade≤20%	No penalty
17%≤Cu grade≤18%	Based on 18%, penalty 200 RMB/t for lower each 1%
16%≤Cu grade≤17%	Based on 17%, penalty 300 RMB/t for lower each 1%
13%≤Cu grade≤16%	Based on 16%, penalty 400 RMB/t for lower each 1%

8.5.2 **Jinhua Concentrate Products**

Based on the 2007-2008 sale contracts, Jinhua lead concentrate and zinc concentrate and the bulk concentrate were sold to Dongling Refinery Company in Shaanxi Province. Since the company intends to produce separate lead and zinc concentrates, details of the bulk concentrate contract have not been included. The Jinhua copper concentrate is blended with Jiatai copper concentrate for sale. The concentrates are transported to the refinery by truck, typically costing 400 RMB/t, paid for by the supplier.

Zinc concentrate

The zinc price received for the zinc-bearing concentrate is based on the average spot price over the previous three days, set by the Shanghai Non-ferrous Metal Trade Centre on the day that it arrives at the buyer's facilities. The zinc payment is based on the metal contained in the product. Provided the spot price reaches 30,000 RMB/t, a base price of 22,500 RMB/t will be paid for the metal contained in the concentrate. Once the spot price exceeds the base price, the supplier will be paid 80% of the amount above the base price. If the spot price is lower than the base price, 80% of the amount below the base price will be paid to the buyer. Further negotiations are required if the spot price is lower than 25,000 RMB/t or exceeds 40,000 RMB/t. If the zinc content is less than 50% or selected contaminants exceed threshold values, such as Fe>13%, SiO_2>5%, and As>0.5%, then the concentrate will be either rejected or a discount or penalties applied. No penalties are generally applied to the Jinhua products.

Silver is the only element that attracts a credit. Silver payment is made when silver metal exceeds 150 g/t and is equivalent to 30% of spot silver sale price at the Shanghai Metal Trade Centre.

Lead concentrate

The price received for the lead-bearing concentrate is based on the average spot price over three days at the Shanghai Nonferrous Metal Trade Centre on the day that it arrives at the buyer's facilities. The lead payment is based on the metal contained in product. If the spot price is between 13,000 and 15,000 RMB/t, then the price paid for contained metal in concentrate is the base price minus 3,000 RMB/t. Once the price exceeds the 15,000 RMB/t, the supplier will be paid 80% of the amount above 15,000 RMB/t. If the spot price is lower than 13,000 RMB/t, 80% of the amount below the base price will be paid to the buyer. Once the spot price falls below 8,000 RMB/t or exceeds 20,000 RMB/t, further negotiations are required. If the lead content is less than 55% or selected contaminants exceed threshold values such as SiO_2>5%, the concentrate is either rejected or a discount or penalties are applied. No penalties are generally applied to the Jinhua products.

Silver is the only element that attracts a credit. Silver payment is made when silver metal exceeds 300 g/t and is equivalent to 30% of spot silver sale price at the Shanghai Metal Trade Centre.

9 PROJECT DEVELOPMENT

The Projects are at various stages of development. The summary below outlines the status of projects which have a defined development profile.

9.1 Xinjiang Projects

9.1.1 Jiatai No.20

As outlined in ***Section 6*** the Company plans to increase the production rate significantly from the No.20 mine. The No.20 mine commenced production in 2001 but has not produced ore since January 2011. However, development activities have continued towards a planned expansion to 150 ktpa by the end of 2013 as described in ***Section 6***. The expansion is supported by a high level mine plan, which is found in the "No.20 Mine 150 ktpa Development Proposal". MMC notes that as the estimated life of mine is based on the Ore Reserves estimate and the depletion of the ore Reserves is expected to be in line with the forecast yearly run of mine production.

A recent audit of the safety and environmental approvals for the No.20 operation has indicated that there are some outstanding approvals required to ensure compliance with the appropriate regulations (refer ***Section 11***).

A full description of the proposed project development for the No.20 mine is outlined in ***Section 6.***

9.1.2 Jiatai H989

The H989 Project is in the early stages of development and as a result the project development has not been reviewed in detail. The H989 Project is a Ni-Cu Project that consists of four mineralised zones. Although two shafts and a drive at 920 m elevation have been developed as part of the exploration stage, mining has not commenced.

Prior to commencing construction of the H989 Project, the Project will need to be granted a mining licence and various operating approvals. This process includes the completion and approval of geological reports, feasibility studies, a Preliminary Design Report and associated environmental and safety studies. The commencement of site construction is completely dependent on the timely completion of the project licensing and approvals process. This process is outlined in more detail in ***Section 9.2.1.***

Table 9-1 Xinjiang and Shaanxi Polymetallic Projects — H989 Development

Development phase	Time schedule	Estimated new monthly production capacity (cu.m)	Capital expenditure (RMB million)
Phase 1	April 2012 — March 2013	10,000	34
Phase 2	April 2013 — December 2013	15,000	3.6
Phase 3	January 2014 — December 2014	20,000	5.7

Pending the relevant project approvals, the Company plans to undertake extensive development in 2012 as the two existing shafts will be upgraded and restructured to be used as main hoisting shafts. Initial development work, planned to be conducted in 2012, includes the construction of two additional ventilation shafts and the development of the 760 m level and 720 m level. Development is forecast to begin on the 680 m level during 2014.

Although development is planned to commence in 2012 (producing 35 ktpa), production is not anticipated until 2013 following sufficient mine development. Mine development is expected to be 4,311, 1,844, 2,458 and 2,508 m in the years 2012 through to 2015 respectively. The Company estimates that the output in 2013 will reach 95 ktpa, 150 ktpa in 2014 and 200 ktpa in 2015.

Due to the early stage of project planning, MMC cannot comment on the reasonableness or suitability of the current project plans at this stage.

9.1.3 Jinhua Baiganhu

Baiganhu was granted a Safety Production Permit in March 2011 and is planned to commence construction in the third quarter of 2011. Initially the Pb-Zn mine is anticipated to produce 10 ktpa in 2011 before increasing to 125 ktpa in 2012. A mining licence specifying a production capacity of 300 ktpa has been granted and is valid until November 2013. MMC considers the forecast production rate to be reasonable.

A Preliminary Design Report, required prior to the commencement of site construction, was approved in January 2011.

A full description of the proposed project development for the Baiganhu project is outlined in ***Section 6.***

9.2 Shaanxi Projects

The Shaanxi projects are currently undergoing exploration; as such, Feasibility Studies or Preliminary Design Reports have not yet been completed for the projects.

The Huaba copper deposit, Huaba Vanadium Project and the Huangjinmei project each contain a number of exploration adits. The development of adits has been appropriate for the exploration of these deposits, due to the steep terrain in which they are located.

The Company management has prepared preliminary project studies outlining the proposed project profiles. These project profiles are subject to the successful completion of Feasibility Studies and Preliminary Design reports.

9.2.1 **Required Project Studies**

A General Exploration Report was completed for the Huaba copper and Huaba vanadium Project in May 2010. An opinion letter was completed by the management of the exploration contractor, Shaanxi Mining Development and Industry Trade Ltd., however, the official opinion letter has not yet been completed and filed for approval.

Based on information in the General Geology Report, the owner, Shaanxi Jiataihengrun Mineral Development Ltd, has planned to apply for the corner co-ordinators of the mining licence as well as the licensed mining elevations. This is generally a prerequisite for preparing other documents which are required for the granting of a mining licence, such as a Feasibility Study, Development Utilization Report, Safety Pre-assessment and Environment Impact Assessment.

A General Exploration Report for the Huangjinmei project was completed in March 2010. An opinion letter was completed by the management of exploration contractor itself, Shaanxi Mining Development and Industry Trade Ltd., however, as with the Huaba projects, an official opinion letter has not yet been completed and filed for approval.

The following reports and associated approvals are required prior to the granting of a mining licence:

- General Exploration Reports require official approval;
- Detailed exploration (and associated approval) may be required;
- Approval of the mine licence area;
- Valuation of payment for resource royalty may be required;
- Feasibility Study;
- Safety Pre-assessment;
- Project Permit by reform and development council;
- Environmental Impact Review, and
- Layout of Land and Water Protection and Prevention of Geology Accident.

After obtaining a mining licence, a Preliminary Design report may be compiled and submitted for review and approval. Once the Preliminary Design Report is approved project construction may commence.

Following construction of the mine, as well as the associated processing plants, tailing dams etc., the mining, environmental and safety facilities will be audited by the Industry Management Department. Once the relevant approvals have been granted, a safety production permit will be granted.

9.2.2 **Proposed Project Profile**

The Company has provided MMC with internal planning documents which have been completed prior to the completion of Feasibility Studies. The reports outline the proposed mining, concentrating and refining activities for each of the projects. As the internal reports do not include detailed designs, costing breakdowns or planning information the general descriptions provided below may vary significantly as more detailed studies are completed. Additionally, It is noted that the project profiles may change as the Company completes the required project studies (such as Feasibility Study and Preliminary Design Reports) and related approvals.

The Company has forecast the granting of the Huangjinmei mining licence in January 2012 and the safety production permit for the mine and TSF in April 2012. The Company has also forecast the granting of the Huaba mining licence in February 2012, the mine safety production permit in July 2012 and the TSF safety production permit in August 2012. This process includes the completion and approval of geological reports, feasibility studies, a Preliminary Design Report and associated environmental and safety studies. If such permits and related approvals be delayed, the production schedule will be affected.

MMC considers this timing to be optimistic with the potential granting of Mining Licences, pending successful completion of the required project studies, likely to occur in late 2011 or in 2012.

Huaba Copper Project

The Company proposes to develop an underground operation utilising the sub-level open stoping mining method. A copper concentrator and refinery are also planned. The final product is expected to be copper cathode, with a forecast maximum production capacity of 10 ktpa. The Company estimates that a staff of 570 people will be employed at the operations.

Table 9-2 Xinjiang and Shaanxi Polymetallic Projects — Huaba Development

Development phase	Time schedule	Estimated new monthly production capacity (cu.m)	Capital expenditure RMB M
Phase 1	February 2012 — August 2012	30,000	82.1
Phase 2	September 2012 — December 2013	50,000	9.9
Phase 3	January 2014 — December 2015	100,000	18.9

Phase one will consist of developing the ventilation shafts in the 1065m adit and 980m adit and reaching 300,000 tpa in production. The concentrator will also begin construction and begin commercial production during this period.

Phase two will consist of ongoing development in the 1065m adit and 980m adit and reaching 500,000 tpa in production. The 1025m adit will also begin development. The concentrator is forecast to reach 500,000 tpa by the end of 2013.

Phase three will see ongoing development of the 980 m, 1025 m and the 1065 adits and production is forecast to reach 1,000,000 tpa by the end of 2015. Concentrator expansions are planned to meet this production increase.

Huaba Vanadium Project

The Company proposes to develop a mine utilising open cut and underground operations (sub-level open stoping). A vanadium concentrator and refinery are also planned. The Company forecasts a maximum production of 6 kt of V_2O_5 each year. The Company estimates that a staff of 700 people will be employed at the operations.

Table 9-3 Xinjiang and Shaanxi Polymetallic Projects — Huaba Development

Development phase	Time schedule	Estimated new monthly production capacity (cu.m)	Capital expenditure RMB M
Phase 1	July 2012— September 2013	60,000	222.5
Phase 2	October 2013 — December 2014	60,000	11.9
Phase 3	January 2015 — December 2015	120,000	32.4

Phase one will consist of developing the ventilation shafts in the780 m adit and 980m adit and reaching 600,000 tpa in production. The concentrator will also begin construction.

Phase two will consist of ongoing development in the 780 m and 980m adits and preparing to upgrade to 1,200,000 tpa in production. The 580 m adit will also begin development. The concentrator is forecast tomaintain600,000 over this period.

Phase three will see ongoing development of the 980 m, 780 m and the 580 adits and production is forecast to reach 1,200,000 tpa during 2015. The concentrator is planned to expand to meet this production increase.

Key milestones for the Huaba project are tabulated below in ***Table 9-4***.

Table 9-4 Xinjiang and Shaanxi Polymetallic Projects — Huaba Key Milestones

Key milestones	Estimate timetable (month/ year)
Grant of mining permit	February 2012
Commencement of the construction of copper concentrator	February 2012
Approval for environmental impact appraisal report (Mine)	April 2012
Completion of construction of copper concentrator	July 2012
Approval for environmental impact appraisal report (copper concentrator)	February 2012
Grant of safety production permit (Mine)	July 2012
Approval for environmental protection inspection and acceptance (copper concentrator)	August 2012
Grant of safety production permit (Mine and TSF)	August 2012
Commencement of commercial production (copper concentrator)	September 2012
Commencement of the construction of vanadium concentrator	September 2012
Completion of construction of vanadium concentrator	June 2013
Approval for environmental impact appraisal report (vanadium concentrator)	August 2012
Approval for environmental protection inspection and acceptance (vanadium concentrator)	August 2013
Commencement of commercial production (vanadium concentrator)	September 2013

Source: Huili Resources (Group) Limited Share Offer

Huangjinmei Gold Project

The Company proposes to develop an underground operation utilising the short hole shrinkage stoping method. A concentrator is also planned. The project is forecast to produce 10 kt of Au concentrate per annum. The Company estimates that a staff of 450 people will be employed at the operations.

Table 9-5 Xinjiang and Shaanxi Polymetallic Projects — Huangjinmei Development

Development phase	Time schedule	Estimated new monthly production capacity (cu.m)	Capital expenditure (RMB M)
Phase 1	October 2011 — April 2012	18,000	63.3
Phase 2	May 2012 — December 2013	30,000	18
Phase 3	January 2014 — December 2014	36,000	6.6

Phase one will consist of developing the 1054m, 1060m and 1029m adits and beginning the 1010m adit, 1104m adit and 935m adit development. The concentrator will also begin construction during this phase.

Phase two will continue development on the 935m adit, 1010m level and 1104m level.The 1260m adit, 1160m adit and 1100m adit will also begin. Shafts 1 and 2 will also begin development and construction. The concentrator is forecast to reach 300,000 tpa by the end of 2013.

Phase three will continue development of the 935m adit for mining and start the 790m adit and 850m adit development. Shafts 3 and 4 will begin development and construction. The concentrator is forecast to reach 360,000 tpa by the end of 2014. Key milestones for the Huangjinmei project are tabulated below in ***Table 9-6.***

Table 9-6 Xinjiang and Shaanxi Polymetallic Projects — Huangjinmei Key Milestones

Key milestones	**Estimate timetable (month/ year)**
Commencement of the construction of gold concentrator	January 2012
Grant of mining permit	January 2012
Approval for environmental impact appraisal report (Mine)	January 2012
Completion of construction of gold concentrator	April 2012
Approval for environmental impact appraisal report (gold concentrator)	January 2012
Approval for environmental protection inspection and acceptance (Mine)	March 2012
Grant of safety production permit (Mine and TSF)	April 2012
Approval for environmental protection inspection and acceptance (gold concentrator)	April 2012
Commencement of commercial production (gold concentrator)	May 2012

Source: Huili Resources (Group) Limited Share Offer

10 OPERATING AND CAPITAL COSTS

10.1 Jiatai Operating Costs

Historical Mining

Historical operating costs were provided for the combined Jiatai Projects (No.2 and No.20 mines). The historic operating costs are summarised in ***Table 10-1.***

Table 10-1 Xinjiang and Shaanxi Polymetallic Projects - Historic Operating Costs for the No.2 and No. 20 Mines

COST CENTRE	2008RMB ('000)	2009RMB ('000)	2010RMB ('000)
Salary	1,076	537	386
Power and Energy	1,802	766	732
Water	47	18	15
Steel	325	22	42
Tools	18	12	8
Materials	931	158	194
Explosives	1,067	373	295
Contracting	7,236	2,685	1,685
Other	42	100	108
Resource Tax	783	332	166
Depreciation	981	219	142
Total	14,308	5,222	3,773
Total Ore (tonnes)	130,456*	48,803	29,926
Unit Operating Cost (RMB/t)	**109.68**	**107.00**	**126.08**

Source: Provided by Jinhua

** Includes ore extracted from Project H989 during exploration (9,036 t in 2008)*

Processing

The historical unit process operating costs for the Jiatai Cu-Ni operation have varied between 116 and 135 RMB/milled t. The historic costs include depreciation are shown in ***Table 10-2***.

Reagent and power costs have been relatively stable over the years and dominate the operating costs, while depreciation and 'other materials' have varied significantly. It should be noted that unit costs in 2009 and 2010 do not reflect the cost of normal operation as the plant ceased production in late 2009 due to falling metal prices experienced in the global financial crisis and to focus on ensuring that an adequate quantity of ore feed is maintained. This has resulted in higher unit processing costs in 2009 as normal levels of plant efficiency could not be maintained due to inconsistency of feed quantity.

Table 10-2 Xinjiang and Shaanxi Polymetallic Projects - Jiatai Processing Plant Production Costs

	RMB / MILLED t		
COST CENTRE	**2008**	**2009**	**2010**
Labour	7.24	13.09	21.56
Power	18.99	23.08	28.04
Reagent	28.16	24.86	24.54
Steel ball	5.49	10.02	5.08
Steel	1.26	0.21	1.63
Tools	0.37	0.88	0.32
Other materials	8.06	7.05	9.05
Transportation	34.00	38	32
Other	0.41	1.30	1.22
Depreciation	12.02	12.02	12.17
Total	**116.00**	**130.51**	**135.61**

Source: Provided by Jinhua

Forecast Costs

The Company's medium term forecast (2012-2015) mining operating costs (without depreciation and amortization) for the No.20 approximately 132 RMB/t, decreasing from 140 RMB/t ore in 2012 to 129 RMB/t Ore in 2015. This decrease in costs is due to the gradual ramp up in production in these years. MMC notes that the forecast costs for the No.20 mine are based on detailed relevant studies with sufficient detail to enable Ore Reserves to be estimated. Upon review of these studies and historical operating costs for the No.20 mine, MMC deems the forecast costs to be reasonable. Although MMC notes that no detailed mining study has been completed for the H989 project, it is located in close proximity to the No.20 mine, has similar tenure of mineralisation and the mineralisation has similar geometry. As a result MMC envisages that similar mining methods and costs will be applicable.

Operating costs do not include mine development activities, such as shaft sinking and development drives. The Company has prepared a mine development schedule, which is included in the project's capital cost schedule.

The forecast processing cost (without depreciation and amortization) provided by the Company for Jiatai decreases from 108 RMB/t Ore processed in 2012 to 92/t Ore processed in 2015. MMC believe these forecast processing cost are reasonable.

Table 10-3 Xinjiang and Shaanxi Polymetallic Projects No.20 and H989 Forecast Operating Costs.

Cost Centre	Project No.20				Project H989			
	2012	2013	2014	2015	2012	2013	2014	2015
Mining Cost								
Mining and hauling	6,120	10,200	12,750	12,750	2,975	8,075	12,750	17,000
Workforce Employment	587	694	622	533	285	550	622	711
Consumables	1,312	2,056	2,571	2,571	638	1,628	2,571	3,427
Fuel, Electricity and Water	1,224	1,723	2,154	2,154	595	1,364	2,154	2,872
Safety Production	384	407	407	407	186	220	407	407
Non-income Taxes, Royalties and Other Governmental Charges	432	720	900	900	210	570	900	1,200
Total Mining Cost (RMB ’000)	10,059	15,800	19,404	19,315	4,889	12,407	19,404	25,617
Total Mining Volume (Tonne)	72,000	120,000	150,000	150,000	35,000	95,000	150,000	200,000
Unit Mining Cost (RMB/t of ore)	139.71	131.67	129.36	128.77	139.69	130.60	129.36	128.09
Processing Cost								
Workforce Employment	1,026	1,067	960	823	426	853	960	1,097
Consumables	3,246	4,867	5,858	5,858	1,348	3,891	5,858	7,810
Fuel, Electricity and Water	1,788	2,792	3,360	3,360	742	2,232	3,360	4,480
Ore Transportation	2,314	3,145	3,738	3,718	961	2,514	3,738	4,958
Total Processing Cost (RMB ’000)	**8,374**	**11,871**	**13,916**	**13,759**	**3,477**	**9,490**	**13,916**	**18,345**
Total Processing Volume (Tonne)	77,724	124,643	150,000	150,000	32,276	99,643	150,000	200,000
Unit Processing Cost (RMB/t of ore)	107.74	95.24	92.77	91.73	107.73	95.24	92.77	91.73
Total Mining and Processing Cost (RMB ’000)	**18,433**	**27,671**	**33,320**	**33,074**	**8,366**	**21,897**	**33,320**	**43,962**
Administrative (RMB ’000)	2,035	2,618	2,548	2,379	845	2,093	2,548	3,171
Total Cash Cost (RMB ’000)	**20,468**	**30,289**	**35,868**	**35,453**	**9,211**	**23,990**	**35,868**	**47,133**
Depreciation and Amortization (RMB ’000)(note)	6,139	9,414	13,224	16,343	1,332	3,210	3,653	4,243
Total Production Cost (RMB ’000)	**26,607**	**39,703**	**49,092**	**51,796**	**10,543**	**27,200**	**39,521**	**51,376**

Source: Provided by Jinhua

Note:

Total depreciation and amortization includes depletion charges arising from the capital expenditures for the mining structures and mining right of the above mining projects. For Project No.20, the capital expenditures for the mining structures are depreciated over the entire mine life. However, for Project H989, the capital expenditures for the mining structures are depreciated based on the production plans and the estimated resources quantity as of 2 August 2011. The mining rights of the above mining projects are amortized in accordance with the production plans and the estimated resources quantity as of 2 August 2011 using the unit-of-production method. The depletion charges arising from the capital expenditures for the mining structures and mining right of the above mining projects will amount to approximately RMB2.7 million and RMB0.1 million, representing approximately 44% and 8% of total depreciation and amortization of Project No.20 and Project H-989, respectively, in 2012.

10.2 **Jinhua Operating Costs**

Baiganhu Mine

The forecast operating costs for Baiganhu as detailed in the Preliminary Design Report are shown in ***Table 10-4***.

Table 10-4 Xinjiang and Shaanxi Polymetallic Projects - Baiganhu Forecast Operating Cost Estimate

Cost Centre	Project Baiganhu			
	2012	2013	2014	2015
Mining Cost				
Mining and hauling	10,625	17,000	25,500	25,500
Workforce Employment	491	660	660	660
Consumables	2,248	3,596	5,394	5,394
Fuel, Electricity and Water	2,188	3,500	5,250	5,250
Safety Production	407	407	407	407
Non-income Taxes, Royalties and Other Governmental Charges	1,250	2,000	3,000	3,000
Total Mining Cost (RMB'000)	**17,209**	**27,163**	**40,211**	**40,211**
Total Mining Volume (Tonne)	125,000	200,000	300,000	300,000
Unit Mining Cost (RMB/t of ore)	137.67	135.82	134.04	134.04
Processing Cost				
Workforce Employment	1,433	1,920	1,920	1,920
Consumables	5,662	8,125	11,715	11,715
Fuel, Electricity and Water	3,248	4,660	6,720	6,720
Ore Transportation	5,220	7,490	10,800	10,800
Total Processing Cost (RMB'000)	**15,563**	**22,195**	**31,155**	**31,155**
Total Processing Volume (Tonne)	145,000	208,058	300,000	300,000
Unit Processing Cost (RMB/t of ore)	107.33	106.68	103.85	103.85
Total Mining and Processing Cost (RMB'000)	**32,772**	**49,358**	**71,366**	**71,366**
Administrative (RMB'000)	3,549	7,277	8,813	8,813
Total Cash Cost (RMB'000)	**36,321**	**56,635**	**80,179**	**80,179**
Depreciation and Amortization (RMB'000) (note)	10,128	17,490	37,438	44,163
Total Production Cost (RMB '000)	**46,449**	**74,125**	**117,617**	**124,342**

Source: Provided by Jinhua

Note: Total depreciation and amortization includes depletion charges arising from the capital expenditure for mining structures and mining rights of Project Baiganhu will amount to approximately RMB6.8 million, which account for approximately 67% of the forecast total depreciation and amortization in 2012. The capital expenditure for the mining structures are depreciated over the entire mine life. The mining right is amortized in accordance with the production plans and the estimated resources as of 2 August, 2011 using the unit of production method.

MMC considers the estimated operating costs for the Baiganhu mine to be reasonable for the style of mineralisation and are comparable to similar projects and styles of projects reviewed by MMC.

Jinhua Processing Plant

Historical Costs

The operating costs for the trial process plant are presented in ***Table 10-5***. As the 2008 operating costs are based on the production of three separate concentrates, the process operating cost of 123.2 RMB/feed t from the 2008 trial operation is considered to present a relatively accurate representation of the likely future operating costs. However, it is noted that an operating cost of 123RMB/feed t would be considered relatively high by Chinese standards, while the transportation cost of ore is also considered high at 36 RMB/feed t.

Table 10-5 Xinjiang and Shaanxi Polymetallic Projects - Jinhua Processing Plant Costs

ITEM	2007 (RMB / t)	2008 (RMB / t)
Labour	9.2	8.2
Power	22	37
Reagent	25	34
Steel ball	6	5
Tools	1	1
Other material	6	2
Depreciation	—	—
Ore Transportation	36	36
Total	**105.2**	**123.2**

Source: Provided by Jinhua

Forecast Costs

The Company's medium term forecast (2012-2015) mining operating costs (without depreciation and amortization) for the Baiganhu approximately 135 RMB/t, decreasing from 138 RMB/t ore in 2012 to 134 RMB/t Ore in 2015. This decrease in costs is due to the gradual ramp up in production in these years. MMC notes that the forecast costs for the Project Baiganhu are based on detailed relevant studies with sufficient detail to enable Ore Reserves to be estimated. Upon review of these studies and historical operating costs for the No.20 mine, MMC deems the forecast costs to be reasonable.

Operating costs do not include mine development activities, such as shaft sinking and development drives. The Company has prepared a mine development schedule, which is included in the project's capital cost schedule.

The forecast processing cost (without depreciation and amortization) provided by the Company for Jinhua decreases from 107 RMB/t Ore processed in 2012 to 104/t Ore processed in 2015.

10.3 Jiatai Capital Costs

MMC has been provided with a capital expenditure schedule for the period 2011 to 2015. The capital expenditure includes forecast mine development and construction and surface infrastructure.

Significant capital investments have been made at the operating No.20 mine. The site is equipped with shafts, hoisting systems, some ventilation fans and hand held machinery. The No.20 mine has historically produced 60 ktpa of ore and plans to increase production to 150 ktpa. Therefore significantly more capital expenditure is required to increase production at the No.20 mine, which is reflected in the forecast capital expenditure schedule provided by the Company (***Table 10-6***).

Table 10-6 Xinjiang and Shaanxi Polymetallic Projects - No. 20 Forecast Capital Expenditure

COST CENTRE	UNIT	2011	2012	2013	2014	2015
Underground Development	k RMB	3,211	13,209	12,885	12,886	13,321
Mine Construction	k RMB	310	14,530			
Safety	k RMB	920				
Total	k RMB	4,441	27,739	12,885	12,886	13,321

The underground development and construction costs align with the forecast mine development requirements over the next five years and are considered to be reasonable. The investment in surface infrastructure and equipment covers the additional mining equipment required to achieve an ore production rate of 150 ktpa from the No.20 mine.

The Company plans to invest approximately RMB 49.5 M in the H 989 project from 2011 to 2015. This estimate includes approximately RMB 29.4 M in underground development, RMB 0.9 M for safety and approximately RMB 19.1 M in mine construction and equipment. MMC cannot verify these costs as a detailed mine planning document is not yet available for review.

10.3.1 Processing Plant Preparation Costs

The Jiatai processing plant has been constructed, however, it has not been in continuous operation. In order to prepare the plant for operation, MMC estimate that between 80,000 and 100,000 RMB would be required. This would include:

- Mill re-line (liners, lifters and bolts) as well as grease and lubricants;
- Repairing/replacing bearings, impellors, pump casings, motors, idlers, pulleys, etc;
- General repairs (piping, electrical, lighting, corrosion, painting, etc.), and
- Reagents and media purchases.

Company staff stated that the plant could be prepared for operation without too much effort and within a relatively short time frame (approximately two weeks).

10.3.2 Processing Plant Sustaining Costs

MMC estimates sustaining costs to be 110,000 RMB/month, based on the continued support of 50 operating personnel, three site staff, six head office staff and ongoing expenses (permitting, vehicles, regulatory expenses, etc.). Staff and Head Office expenses have been split evenly between the Jiatai and Jinhua processing operations. The breakdown of these estimated costs are presented in ***Table 10-7***.

Table 10-7 Xinjiang and Shaanxi Polymetallic Projects - Jiatai Sustaining Costs

COST CENTRE	RMB / MONTH
Labour	75,000
Staff	5,000
Site Expenses	5,000
Head Office Expenses	25,000
Total	110,000

Source: Estimated by MMC

10.4 Jinhua Capital Costs

The Company has prepared a capital cost schedule until 2015, which is shown in ***Table 10-8***.

Table 10-8 Xinjiang and Shaanxi Polymetallic Projects - Baiganhu Forecast Capital Schedule

COST CENTRE	UNIT	2011	2012	2013	2014	2015
Underground Development	kRMB	1,025	21,506	9,805	13,134	13,569
Mine Construction	kRMB	2,288	14,200			
Safety	kRMB	920				
Tailings dam reform	kRMB	5,500	4,500			
Total	**kRMB**	**9,733**	**40,206**	**9,805**	**13,134**	**13,569**

Source: Baiganhu Preliminary Design Report

The underground and development construction costs align with the underground mine development schedule, which has been based on production reaching 300 ktpa by the end of 2013.

10.4.1 Jinhua Processing Plant Preparation Costs

In order to prepare the plant for operation, MMC estimate that between 60,000 to 70,000 RMB would be required over a period of approximately two weeks. This would consist of:

- 15 days labour (12,500 RMB);

- Technicians (10,000 RMB);
- Remobilisation of the workforce (10,000 RMB), and
- Materials (e.g. reagents, media and spares) (35,000 RMB).

Capital costs for installing and establishing the 800 tpd expansion of the processing operation have not been examined in any detail. Although it is understood that the expansion of the processing plant is not a priority for the company at this stage, it is estimated that the cost would be in the order of RMB 1.6 M.

10.4.2 Jinhua Processing Plant Sustaining Costs

MMC estimates that sustaining costs will be 35,000 RMB/month, based on the continued support of three site staff, six head office staff and ongoing expenses (permitting, vehicles, regulatory expenses, etc.). Staff and Head Office expenses were allocated evenly between the Jiatai and Jinhua processing operations. The breakdown of these estimated costs are presented in ***Table 10-9***. The sustaining costs shown in ***Table 10-9*** refer to the sustaining cost required if the Jinhua plant continues not to operate. An additional monthly labour cost would be required if the plant commenced operations.

Table 10-9 Xinjiang and Shaanxi Polymetallic Projects - Jinhua Sustaining Costs

COST CENTRE	RMB / MONTH
Labour*	0
Staff	5,000
Site Expenses	5,000
Head Office Expenses	25,000
Total	35,000

Source: Estimated by MMC

N.B. Labour costs are not included — costs estimated for plant in "care and maintenance" phase,

10.5 Shaanxi Projects

MMC is not aware of any relevant mining study having been completed for the Project Huangjinmei and Project Huaba, and hence MMC is unable to provide commentary on the Company's forecasted operating and capital cost or mine life as no reserves have been estimated.

11 SAFETY AND ENVIRONMENT

11.1 Introduction

In September 2010, ERM was commissioned to conduct the environmental, occupational health and safety, and social review of selected Hami Jiatai Mineral Resources Development Co. Ltd. and Hami Jinhua Mineral Resources Development Co. Ltd assets in Hami Prefecture, Xinjiang Uyghur

Autonomous Region ERM conducted a first site visit on 10 to 12 September 2010, when it completed the inspection of the Project sites, document review and interviews with site management personnel and local governmental authorities during the first site visit. Based on the first site visit, an initial report of the findings and recommendations was issued in February 2011.

On 4 to 6 August 2011, ERM returned to the Project sites to review the recommendations provided by ERM and the Sites Management's actions taken to address issues from the first visit through a quick inspection of project sites, document review and interview with site management personnel. Actions taken against the recommendations from the first site visit are incorporated into this updated report.

Table 11-1Xinjiang and Shaanxi Polymetallic Projects - Assets covered by the EHSS Assessment

Asset Name	Start of Ops
Huangshan East No.2 Cu-Ni mine	Sept 2002
Huangshan East No.20 Cu-Ni mine	2003
Luotuoquanzi Cu-Ni Concentrator and Tailings Storage Facility (TSF)	Mar 2002
Baiganhu Pb-Zn Proposed mine	N/A
Luotuoquanzi Pb-Zn concentrator (Jinhua Concentrator)	Aug 2008

11.1.1 **Environmental and Social Background**

The Projects are located in the Hami Prefecture in the North East of Xinjiang Uyghur Autonomous Region, PRC. Hami Prefecture has an area of 140,749 km^2 mostly located in a fault depression about 200 m below sea level. This region consists of a cold desert climate with extreme differences in temperature between summer and winter, strong sun exposure and dry weather year-round. Temperatures range from a low of −15.9 °C in January to a high of 34.2 °C in July. Precipitation is very sparse, totalling 39 mm annually, and is accompanied by long daylight hours (estimated at 3,285 hours per annum). Hami is known for its mineral resources including nickel (the second largest nickel mine in China operates in this region), coal, iron, copper and gold.

The projects are located in remote desert locations, although the two concentrators are located near the Hami Industrial Park. Environmental quality around the projects broadly meet the applicable environmental quality standards with the exception of airborne dust particles detected through selected air quality baseline monitoring tests. The dust particle density is assumed to be due to the lack of erosion prevention measures in such desert areas.

Hami Prefecture has a population of approximately 540,000 inhabitants with an average population density of 3.8 per sq.km. The population is mostly comprised of Han (approx. 70%), Uyghur (approx. 20%) and Kazakh (approx. 9%), with Hui and other ethnic groups accounting for the minority. The local rural communities around the Jiatai and Jinhua projects are largely dependent on agriculture and animal husbandry as the main source of occupation and subsistence. There is no residential housing within a two kilometre radius around the projects.

No record of public opposition to the operations conducted at either of the projects of Jiatai or Jinhua was revealed in the scope of this investigation. As such, no community risks were at any of the projects.

The overall environmental and social impact of the projects is expected to be low due to the remote locations of the projects, the arid climate, the local geological and ecological conditions and an absence of communities near the projects.

11.2 EHSS Governance and Management

11.2.1 Overview of Jiatai and Jinhua Experience in Dealing with Applicable Laws and Practices

Prior to construction and re-start of formal operations Jiatai and Jinhua appeared to have been unaware of the extent of environmental, health and safety requirements applicable to their operations. The companies have historically focused on complying with the basic requirements allowing them to obtain Safety Production Permits and Mining Licences. Recently, under new management, they have moved to address compliance with broader EHS permitting requirements or management of the range of risks detailed in this report.

The Hami Environmental Protection Bureau, Work Safety Bureau and Health Bureau stated during interviews with ERM in September 2010, that Jiatai and Jinhua companies could retroactively reach compliance and increase their risk management performances, thus preventing future liabilities, by applying for the missing approvals, in particular the EIA approval, Environmental Completion Acceptance Inspection approval, Safety pre-Assessment approval, Safety Assessment approval for Completion, and Occupational Disease Hazard pre-Assessment approval and Occupational Disease Hazard Control Effect Approval. They also recommended that the companies produce appropriate action plans for timely compliance with all EHS management requirements, and contract the local Environmental Monitoring Station and Occupational Hygiene monitoring centre to conduct monitoring activities at the various sites in accordance with relevant regulations, when they are put into either trial operations or formal operations. The companies appear to have recently undertaken efforts towards this end.

Based on the recommendations from the first site visit, Jinhua had commissioned an EIA license holder to prepare the EIA report for the Jinhua concentrator, Jiatai had commissioned Hami Prefecture Environmental Monitoring Station (EMS) to conduct the Environmental Completion Acceptance Inspection monitoring, had updated the Safety Production Permit for the TSF, and had commissioned Hami Prefecture Centre of Disease Prevention and Control (CDC) to prepare the Occupational Disease Hazard Control Effect reports for Jiatai's concentrator and mines, both Jiatai and Jinhua had obtained the fire fighting design approvals for concentrators, to mitigate potential EHS permitting risks.

11.2.2 Environmental Planning

The EIAs and Geological and Environmental Protection Plans provide generic measures for mitigating land disturbance, but at the time of site visit no evidence of implementation of these recommendations was observed. Issues noted including the management of waste rock dumps as well as the waste material being removed from the mine, rather than backfilling. Subsidence was observed at Jiatai's No. 2 mine, indicating geological risks from mining operations. Jiatai management indicated that backfilling has not been implemented at the mines as required by the EIA reports. This presents a risk of subsidence during and beyond the mine life.

Jiatai and Jinhua management need to put in place necessary rehabilitation plans with sufficient budget and on-going measure as per the corresponding requirements. Jiatai's management have confirmed payment of the necessary ecological rehabilitation deposits. Notifications from authorities have specified that the operation, closure and rehabilitation of the mine must be conducted as per applicable requirements and the approved Geological and Environmental Protection Plan and mine development plan. The company must pay for rehabilitation in addition to the deposit, which shall be kept in escrow and returned to the company upon acceptable project closure as per these requirements.

Based on the Notice Letters on Opening an Account of Mine Geological and Environmental Rehabilitation Deposit and Transferring the Payment of Deposit issued by Xinjiang Land and Resources Bureau for Jinhua's Baiganhu Mine, Jiatai's No.2 Mine and No.20 Mine, ERM recommended Jinhua and Jiatai should pay the rehabilitation deposit. In appendix to the Board of Directors Meeting Minutes dated 25 January 2011, a high level action plan and budget for RMB 350,000 per annum for rehabilitation, and a closing cost estimate standing at RMB 1.64 million was defined by Jinhua, and provided for review. During the second site visit, two payment receipts from the Bank of Communications dated 1 April 2011 and 7 April 2011 demonstrated that a deposit of RMB 595,000 was paid for Jinhua's Baiganhu Mine and a deposit of 846,208 was paid for Jiatai's No.20 Mine respectively. One payment receipt from the Industrial and Commercial Bank of China dated 8 July 2011 indicates for a deposit of RMB 201,270 was paid for Jiatai's No.2 Mine Jinhua and Jiatai have completed the payments of geological and environmental rehabilitation deposits to date.

11.2.3 **Health and Safety Management Systems**

Jiatai's Safety Production and Operation Procedures for Mines and Jiatai's Production Procedures and Safety Management Organization were provided for review. However, the general degree of implementation of the safety management system documented at the Jiatai mines and concentrator was limited at the time of two site visits and management of occupational health issues at the Jiatai and Jinhua sites appeared to be below industry standard. The preparedness of the Jiatai management to prevent incidents and manage safety risks was not demonstrated at the time of site visit, and the safety management documentary system was insufficient and should be updated.

The Hami Safety Bureau had handed down several notices to the Jiatai management requiring improvement of safety performances and safety structures. The safety performances of the Jiatai mines No.2 and No.20, in particular the record of 34 lost time incidents between June 2007 and August 2010, including four fatalities while the mine was under previous management in 2007, and the repeated request for corrective actions by the authorities present a risk of insufficient management of safety, and thus potentially a lack of prevention of safety risks. It is noted that all but 1 of the lost time incidents occurred prior to 2010, however, the rate of production has decreased significantly since 2009.

As such, Jiatai and Jinhua should move to update the health and safety management system and enforce the implementation of the health and safety management system in compliance with applicable requirements, engage in a process of comprehensive risk identification and management process, and increase awareness of safety requirements amongst contractors and employees alike.

11.2.4 Environmental Permitting

The Jiatai No.2 and No.20 mines, as well as the Jiatai concentrator with the TSF have obtained EIA approvals for their current operations. Jinhua's Baiganhu mine has also obtained an EIA approval. Based on the recommendation from the first site visit, Jinhua commissioned a licensed EIA consultant to prepare the EIA report for the Jinhua concentrator on 24 January 2011, which shall be completed by the end of 2011 and will be submitted to Xinjiang Environmental Protection Bureau (EPB) for approval upon its completion. The EIA approval for the Jinhua concentrator must address the activities relating to the discharge of tailings to the Jiatai TSF. As such, the Jinhua tailings must be characterised and subsequently handled in compliance with applicable requirements.

The Jiatai No.2 and No.20 mines and the Jiatai concentrator with the TSF have been put into intermittent operations for several years without Environmental Completion and Acceptance Inspection (CAI) approvals. An Environmental CAI application for Jiatai No.2 and No.20 mines and for the Jiatai concentrator, have been submitted to the Hami EPB on 20 April 2011. According to site management personnel, the Environmental CAI monitoring for the existing Jiatai operations was completed, but the Environmental CAI monitoring and application reports and Environmental CAI approvals were not completed and provided for review at the time of reporting. Without the Environmental CAI approvals, the Jiatai No.2 and No.20 mines and the Jiatai concentrator with the TSF cannot be formally put into operations.

Until the Environmental CAI Approvals are obtained for Jiatai's concentrator and mines, the Jiatai concentrator and mines are at risk of being temporarily shut down if the operations are resumed, though the likelihood is low. Until the EIA approval is obtained for Jinhua's concentrator, this one is also at a risk of being temporary shut down if it is put into trial operation, though the likelihood is low. These permitting issues thus present an operational risk to the Projects until the relevant approvals and permits are obtained.

11.2.5 Water & Soil Conservation

The Jiatai and Jinhua mines have commissioned Lvshengyuan Water Resource Technology Service Centre, a licensed institute qualified to prepare Water and Soil Conservation Plans (WSCP) on 16 March 2011. A draft WSCP report for Jiatai's No.2 Project No. 2, Project No. 20 and concentrator, and a draft WSCP report for Jinhua's Baiganhu Mine and concentrator were provided for review during the second site visit. According to the site management personnel, the WSCP reports were submitted to Xinjiang Water Resources Bureau on 28 July 2011, the expert panel review meetings will be organized in the middle of August and the WSCP reports' approvals may be issued in September. Water and soil conservation planning measures are to be reviewed and approved by the Hami Water Resources Bureau, and their implementation is to be monitored. Although implementation of this particular requirement is not as strongly exercised as for environmental permitting, the consistent implementation of water and soil conservation measure as defined in the WSCP reports and imposed in their approvals may positively affect costs associated with mine closure and reclamation.

11.2.6 Health and Safety

Safety

Safety Permitting is conducted through the preparation of a pre-construction Safety Assessment report; the review of safety features in the design material of a new, modified or expansion project; and finally through to the conduct of a Safety Assessment for Completion after the trial operation phase and before the formal operation phase is engaged. Furthermore, all mining operations and TSF must obtain a Safety Production Permit. In particular, the Safety Production Permit is required in order to purchase and store explosives on mining sites.

A pre-construction Safety Design report approval for the proposed Baiganhu mine was obtained from the Xinjiang Work Safety Bureau on 6 January 2011. The Safety Production Permit for Project Baiganhu was also obtained from the Xinjiang Work Safety Bureau, which is valid from 2 March 2011 to 1 March 2014. As operations have not yet started, a safety deposit has not yet been paid by Jinhua for the proposed Project Baiganhu however such payment should occur before the start of operations.

A safety deposit has been paid and Safety Production Permits obtained which are valid respectively from 09/08/2010 to 08/08/2013 (Permit No.: (2010) 3010) for the Jiatai No.2 mine, from 20/01/2009 to 19/01/2012 (Permit No.: (2008) 0401) for the Jiatai No.20 mine, and 03/09/2011 to 03/08/2014 (Permit No. (2011) 0051) for the Jiatai concentrator's TSF. The explosive storage for the Jiatai No.2 Mine and No.20 Mine is managed by a licensed third party.

The outstanding approvals of safety pre-assessment and safety completion assessment for Jiatai No.2 and No.20 mines and the TSF may present a potential risk for the future updating the Safety Production Permit. To mitigate such risk, Jiatai commissioned a local safety assessment company to prepare a Safety Baseline Assessment for Jiatai concentrator's TSF on 14 January 2011 and to seek an update of the safety production permit for the TSF on 9 March 2011.

According to the consultations with the Hami Work Safety Bureau during the site visit, a safety pre-assessment approval and a safety assessment approval for completion inspection for each existing mining operations and concentrator's TSF should be obtained for each of the existing operations. However, Jiatai and Jinhua used the Safety Baseline Assessment to update the Safety Production Permit for existing mines and TSF, based on local safety permitting practice.

As part of this process, the Jiatai mines and concentrator's TSF must undergo a review and approval of the safety features in their design. Formal design material is not available for the Jiatai mines and the review and approval of the design safety features has not been obtained. The design of the TSF reflects its usage to store the tailings from the Jiatai concentrator, while currently, the tailings of Jinhua concentrator are planned to be discharged into it as well. The TSF will thus see its operating life approximately halved, and the structural and operational safety features have to be reviewed in the light of the planned operations.

As the suitability of the safety measures implemented in the operations conducted at the Jiatai and Jinhua assets is not clearly established through regulatory compliance and a documented management system, in case of accident, this could increase the liabilities of the companies.

Occupational Health Hazards

Occupational Disease Hazard Pre-Assessment (ODHA) reports have not yet been prepared for any of the sites. These are required to apply for applicable ODHA approval prior to construction at the Jinhua site. Based on the recommendation from the first site visit, Jiatai and Jinhua have contacted Hami Prefecture Health Bureau and Centre of Disease Prevention and Control (CDC) to understand the occupational health permitting requirements, and Jiatai commissioned the Hami Prefecture CDC to prepare the Occupational Disease Hazard Control Effect Assessment (ODHCEA) reports for existing operations of Jiatai's concentrator and TSF, No.2 Mine and No.20 Mine. According to the site management personnel, the occupational health monitoring at the workplaces at the Jiatai's concentrator, No.2 Mine and No.20 Mine was performed on 31 May to 4 June 2011, and the ODHCEA report was being prepared at the time of ERM' second site visit. Jiatai will submit the ODHCEA to Hami Hami Prefecture Health Bureau to apply for the ODHCEA approval to safeguard Jiatai's existing operations. According to the site management personnel, Jinhua did not commission the Hami Prefecture CDC to prepare the ODHCEAs, because the Jinhua's Baiganhu Mine and concentrator were not yet put into operation. Since the initial site visit, Jiatai has also commissioned the Hami Prefecture CDC to conduct occupational health examination of its personnel for the year 2011, with contracts and occupational health inspection reports provided for review. The occupational health inspection reports provided by Jiatai, which were prepared by the Hami Prefecture CDC on 13 and 15 April 2011, establish that no occupational disease was identified in the course of this inspection campaign.

11.2.7 Potential EHSS Liabilities-Operational EHS Performance

Pollutant discharges

A limited amount of tailings from the Jinhua concentrator was discharged to Jiatai TSF during a short period of trial operation, which was identified during the first site visit. Since this trial production period, no tailings were produced and discharged into Jiatai's TSF. However, Jinhua's plans to discharge tailings to the Jiatai's TSF mentioned by the site management are stated to be addressed in the EIA for the Jinhua's concentrator currently under preparation. Operating risks include the discharge of potentially toxic elements (PTE), potential soil and groundwater contamination with heavy metals and possible airborne mobilisation of PTE particles in strong wind.

Several environmental requirements for the mitigation of pollution discharges as described in the respective Environmental Impact Assessment reports and corresponding approval documents were not implemented sufficiently; such as dust treatment devices on boilers, septic-tank treatment of domestic wastewater streams and dust control measures.

Based on wastewater monitoring report for Jiatai, the monitoring results of Cr^{6+}, Pb, Cd, Hg and As meet the maximum allowed discharge limits of Table 1 of *Integrated Wastewater Discharge Standards* (GB 8978-1996), however, the pH and Suspended Solids (SS) exceed the Class III limits of GB 8978-1996.

Based on the recommendation from the first site visit, Jiatai signed a monitoring agreement with the Hami Prefecture Environmental Monitoring Station (EMS) on 25 February 2011 to conduct production wastewater, domestic wastewater, boiler air emissions and dust monitoring for the Jiatai's existing mines and concentrator. On 29 March 2011, Jiatai also submitted an Environmental CAI monitoring application letter to Hami Prefecture EMS to perform the CAI monitoring for Jiatai concentrator, No.2 Mine and No.20 Mine. According to the site management personnel, the environmental monitoring was completed in June, and the environmental monitoring report will be completed in late August. Without the complete monitoring reports for review during the second site visit, the compliance status of wastewater discharge and air emission is unknown.

It is recommended that monitoring should be undertaken at least annually and records of compliance and performances established.

Hazardous Waste Disposal

The Jiatai and Jinhua concentrators generate industrial wastes including tailings, sodium chlorate solution, waste lubricant, waste chemical solutions from the laboratories, coal ash and waste chemical packaging. The Jiatai mines and proposed Jinhua mine produce waste rock and overburden that is disposed of on the mine sites, coal ash and waste lubricant.

At the time of the site visit, a waste manifest was not available and a waste management plan was not being implemented at any of the assets, as required by the applicable requirements at any of the sites. Based on the documents dated 25 January 2011 annexed to the Board of Directors Meeting Minutes of that same day, a waste management plan was prepared but the hazardous wastes, such as sodium chlorate solution, waste lubricant and waste chemical solutions, were not identified and measures for their collect and disposal by a licensed hazardous waste disposal provider are not in place.

The historic waste handling practices may have led to soil and ground water contamination by hydrocarbons where leakage or spill marks were noticed around waste lubricant drums stored on site. Additionally, the lack of waste rock and tailings characterisation may result in acid rock drainage ('ARD'). ARD may occur in mines where metal sulphides are exposed to air and water; this risk is relevant to the Jiatai mines as pyrite occurs within the ore.

The risk of soil and ground water contamination at the mine sites and at the TSF is increased as geochemical characterisation of waste rock, overburden and tailings has not been completed. Additionally, the TSF does not have associated prevention and management measures without the leaching test of tailings to define the classification of tailings waste.

Any existing and potential hazardous waste should thus be included into the waste management plan, and a local qualified hazardous waste disposal provider contracted to collect and dispose of the hazardous wastes in a safe and compliant manner. Contamination risks can be prevented through more stringent management of wastes and conduct ARD testing.

An updated waste management plan was issued by Jinhua on 8 March 2011. A list of waste is attached to the plan. It still requires a list of hazardous waste and contract with a qualified hazardous waste disposal entity to achieve the management of potentially hazardous substances.

Water and Wastewater

The discharges of mine pit water observed at the Jiatai mines during the two site visits, and in particular at the Jiatai No. 20 Cu-Ni mine is in non-compliance with the applicable 'zero discharge' requirement established in the mine's EIA approval. The mine water is discharged without any form of treatment or monitoring. In case the mine water gets contaminated by metal sufphides from pyrite and marcasite, the water being discharged may become very acidic and contain dissolved metals. This discharge may in turn affect the soil and ground water quality in the receiving environment, and thus create corresponding liabilities. Without a wastewater monitoring report prepared and provided for review, the compliance status of wastewater discharge from the Jiatai No.20 Mine is unknown, and the likelihood to contaminate the soil and groundwater cannot be eliminated.

Regarding the discharges of the Jiatai concentrator into the TSF, the discharge of untreated domestic waste water and equipment cleaning solution identified during the first site visit, some potential risks include the formation of shock-sensitive mixtures if a sodium chlorate solution reacts with organic material, and soil and ground water contamination by heavy metals leaching and by organic pollutants may occur. At the time of reporting, these discharges are still planned to occur after the Jiatai's concentrator is put back into operation, and will be addressed in the EIA for the Jinhua concentrator.

Water reuse and recycling at the Jiatai and Jinhua concentrators were assessed to be insufficient to meet the applicable industry standard during the first site visit, and these issues were considered relevant by the Site Management given the Sites arid location. According to the Board of Directors Meeting Minutes issued by Jinhua on 25 January 2011, a wastewater tank and wastewater treatment and reuse system have been build. A wastewater abstraction equipment was installed in the TSF and an associated wastewater receiving tank and pipeline were installed at the time of the second site visit. However, the operation efficiency is not yet known because it has not yet been put into use.

Zinc and Nickel processing are subject to recommendatory 'Cleaner Production' standards with regard to water recycling efficiency that is beyond the technical water recycling capacities observed at the Jiatai and Jinhua concentrators.

Air

Based on the Board of Directors Meeting Minutes issued by Jinhua on 25 January 2011, water spraying equipment shall be installed in the raw materials storage area and along the internal roads in the site housing the concentrators; dust removal equipment shall be installed to mitigate the fugitive dust emission at key locations of the concentrators' process; and the local environmental monitoring station shall be commissioned to conduct environmental monitoring. Sprinklers were only observed in the raw material storage area of the Jiatai concentrator. Without the implementation of the water spraying equipment and dust removal equipment and environmental monitoring results, the compliance status of the dust and particulate emission is unknown. No dust treatment device is in use at any of the boilers found at the Jiatai and Jinhua sites. Dust control measures are not currently in place at the Jinhua site.

According to the site management personnel, Jiatai commissioned the Hami Prefecture EMS to conduct the completion and acceptance inspection (CAI) monitoring and the site monitoring was performed on 31 May to 4 June 2011. However, the compliance status of dust capture measures at the Jiatai concentrator was unknown without the air emission monitoring report, at the time of reporting.

Further areas for improvement include the strengthening of cleaner production at the concentrators, greater control over air emissions from boilers and trucking of materials at the Jiatai and Jinhua concentrators.

Health and Safety

Jiatai and Jinhua have commissioned a fire fighting system design for Jiatai's concentrator and Jinhua's concentrator, and obtained the fire fighting design approvals (Approval No.: 2011-0016 and 2011-0017) for those two concentrators issued by the Hami Prefecture Fire Fighting Bureau of Public Security Bureau on 20 April 2011. Jiatai and Jinhua will apply for the fire fighting completion inspection approval after the construction of fire fighting measures is complete. Until the fire fighting completion inspection approvals for concentrators are obtained, this fire fighting permitting issue has been defined as a material risk for each asset due to the cost of defining and obtaining the fire fighting completion approval, the investment required for the successful implementation of the fire fighting design and approval and the potential impact from a fire at any of the assets.

Based on the findings from the first site visit, Jiatai and Jinhua installed one fire hose in each of the main workshop of Jiatai and Jinhua's concentrators, and built three fire fighting areas, each equipped with fire fighting sand, fire sand buckets, spades and fire extinguishers.

A lack of maintenance of the dust collection system at the Jiatai concentrator and the absence of a dust capture system at the Jinhua concentrator may affect the quality of the work environment for employees at these plants. Although Personal Protective Equipment is distributed to personnel at the mine sites and concentrators, the suitability of occupational disease hazard prevention measures has not been established and their efficiency has not been established at any of the sites.

According to the signed contract between Jiatai and Hami Prefecture CDC, Jiatai has commissioned Hami Prefecture CDC to prepare Occupational Disease Hazard Control Effect Assessment. The occupational health exposure monitoring at the workplace is one part of the report, and was completed on 4 June 2011 for employees and contractors exposed to potentially harmful exposures such as dust, chemical vapours or noise. The occupational hazard exposure monitoring report at the workplace was not completed and provided for review during the second site visit. Without the occupational hazard monitoring reports, the compliance status of dust, chemical and noise exposure at the workplace is unknown.

To minimize occupational disease risk and prevent potential future claims against damages to health due to poor working conditions, Jiatai commissioned the CDC to address the occupational health impacts and required measures, and also commissioned the Hami Prefecture CDC to conduct the annual occupational health inspection for workers exposed to noise, dust and toxic chemicals to identify and minimize the potential occupational disease in a timely manner.

Community

An absence of communities within 2 km of any of the assets and no evidence of community opposition to the projects indicates that community risks for the assets under consideration are minimal at the time this review was conducted.

12 PROJECT RISKS AND OPPORTUNITY ASSESMENT

12.1 Risk Summary

Mining is a relatively high risk business when compared to other industrial and commercial operations. Each Project has unique characteristics and responses during mining and processing, which can never be wholly predicted. MMC's review of the Project indicate project risk profiles typical of mining projects at similar levels of Resource Estimation, mine planning and project development. Until further studies provide greater certainty, MMC notes that it has critical concerns with the Project. However, the Project shows positive and encouraging characteristics and warrants more detailed reviews which will assist in determining the economic potential for ongoing development.

MMC has attempted to classify risks associated with the Project based on Guidance Note 7 issued by The Stock Exchange of Hong Kong Limited. Risks are ranked as **High**, **Medium** or **Low**, and are determined by assessing the perceived consequence of a risk and its likelihood of occurring using the following definitions:

Consequence of risk:

- **Major**: the factor poses an immediate danger of a failure, which if uncorrected, will have a material effect (>15% to 20%) on the project cash flow and performance and could potentially lead to project failure;

- **Moderate**: the factor, if uncorrected, could have a significant effect (10% to 15% or 20%) on the project cash flow and performance unless mitigated by some corrective action, and

- **Minor**: the factor, if uncorrected, will have little or no effect (<10%) on project cash flow and performance.

Likelihood of risk occurring within a 7 year timeframe:

- **Likely**: will probably occur;
- **Possible**: may occur, and
- **Unlikely**: unlikely to occur.

The consequence of a risk and its likelihood of occurring are then combined into an overall risk assessment as shown in ***Table 12-1*** to determine the overall risk rank.

Table 12-1 Xinjiang and Shaanxi Polymetallic Projects - Risk Assessment Table

	Consequence		
Likelihood	**Minor**	**Moderate**	**Major**
Likely	Medium	High	High
Possible	Low	Medium	High
Unlikely	Low	Low	Medium

MMC notes that in most instances it is likely that through enacting controls identified through detailed review of the Project's operation, existing documentation and additional technical studies, many of the normally encountered project risks may be mitigated.

Table 12-2 Xinjiang and Shaanxi Polymetallic Projects — Combined Project Risk Summary

Risk Ranking	Risk Description and Suggested Further Review	Potential Mitigant	Area of Impact
H	**Consolidation**		
	Currently operations have ceased for No 2 whilst the government reviews consolidation strategies.	Strategic purchasing of other assets.	Project revenue.
M	**Metal Prices**		
	The Jinhua and Jiatai Projects are sensitive to fluctuations in the relevant metal prices.	Long term sale contracts. Sale price project sensitivity analysis.	Project revenue and operating cash margins.
M	**Project Development**		

Risk Ranking	Risk Description and Suggested Further Review	Potential Mitigant	Area of Impact
	Feasibility Studies have not yet been completed for the Shaanxi and H989 Projects. Feasibility Studies provide greater understanding of project profiles such as project development, likely production rates, operating costs, capital costs and project life. Additionally, they are a pre-requisite for the granting of a mining licence.	Continue Project Feasibility Studies. MMC is informed these studies will be completed in late 2011.	Project profiles for the Shaanxi and H989 Projects.
M	**Geotechnical Assumptions**		
	Geotechnical information was not available for review for the No.2, No.20 and Baiganhu projects. As such, MMC cannot comment on the ground conditions or stability of the underground workings. It is noted that some shafts have suffered from geotechnical issues at the No.2 mine and have been de-commissioned.	Careful geotechnical monitoring and management	Underground production rates Operating costs Capital costs Ore dilution Ore recovery
M	**Baiganhu Development**		
	The Baiganhu project has recently received approval for the Preliminary Design Report. As with all early stage construction projects, the construction schedule and project capital cost estimate may vary against current estimates due to unforeseen technical issues.	Experienced project managers and construction teams Detailed construction planning	Project construction schedule Capital cost estimate Mining Schedule
M	**Vein Thickness and Grade Variability**		

Risk Ranking	Risk Description and Suggested Further Review	Potential Mitigant	Area of Impact
	Mineral Resource classifications have been downgraded in certain areas, as statistical measurements could not be completed due to limited data.	Infill drilling	Mineral Resource classifications
M	**Control of Mineralisation**		
	A more detailed knowledge of grade and vein thickness variability for each of the projects would enable a more accurate geological interpretation and Resource estimate to be completed.	A complete compilation and review of historical underground workings and channel samples	Mineral Resource estimation
M	**Inconsistent Re-assays and Lack of QAQC**		
	Some inconsistent re-assays of pulp material and lack of standards and duplicates were noted during MMC's QAQC checks. This was particularly relevant for the Shaanxi assets.	A complete and comprehensive QAQC program	Data quality and Mineral Resource estimate
M	**Environmental, Health and Safety Compliance**		
	The Jinhua and Jiatai projects currently do not fully comply with the relevant EHSS regulations, e.g. discharge of Jinhua tailings into the Jiatai Tailings Storage Facility.	It is recommended that an appropriate action plan for compliance with all EHSS requirements is prepared in a timely manner.	Financial costs resulting from potential punitive action for non-compliance with EHSS regulations, e.g. fines, halting of operations.
	Although of a low likelihood to occur, the relevant authorities have the ability to halt operations until some of the outstanding approvals and permits are obtained.		
M	**Environmental CAI Approvals Required**		

Risk Ranking	Risk Description and Suggested Further Review	Potential Mitigant	Area of Impact
	Environmental CAI Approvals are required for the Jiatai's concentrator and mines, the Jinhua concentrator.	Complete CAI Approvals	The Projects are at a low risk of being temporarily shut down if the operations are resumed.
L	**Depletion of Resource**		
	Only geological long section plans dated September 2010 were supplied to MMC, these were found to be inaccurate and did not show all depleted areas after site visit.	An up to date 3D representation of the areas of the mine that have been depleted	Resource and Reserve Estimate
L	**Processing**		
	Variations in the ratio of copper to lead minerals at Jinhua, which result in a poorer quality separation and potentially unsaleable copper and lead concentrates	Mine and processing planning	Profitability
L	**Processing**		
	Lower nickel grades at Jiatai will result in reduced recovery and revenue		Profitability
L	**Location**		
	Area is located in dry cold climate zone and seismically active area.	Better understanding of the operating conditions and construction of suitable infrastructure to meet those conditions	Project Costs

12.2 **Opportunity Summary**

MMC has identified a number of opportunities during this ITR, which require further investigation. These opportunities include;

- Further exploration activities could lead to an increase in the Resource and Reserve estimate, which could lead to an increase in mine life.

- Additional elements may exist within the Mineral Resource areas in economically mineable qualities and quantities. Further exploration and mining studies would be required to evaluate the extent of this opportunity.

- Mineral processing improvements at Jinhua including raising the lead concentrate grade, copper and zinc recovery.

- Mineral processing improvements at Huaba including recovery of vanadium dissolved during leaching.

13 ANNEXURE A — QUALIFICATIONS AND EXPERIENCE

Philippe Baudry — General Manager — China and Mongolia, BSc. Mineral Exploration and Mining Geology, Assoc Dip Geo science, Grad Cert Geostatistics, MAIG

Philippe is a geologist with over 14 years of experience. He has worked as a consultant geologist for over 6 years first with Resource Evaluations and subsequently with Runge after they acquired the ResEval group in 2008. During this time Philippe has worked extensively in Russia assisting with the development of two large scale copper porphyry projects from exploration to feasibility level, as well as carrying out due diligence studies on metalliferous projects throughout Russia. His work in Australia has included resource estimates for BHPB, St Barbara Mines and many other clients both in Australia and overseas on most styles of mineralisation and metals. Philippe furthered his modelling and geostatistic skills in 2008 by completing a Post Graduate Certificate in Geostatistics at Edith Cowan University. Philippe relocated to China in 2008 and has since project managed numerous Due Diligences and Independent Technical Reviews for private acquisitions and IPO listings purpose mostly in China and Mongolia.

Prior to working has a consultant Philippe spent 7 years working in the Western Australian Goldfields in various positions from mine geologist in a large scale open cut gold mine through to Senior Underground Geologist. Before this time Philippe worked as a contractor on early stage gold and metal exploration projects in central and northern Australia.

With relevant experience in a wide range of commodity and deposit types, Philippe meets the requirements for Qualified Person for 43-101 reporting, and Competent Person ("CP") for JORC reporting for most metalliferous Mineral Resources. Philippe is a member of the Australian Institute of Geoscientists.

Dan Peel — Operations Manager — Beijing, Bachelor of Engineering, Mining — University of New South Wales, Unrestricted Quarry Manager (WA), Grad. Cert. Applied Finance - Kaplan, Diploma (Bus), Member of Australasian Institute of Mining and Metallurgy

Dan has worked as a mining engineering consultant with MMC for three years. Since joining MMC, Dan has completed a range of projects including technical valuations, life-of-mine designs and scheduling, pit optimisation, development of economic models, mine reserves estimation and reporting.

Prior to joining MMC, Dan worked with an open cut mining contracting firm for five years where he gained significant open cut metal mining experience. During this period, Dan developed operational, engineering and project management expertise. Dan's roles included Quarry Manager of the BHPB Jimblebar iron ore mine and Quarry Manager/Mining Superintendent of the Mt Gibson Koolan Island iron ore mine. Dan also worked at the Plutonic and Cuddingwarra gold mines and the Wodgina tantalum mine.

With relevant experience in a wide range of commodity and deposit types, Dan meets the requirements for Qualified Person for 43-101 reporting, and Competent Person ("CP") for JORC reporting for both metalliferous and coal open cut Reserves. Dan is a member of the Australian Institute of Mining and Metallurgy.

Jeremy Clark — Principal Consultant Geologist — Beijing, BSc. with Honours in Applied Geology, Grad Cert Geostatistics, MAIG

Jeremy has over 9 years of experience working in the mining industry. During this time he has been responsible for the planning, implementation and supervision of various exploration programs, open pit and underground production duties, detailed structural and geological mapping and logging and a wide range of experience in resource estimation techniques. Jeremy's wide range of experience within various mining operations in Australia and recent experience working in South and North America gives him an excellent practical and theoretical basis for resource estimation of various metalliferous deposits including iron ore and extensive experience in reporting resource under the recommendations of the NI-43-101 reporting code.

With relevant experience in a wide range of commodity and deposit types, Jeremy meets the requirements for Qualified Person for 43-101 reporting, and Competent Person ("CP") for JORC reporting for most metalliferous Mineral Resources. Jeremy is a member of the Australian Institute of Geoscientists.

Brendan Parker — Senior Mining Engineer, Bachelor of Engineering, Mining - Western Australian School of Mines — Member of the Australasian Institute of Mining and Metallurgy — Western Australian First Class Mine Manager's Certificate of Competency

Brendan has over 6 years of experience working in the mining industry. During this time he has been responsible for the planning, design and day to day operation of several underground mines. Brendan's wide range of experience within various mining operations in Australia, Canada and China gives him an excellent practical basis for the design and planning of underground metalliferous mines.

Brendan has gained extensive experience in the planning and design of underground mines. This includes design and operating experience with both narrow vein and bulk long-hole stoping methods, as well as flatback - cut and fill mining. His knowledge obtained as a ventilation officer, production engineer, planning engineer and his exposure to managerial roles have provided him with a sound understanding of all aspects of underground mining.

With relevant experience in a wide range of commodity and deposit types, Brendan meets the requirements for Qualified Person for 43-101 reporting, and Competent Person ("CP") for JORC reporting for most underground metalliferous Ore Reserves. Brendan is a member of the Australasian Institute of Mining and Metallurgy.

Zhao Hong, MEng, Senior Geologist Consultant - Beijing, Minarco-MineConsult, Member of Australasian Institute of Mining and Metallurgy

Zhao Hong is also a registered qualified valuator of mineral rights in China. He graduated with a bachelor degree in coal geology and exploration from Huai Nan University of Mining and Technology in 1985 and was granted a master's degree from Beijing Graduate School, China University of Mining and Technology with a specialty in coal geology in 1990. Mr Zhao has been engaged in coal mining geology at the Fengfeng Coal Mining Bureau and Beijing Coal Mining Bureau. And he did some scientific study on coal strata and environment in the Chinese Academy of Sciences and co-operated with foreign scholars for many years. From 2003 to now, he has been working as a geologist and mining consultant performed more than 60 projects in China and international mining consulting companies.

With relevant experience in coal geology, Zhao Hong meets the requirements for Qualified Person for 43-101 reporting, and Competent Person ("CP") for JORC reporting for coal Resources. Zhao Hong is a member of the Australian Institute of Mining and Metallurgy.

Andrew Newell - BE, MEngSc, University of Melbourne, PhD, University of Cape Town. Member of the SME, CIMM, AusIMM & IEA as well as a Chartered Professional Engineer, Australasia

Over 30 years of broad experience in the fields of minerals processing, hydrometallurgy, plant design, process engineering (including equipment selection and design) and metallurgical test work. Andrew has worked on five iron ore projects, one involving flotation, and is knowledgeable about iron ore processing techniques such as magnetic separation. The experience includes operating and management experience in base-metal concentrators, precious metal leaching facilities as well as diamond processing and base-metal smelting in several countries, including Chile, Peru, South Africa, USA and Australia. Responsible for the design of flotation equipment, concentrators and commissioning of flotation and precious metals leach plants. In addition, Andrew has had experience in process and process plant evaluations, due diligence audits, feasibility studies and metallurgical test work and program development.

Jim Jiang - Processing Consultant, Bachelor and Master of Mineral Processing Engineering

Jim's technical background is mineral engineering with laboratory research experience. He has site experience in China, working as processing engineer with China Gold Group Corporation. Since joining MMC in 2007, has been actively involved in many technical review projects, his working including analysing and reviewing processing plants design and performance. He also has experience in metallurgy and process plant evaluations, pre-feasibility studies, metallurgical test work and flowsheet development in a wide range of commodity types.

Company's Relevant Experience

Minarco-MineConsult, part of Runge Limited, is a premier international consulting and engineering firm. It provides a full range of services from pure technical consulting through to strategic corporate advice. And undertake assignments on mining projects covering a range of commodities and countries, serving clients in most of the countries around the West Pacific Rim region.

Minarco-MineConsult maintains a full time staff of qualified specialists in the fields of mining engineering, geology, process and metallurgical engineering, environmental and geotechnical engineering, and environmental economics.

Minarco-MineConsult typically completes over 200 assignments per year and has over 300 professionals (through its parent Runge Group) available in disciplines including:

- Mining Engineering;
- Minerals Processing;
- Coal Handling and Preparation;
- Power Generation;
- Environmental Management;
- Geology;
- Contracts Management;
- Project Management;
- Finance;
- Commercial Negotiations.

The roots of Minarco-MineConsult were established in the Australian mining industry. Minarco-MineConsult is committed to compliance with the codes which regulate Australian corporations and consultants and has established an International business which has continued to give its clients and those that rely on its work the confidence that can be associated by the use of the relevant Australian codes.

These codes include:

- The Australian Corporation Law;
- The Australian Institute of Company Directors Code of Conduct;

- The Securities Institute of Australia Code of Ethics;
- The Australasian Institute of Mining and Metallurgy Code of Ethics;
- The Australasian Code for Reporting of Exploration Results, Mined Resources and Ore Reserves (The JORC Code).

Minarco-MineConsult has conducted numerous mining technical due diligence programs and reporting for IPO's and capital raisings over the past six years, with involvement in projects raising a total of over $US 10 billion of capital. This and other work is summarised in ***Table A1***.

Table A1 Mining Related IPO and Capital Raising Due Diligence Experience

2011 China Polymetallic Mining Co., Ltd; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support the Initial Public Offering of a Polymetallic underground mining asset in Yunnan Province, China.

2011 China Precious Metals Holdings Co., Ltd; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support the acquisition of multiple underground gold mining assets in Henan Province, China.

2011 Hao Tian Resources Group Ltd. Competent Persons Report of Coal Resources and Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support acquisition of an underground coal mine in Xinjiang Province, China.

2011 King Stone Energy Group., Ltd; Competent Persons Report of Coal Resources and Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support acquisition of 2 underground coal mines in Shanxi Province, China.

2010 China Precious Metals Holdings Co., Ltd; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support the acquisition of multiple underground gold mining assets in Henan Province, China.

2010 Century Sunshine Group Holdings Limited; Competent Persons Report of Mineral Resources and Ore Reserves under JORC and Independent Technical Review for inclusion in a HKSE Circular to support the acquisition of a serpentinite mining asset in Jiangsu Province, China.

2010 Doxen Energy Group Limited; Independent Technical Review and estimation of Coal Resources under JORC for inclusion in a HKSE Circular to support the acquisition of a coal mining asset in Xinjiang Autonomous Region, China.

2010 Kwong Hing International Holdings (Bermuda) Limited; Independent Technical Review for inclusion in a HKSE Circular to support a Very Substantial Acquisition.

2009 Metallurgical Corporation Of China Ltd ("MCC"); Independent Technical Review for inclusion in a Prospectus to support a stock exchange listing on the Hong Kong Stock Exchange.

2009 Nubrands Group Holdings Limited, Guyi Coal Mine; Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2008 China Blue Chemical Limited, Wangji and Dayukou Phosphate Mines: Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2008 Kenfair International (Holdings) Limited, Shengping Coal Mine: Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2007 China Railway Company Limited, African Copper/Cobalt Assets: Capital raising for mining assets on the Hong Kong Stock Exchange. Preparation of CPR for planned IPO on the HKSE.

2007 Ko Yo Ecological Agrotech (Group) Limited Sichuan Phosphate: Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2007 Prosperity International Holdings Limited, Guilin Granite Project: Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2007 China Primary Resources - Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by China Primary Resources.

2008 Kenfair International (Holdings) Limited, Shengping Coal Mine: Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2007 China Railway Company Limited, African Copper/Cobalt Assets: Capital raising for mining assets on the Hong Kong Stock Exchange. Preparation of CPR for planned IPO on the HKSE.

2007 China Molybdenum Group— Capital raising for large scale Molybdenum mine on the Hong Kong Stock Exchange. Preparation of CPR for IPO on the HKSE.

14 ANNEXURE B — GLOSSARY OF TERMS

The key terms used in this report include:

- **$** refers to United States dollar currency
- **AUSIMM** stands for Australasian Institute of Mining and Metallurgy
- **Company** means Huili Resources
- **Concentrate Grade** stands for the grade of the final product of the mineral processing plant
- **Feed Grade** stands for the grade of mineralised material as it enters the mineral processing plant
- **HKEx** stands for Hong Kong Stock Exchange
- **Feed Grade** stands for the grade of mineralised material as it enters the mineral processing plant.
- **ITR** stands for Independent Technical Review
- **JORC** stands for Joint Ore Reserves Committee
- **JORC Code** refers to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 edition, which is used to determine resources and reserves, and is published by JORC of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia
- **km** stands for kilometre
- **LOM plan** stands for Life of Mine Plan
- **m** stands for metres
- **MMC** refers to Minarco-MineConsult
- **mine production** is the total raw production from any particular mine
- **mining rights** means the rights to mine mineral resources and obtain mineral products in areas where mining activities are licensed
- **Ml** stands for mega litre which is equal to one million litres

- **Mt** stands for million tonnes

- **RMB** stands for Chinese Renminbi Currency Unit; k RMB means 1,000 RMB; M RMB means 1,000,000 RMB

- **ROM** stands for run-of-mine, being material as mined before processing

- **t** stands for tonne

- **tonne** refers to metric tonne

- **tph** stands for tonnes per hour

- **tpd** stands for tonnes per day

- **VALMIN Code** refers to the code and guidelines for technical assessment and or valuation of mineral and petroleum assets and mineral and petroleum securities for independent expert reports

- **¥** is the symbol for the Chinese Renminbi Currency Unit

Note: Where the terms Measured, Indicated and Inferred Resources and Proved and Probable Reserves are used in this report, they have the same meaning as in the JORC Code.

15 ANNEXURE C — INTERNATIONAL RESOURCE AND RESERVE REPORTING STANDARDS

Chinese Resource Reporting Standards

In 1999, with a view to creating a standard that was comparable with international resource reporting standards, The Chinese National Land and Resource Department introduced its own national standard for the Classification of Resources/Reserves for Solid Fuels and Mineral Commodities (GB/T 17766-1999).

This code was to replace the previous code (China GB 13908-1992 - General rules for Geological Exploration of Solid Ore Resources) and was based upon the United Nations international code (UN Economic and Society Committee, UN document ENERGY/WP.1/R.70). Some elements of the American resource reporting standards were included and modifications made to suit Chinese conditions. All new resource estimates are reported under this new code and old estimates either re-estimated or converted to the new system.

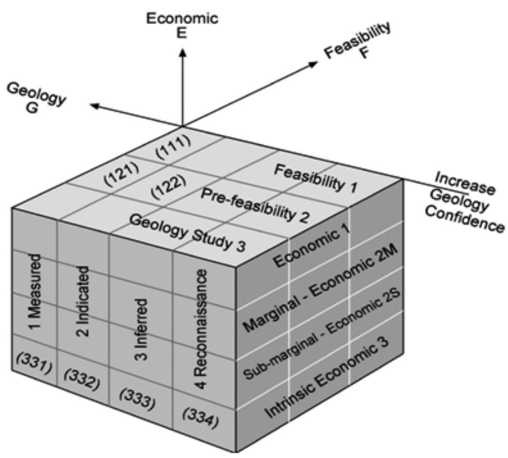
The previous Chinese standard (GB 13908-1992) divided resources into four categories (A, B, C and D) which were loosely comparable to the JORC — (December 2004) classifications of Measured Resource (A-B), Indicated Resource (B-C) and Inferred Resource (D). The old standard was more prescriptive than JORC in that it specified minimum borehole spacing (see ***Table C1***) for each category, along with implied levels of geological understanding.

Table C1 - Borehole Spacing Comparison (Chinese, UN and JORC Codes)

Chinese Reserve Code	Chinese Reserve Class	UN Code	JORC (Dec 2004)	Minimum Borehole / Drill Line Spacing
A	111 — 121		Measured	<100 m
B	121 — 122	331	Measured	<=100 m x 100 m
C	122 — 2 M22	332	Indicated	<=200 m x 100 m
D	122	333	Inferred	>200 m

The old code was essentially a geological classification, taking little account of the deposits economics or the level of mining studies that had been carried out on it. The new code (see ***Figure C1***) attempts to address this by using a three component system (EFG) that considers the deposit economics (E), the level of mining feasibility studies that have been carried out (F) and the level of geological confidence (G) using a numerical ranking.

Figure C1 - New Chinese Resource/Reserve Classification Matrix (1999)



This system produces a three digit code for a Project that reflects these three variables. For example a Project classified as a 121 is economically viable (1), has had pre-feasibility studies carried out (2) and is well understood geologically (1). Various suffixes are used to distinguish Basic Reserves

- essentially JORC Resources - (121b) from Extractable Reserves (121) and to identify the assumed economic viability (S or M). Certain categories are not allowed, for example pre-feasibility or feasibility level studies cannot be conducted on Inferred Resources, and so 123 and 113 are invalid classifications. Also Extractable Reserves are not estimated for marginally economic (or lesser) deposits so the (b) suffix is considered redundant. The term Intrinsically Economic indicates that while the Project may be economic, insufficient studies have been carried out to clearly determine its status.

A tabulation of this concept is shown in ***Table C2***.

Table C2 - New Chinese Resource/Reserve Categories (1999)

Economic Viability	Geological Confidence			
	Identified Mineral Resource			Undiscovered Resource
	Measured (1)	Indicated (2)	Inferred (3)	Reconnaissance (4)
Economic (1)	Basic Reserve Resource - 111b			
	Proved Extractable Reserve - 111			
	Basic Reserve Resource - 121b	Basic Reserve Resource -122b		
	Probable Extractable Reserve - 121	Probable Extractable Reserve -122		
Marginally Economic (2M)	Resource - 2M 11			
	Resource - 2M 21	Resource - 2M 22		
Sub-Marginally Economic (2S)	Resource - 2S 11			
	Resource - 2S 21	Resource - 2S 22		
Intrinsically Economic (3)	Resource - 331	Resource - 332	Resource - 333	Resource - 334

Note: First digit reflects Economic viability; 1= Economic; 2 m=Marginally Economic; 2S=Sub-marginally Economic; 3=Intrinsically Economic; 4=Economic interest undefined.
Second digit reflects Feasibility assessment stage, 1=Feasibility; 2=Pre-feasibility; 3=Geological study.
Third digit reflects Geological assurance, 1=Measured, 2=Indicated, 3=Inferred, 4=Reconnaissance.
b=Basic Reserve (prior to recovery factors, mining losses and dilution) — JORC Resource.

Unlike the old code, the new code does not specify required borehole spacings for each category. In the case of copper Cobalt and Gold (and other metals), there is an accompanying Chinese Professional Standard (DZ/T 0214-2002) that lays out rules for determining the level of geological confidence.

International Standards and the JORC Code for Resources

Two main styles of resource reporting codes exist internationally. These are the American style (USA and much of South America) and the JORC style (Australia, South Africa, Canada, and UK). This is further complicated by the listing and reporting requirements of different stock exchanges. It is generally true that a resource estimation that complies with the JORC code (or one of its sister codes) will meet the standards of most international investors.

The new Chinese code is a blend of the old Chinese Code and the codes in current use today, including JORC and the current United Nations (UN) standard, with some additional local components added.

JORC is a non-prescriptive code, in that it does not lay out specific limits for resource classification in terms of such things as borehole spacing. Instead it emphasises the principles of transparency, materiality and the role of the Competent Person. Whilst some guidelines do exist (e.g. the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves) they are not mandatory and classification is left in the hands of the Competent Person. When combined with its Professional Standards (which are effectively mandatory), the Chinese code is much more prescriptive but does not include the role of the Competent Person.

An examination of the details of the Chinese code suggests that in terms of broad categorisation, the levels of geological confidence ascribed to Measured and Indicated resources are quite similar in both the codes. The ranges of borehole spacings, thickness cut-offs and quality limitations that are enforced by the Chinese system would generally result in the same resource classification under the JORC Code.

The JORC Code uses the following definitions for Mineral Resources and Ore Reserves:

Measured Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Indicated Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

Inferred Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

Exploration Target/Results includes data and information generated by exploration programmes that may be of use to investors. The reporting of such information is common in the early stages of exploration and is usually based on limited surface chip sampling, geochemical and geophysical surveys. Discussion of target size and type must be expressed so that it cannot be misrepresented as an estimate of Mineral Resources or Ore Reserves.

A 'Proved Ore Reserve' is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified

A Proved Ore Reserve represents the highest confidence category of Ore Reserve estimates. This requires detailed exploration and quality data "points of observation" to provide high geological confidence.

A 'Probable Ore Reserve' is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistic ally assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but has adequate reliability as the basis of mining studies.

Set out below is a summary of certain provisions of the Memorandum and Articles of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 February 2010 under the Companies Law. The Memorandum and the Articles comprise our constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 16 December 2011 with effect from Listing. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) ***Power to dispose of the assets of the Company or any subsidiary***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) ***Loans and provision of security for loans to Directors***

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) ***Disclosure of interests in contracts with the Company or any of its subsidiaries.***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) ***Retirement, appointment and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) ***Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) ***Proceedings of the Board***

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) ***Register of Directors and Officers***

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) **Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) **Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) **Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) **Special resolution-majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) **Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) **Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) **Notices of meetings and business to be conducted thereat**

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) **Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) **Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) **Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) **Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) **Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) **Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) **Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) **Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) **Operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) **Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) **Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) **Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 2 March 2010.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) **Winding up**

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) **Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VIII to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 19 February 2010. Our Company has established a place of business in Hong Kong at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong on 3 August 2011 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on 26 August 2011, with Mr. WANG and Mr. IP Wing Wai appointed as the authorised representatives of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising the Memorandum and the Articles. A summary of certain provisions of the Memorandum and Articles of our Company and relevant aspects of the Companies Law is set out in Appendix VI to this prospectus.

2. Changes in share capital

The authorised share capital of our Company as at the date of its incorporation was HK$380,000 divided into 3,800,000 Shares of HK$0.10 each. The following alterations in the share capital of our Company have taken place since the date of incorporation up to the date of this prospectus.

(a) on 19 February 2010, one subscriber Share was allotted and issued to our Company's subscriber at par, and the said subscriber Share was subsequently transferred to Sky Circle on the same date;

(b) in connection with the Reorganisation, on 24 March 2010, Mr. LU transferred the entire issued share capital of Right Source to our Company, and against Sky Circle assigning the benefit of a loan (due to it from Fortune In) in the amount of RMB 45 million (in the manner as outlined in paragraph (c) below) to our Company, our Company issued 5,500 Shares to King Award for the amount of HK$50,329,753 (being the amount of HK$50.35 million (representing the HK$ equivalent of RMB 45 million) plus, the unaudited net asset value of Right Source of HK$(20,247));

(c) in connection with the Reorganisation, on 24 March 2010, Sky Circle assigned the RMB 90 million loan due from Fortune In (a part of it was the RMB45 million loan assigned for the purpose referred to in paragraph (b)) to our Company and, in consideration therefor, our Company issued 4,499 Shares for the amount of HK$50,333,118 (being the amount of HK$50.35 million (representing the HK$ equivalent of RMB 45 million) plus the unaudited net asset value of Fortune In of HK$(16,882)) to Sky Circle;

(d) on 18 May 2010, our Company increased its authorised share capital to HK$500,000,000 divided into 5,000,000,000 ordinary shares of HK$0.10 each. Our Company capitalised an amount of HK$71,249,000 of its reserves and issued, on a pro rata basis, 391,869,500 Shares to King Award and 320,620,500 Shares to Sky Circle; and

(e) on 30 August 2010, King Award subscribed for 20,625,000 Shares for a consideration of HK$42.735 million and Sky Circle subscribed for 16,875,000 Shares for a consideration of HK$34.965 million.

Immediately following completion of the Share Offer but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK$100,000,000 divided into 1,000,000,000 Shares, all fully paid or credited as fully paid.

3. **Written resolutions of the shareholders of our Company**

Pursuant to written resolutions of the shareholders of our Company passed on 16 December 2011:

(a) our Company approved and adopted the Articles of Association with effect from Listing;

(b) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme); and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

(i) the Share Offer was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Share Offer;

(ii) the grant of the Over-allotment Option was approved and our Directors were authorised to effect the same and to allot and issue the Over-allotment Shares upon the exercise of the Over-allotment Option; and

(iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" under the section headed "Other information" in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme;

(c) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or any Shares that may be allotted and issued pursuant to the exercise of any options under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies law or any applicable laws of the Cayman Islands to be held, or until revoked, renewed or varied by an ordinary resolution of the shareholders in general meeting, whichever occurs first;

(d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or any Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held, or until revoked, renewed or varied by an ordinary resolution of the shareholders of our Company in general meeting, whichever occurs first; and

(e) the general unconditional mandate mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above.

4. **Corporate Reorganisation**

The Reorganisation, which was effected in preparation for the listing, involved the following:

(a) On 4 January 2010, King Award was established in the British Virgin Islands and one share of US$1.00 was allotted and issued to Mr. LU on 3 February 2010;

(b) On 23 March 2010, First Arrival transferred its 35% shareholding in Fortune In to Sky Circle;

(c) On 19 February 2010, our Company was incorporated in the Cayman Islands and one share of HK$0.10 was allotted and issued to our Company's subscriber on the same day. This share was transferred to Sky Circle on 19 February 2010;

(d) On 24 March 2010, Mr. LU transferred the entire issued share capital of Right Source to our Company and released Sky Circle from its obligation to repay a RMB 45 million loan, and against Sky Circle assigning the benefit of the loan (due to it from Fortune In) in the amount of RMB 45 million (in the manner as outlined in paragraph (e) below), our Company issued 5,500 Shares to King Award for the amount of HK$50,329,753 ("Right Source Consideration", being the amount of HK$50.35 million (representing the HK$ equivalent of RMB 45 million) plus the unaudited net asset value of Right Source of HK$(20,247)) and King Award issued one new share at an amount equal to the Right Source Consideration to Mr. LU;

(e) On 24 March 2010, Sky Circle transferred the entire issued share capital of Fortune In and assigned the RMB 90 million loan due from Fortune In (a part of it was the RMB45 million loan assigned for the purpose referred to in paragraph (d) above) to our Company and, in consideration therefor, our Company issued 4,499 Shares for the amount of HK$50,333,118 (being the amount of HK$50.35 million (representing the HK$ equivalent of RMB 45 million) plus the unaudited net asset value of Fortune In of HK$(16,882)) to Sky Circle (and such 4,499 Shares, together with the one Share that Sky Circle already held, represented 45% of its enlarged share capital); and

(f) on 18 May 2010, our Company increased its authorised share capital to HK$500,000,000 divided into 5,000,000,000 ordinary shares of HK$0.10 each. Our Company capitalised an amount of HK$71,249,000 of its reserves and issued, on a pro rata basis, 391,869,500 Shares to King Award and 320,620,500 Shares to Sky Circle on the same day.

5. **Changes in the share capital of subsidiaries**

(a) The subsidiaries of our Company are contained in the Accountant's Report set out in Appendix I to this prospectus.

(b) There were no alterations in the share capital of our Company's subsidiaries within the two years immediately preceding the date of this prospectus.

6. **Repurchase by our Company of its own securities**

(a) ***Relevant legal and regulatory requirements in Hong Kong***

The Listing Rules permit shareholders of a listed company to grant a general mandate to the directors to repurchase shares of such company that are listed on the Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by shareholders in general meeting. With regard to our Company, certain relevant laws and regulations are as follows:

(i) *Shareholders' approval*

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction. Pursuant to a resolution passed by the shareholders of our Company on 16 December 2011, a general unconditional mandate (being the Repurchase Mandate referred to above) was given to the board of Directors authorising any repurchase by our Company of our Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Share Offer (without taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

(ii) *Source of funds*

Repurchases by our Company must be funded out of funds legally available for the purpose in accordance with the Articles and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made out of funds which would otherwise be available for dividend or distribution, or out of our Company's share premium account or out of an issue of new shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) *Trading restrictions*

The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Share Offer (without taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Stock Exchange. In addition, subject to the then prevailing requirements of the Listing Rules from time to time, repurchases of Shares on the Stock Exchange in any calendar month are limited to a maximum of 25% of the trading volume of Shares on the Stock Exchange in the immediately preceding calendar month. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) *Status of repurchased Shares*

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under Cayman Islands Companies Law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) *Suspension of repurchase*

Pursuant to the Listing Rules, our Company may not make any repurchase of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, under the requirements of the Listing Rules in force as at the date hereof, during the period of one month immediately preceding the earlier of:

(a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(b) the deadline for our Company to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of our Shares on the Stock Exchange if our Company has breached the Listing Rules.

(vi) *Procedural and reporting requirements*

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) *Connected parties*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person" (as defined in the Listing Rules) and a connected person shall not knowingly sell its securities to the company on the Stock Exchange.

(b) ***Reasons for repurchases***

The Directors believe that it is in the best interests of our Company and shareholders for the Directors to have general authority from the shareholders to enable the board of Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and its shareholders.

(c) ***Funding of repurchases***

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands. On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which in the opinion of the Directors are from time to time appropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after the Share Offer (and assuming that the Over-allotment Option will not be exercised), could accordingly result in 100,000,000 Shares being repurchased by our Company during the period prior to (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required by the Companies Law or the Articles or any applicable laws of the Cayman Islands to the held; or (3) the revocation, renewal or variation of the purchase mandate by an ordinary resolution of shareholders of our Company in a general meeting, whichever occurs first (the "Relevant Period"). If the Over-allotment Option is exercised in full, the exercise in full of the Repurchase Mandate on the basis of 1,037,500,000 Shares in issue immediately after the Share Offer could result in 103,750,000 Shares being repurchased by our Company during the Relevant Period.

(d) ***General***

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person (as defined in the Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

7. **Particulars of the PRC subsidiaries of our Group**

Our Group has interests in two PRC subsidiaries. Set out below is a summary of the corporate information of such PRC subsidiaries:

(a) Hami Jinhua

Date of establishment	:	4 April 2006
Place of establishment	:	PRC
Nature	:	Sino-foreign equity joint venture
Registered capital	:	RMB50 million
Shareholder	:	Realty Investment (90% shareholding) WANG Dianyun (6% shareholding) XIE Lin (4% shareholding)

(b) Hami Jiatai

Date of establishment	:	12 November 2001
Place of establishment	:	PRC
Nature	:	Domestic enterprise
Registered capital	:	RMB10 million
Shareholder	:	Hami Jinhua (100% shareholding)

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. **Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

1. a share purchase agreement dated 24 March 2010 entered into between our Company, Sky Circle, Fortune In, Right Source and Mr. LU pursuant to which, among other matters, (a) (i) our Company acquired from Sky Circle the entire issued share capital of Fortune In and a non-interest bearing loan owed by Fortune In to Sky Circle for the aggregate amount of HK$100,683,118; (ii) our Company acquired the entire issued share capital of Right Source from Mr. LU; (iii) against our Company issuing the Lu Consideration Shares (as defined below) to King Award, and subject to and against the completion of the other matters stipulated in such share purchase agreement, Mr. LU released Sky Circle from the obligation to repay a non-interest bearing loan owed by Sky Circle to Mr. LU in the

aggregate amount of HK$50,350,000; and (b) in consideration of the performance by Sky Circle and Mr. LU of their respective aforesaid obligations, our Company issued 4,499 Shares for the amount of HK$50,333,118 to Sky Circle and 5,500 Shares (the "Lu Consideration Shares") for the amount of HK$50,329,753 to King Award;

2. a deed of assignment dated 24 March 2010 entered into between Sky Circle, our Company and Fortune In pursuant to which Sky Circle assigned to our Company a non-interest bearing loan owed by Fortune In to Sky Circle in the aggregate amount of HK$100,700,000 for a consideration in the sum of HK$100,700,000;

3. a dividend distribution agreement dated 28 April 2010 entered into by and among Wei Xing (魏星), Wei Xuedan (魏雪丹), Xie Weidong (謝衛東) and Hami Jiatai in connection with the distribution of the dividend of RMB 92 million declared by Hami Jiatai on 13 April 2008;

4. an agreement dated 28 May 2010 entered into by and among Hami Jiatai, Shaanxi Jiatai Hengrun and Shaanxi Jiahe pursuant to which Hami Jiatai agreed to acquire from Shaanxi Jiatai Hengrun 100% of the registered capital of Shaanxi Jiahe and a debt owed by Shaanxi Jiahe to Shaanxi Jiatai Hengrun for a consideration of not exceeding RMB50.0 million;

5. an agreement dated 28 May 2010 entered into by and among Hami Jiatai, Shaanxi Jiatai Hengrun and Shaanxi Jiarun pursuant to which Hami Jiatai agreed to acquire from Shaanxi Jiatai Hengrun 100% of the registered capital of Shaanxi Jiarun and a debt owed by Shaanxi Jiarun to Shaanxi Jiatai Hengrun for a consideration of the lower of (i) RMB160 million; and (ii) 200% of the total amount invested by Shaanxi Jiatai Hengrun in Shaanxi Jiarun since the date of establishment of Shaanxi Jiarun to the date of issuance of the mining permit of Project Huaba;

6. an exchangeable bonds subscription agreement dated 10 August 2010 entered into among our Company, Mr. LU, Mr. WANG, King Award, Sky Circle and CCBIAM pursuant to which, among other matters, (i) King Award agreed to issue a redeemable exchangeable bond in the amount of HK$85.47 million to CCBIAM and/or its nominee for a consideration of HK$85.47 million; and (ii) Sky Circle agreed to issue a redeemable exchangeable bond in the amount of HK$69.93 million to CCBIAM and/or its nominee for a consideration of HK$69.93 million;

7. an investor's rights agreement dated 30 August 2010 entered into among our Company, Mr. LU, Mr. WANG, King Award, Sky Circle and CCBIAM in connection with the exchangeable bond subscription agreement for the issue of the CCBIAM Exchangeable Bonds;

8. a supplemental agreement dated 22 February 2011 entered into by and among Hami Jiatai, Shaanxi Jiatai Hengrun and Shaanxi Jiahe in connection with certain amendments (such as extending the long stop date and confirming that the consideration payable was RMB50.0 million) to the agreement dated 28 May 2010 mentioned in paragraph 4 above;

9. a supplemental agreement dated 22 February 2011 entered into by and among Hami Jiatai, Shaanxi Jiatai Hengrun and Shaanxi Jiarun in connection with certain amendments (such as extending the long stop date) to the agreement dated 28 May 2010 mentioned in paragraph 5 above;

10. a supplemental agreement dated 9 March 2011 entered into by and among Wei Xing (魏星), Wei Xuedan (魏雪丹), Xie Weidong (謝衛東) and Hami Jiatai in connection with certain amendments (such as extending certain payment dates) to the distribution arrangements as set out in the agreement dated 28 April 2010 mentioned in paragraph 3 above;

11. a second supplemental agreement dated 30 June 2011 entered into by and among Hami Jiatai, Shaanxi Jiatai Hengrun and Shaanxi Jiarun in connection with further amendments (such as confirming the consideration at RMB160 million) to the agreement dated 28 May 2010 mentioned in paragraph 5 above (as amended by the agreement dated 22 February 2011 mentioned in paragraph 9 above);

12. a supplemental agreement dated 11 July 2011 entered into by and among Wei Xing (魏星), Wei Xuedan (魏雪丹), Xie Weidong (謝衛東) and Hami Jiatai further amending the payment dates of the distribution arrangements as set out in the agreement dated 28 April 2010 mentioned in paragraph 3 above (as amended by the agreement dated 9 March 2011 mentioned in paragraph 10 above);

13. a deed dated 4 August 2011 entered into by and among our Company, King Award, Mr. LU, Sky Circle, Mr. WANG, High Inspiring and CCBIAM in connection with certain amendments (such as the maturity date) to the CCBIAM Exchangeable Bonds and the Investor's Rights Agreement;

14. a second supplemental agreement dated 29 September 2011 entered into by and among Hami Jiatai, Shaanxi Jiatai Hengrun and Shaanxi Jiahe in connection with certain amendments (such as extending the long stop date and the payment date) to the agreement dated 28 May 2010 mentioned in paragraph 4 above (as amended by the agreement dated 22 February 2011 mentioned in paragraph 8 above);

15. a third supplemental agreement dated 29 September 2011 entered into by and among Hami Jiatai, Shaanxi Jiatai Hengrun and Shaanxi Jiarun in connection with further amendments (such as extending the long stop date and the payment date) to the agreement dated 28 May 2010 mentioned in paragraph 5 above (as amended by the agreements dated 22 February 2011 and 30 June 2011 mentioned in paragraphs 9 and 11 above, respectively);

16. a deed dated 7 December 2011 entered into by and among our Company, King Award, Mr. LU, Sky Circle, Mr. WANG, High Inspiring and CCBIAM in connection with certain amendments to the CCBIAM Exchangeable Bonds and the Investor's Rights Agreement (both as amended by the deed dated 4 August 2011 mentioned in paragraph 13 above) and the Exchangeable Bonds Subscription Agreement and the Guarantee;

17. a third supplemental agreement dated 14 December 2011 entered into by and among Hami Jiatai, Shaanxi Jiatai Hengrun and Shaanxi Jiahe in connection with certain amendments (such as the incurrence of operational expenses) to the agreement dated 28 May 2010 mentioned in paragraph 4 above (as amended by the agreements dated 22 February 2011 and 29 September 2011 mentioned in paragraphs 8 and 14 above, respectively);

18. a forth supplemental agreement dated 14 December 2011 entered into by and among Hami Jiatai, Shaanxi Jiatai Hengrun and Shaanxi Jiarun in connection with certain amendments (such as the incurrence of operational expenses) to the agreement dated 28 May 2010 mentioned in paragraph 5 above (as amended by the agreements dated 22 February 2011, 30 June 2010 and 29 September 2011 mentioned in paragraphs 9, 11 and 15 above, respectively);

19. a deed of indemnity dated 16 December 2011 entered into between King Award, Sky Circle and our Company (for itself and as trustee for its subsidiaries), under which each of King Award and Sky Circle has given certain indemnities (including those against taxation claims (including estate duty)) in favour of our Group;

20. a deed of non-competition undertaking dated 16 December 2011 entered into between Mr. WANG, Mr. LU and our Company, under which each of Mr. WANG and Mr. LU has given certain non-competition undertakings to our Company; and

21. the Hong Kong Underwriting Agreement.

2. **Intellectual property rights of our Group**

(a) ***Trademarks***

As of the Latest Practicable Date, our Group had registered the following trademark in Hong Kong:

Registered owner	Trademark	Class	Registration number	Goods/services	Validity period
The Company		6	301631817	Common metals and their alloys; metal building materials; transportable buildings of metal; materials of metal for railway tracks; non-electric cables and wires of common metal; ironmongery, small items of metal hardware; pipes and tubes of metal; safes; goods of common metal not included in other classes; ores	4 June 2010 to 3 June 2020

As of the Latest Practicable Date, our Group had applied for registration of the following trademark in the PRC:

Applicant	Trademark	Class	Application number	Application date
Hami Jinhua		6	10179211	11 November 2011

(b) ***Domain name***

As of the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Registered owner	Expiry date
huili.hk	the Company	16 August 2012

C. DISCLOSURE OF INTERESTS

1. Interests and short position of Directors and the chief executive in the shares, underlying shares or debentures of our Company and its associated corporations

Immediately following completion of the Share Offer (assuming that the Over-allotment Option will not be exercised and the share charges (further details of which are set out in the section headed "Financial investor" in this prospectus) executed by King Award and Sky Circle in favour of CCBIAM have been released), based on the information available on the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of our Company in our Shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to divisions 7 and 8 of part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interest in the Shares, underlying shares and debentures of our Company

Name	Nature of interest	Class of securities(Note 1)	Number of Shares	Approximate percentage of interest in the share capital of the Company immediately after the Share Offer(Note 2)
Mr. WANG	Interest in a controlled corporation(Note 3)	Ordinary (L)	280,643,135	28.06%
Mr. LU	Interest in a controlled corporation(Note 4)	Ordinary (L)	343,008,276	34.30%

Notes:

1. The letter "L" denotes the person's long position in such Shares.

2. Assuming the Over-allotment Option is not exercised.

3. Mr. WANG is the legal and beneficial owner of the entire issued share capital of Sky Circle.

4. Mr. LU is the legal and beneficial owner of the entire issued share capital of King Award.

Interests in the shares of associated corporations of our Company

Name	**Name of associated corporation**	**Nature of interest**	**Approximate percentage of interest in the share capital of the associated corporation**
Mr. WANG	Sky Circle	Beneficial owner	100%
Mr. LU	King Award	Beneficial owner	100%

Save as disclosed above, based on the information available on the Latest Practicable Date, immediately following completion of the Share Offer (assuming that the Over-allotment Option will not be exercised and the share charges referred to above have been released), none of the Directors or chief executives of our Company has any interest or short position in our Shares, underlying shares or debentures of our Company or any of its associate corporations which will have to be notified to our Company and the Stock Exchange pursuant to divisions 7 and 8 of part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in appendix 10 to the Listing Rules relating to securities transactions by Directors to be notified to our Company and the Stock Exchange once our Shares are listed.

2. Interests and short positions of substantial shareholders in the shares, underlying shares or debentures of our Company

Information on person(s), not being Directors or chief executive of our Company, who (based on the information available on the Latest Practicable Date) will have, immediately following the Share Offer (assuming that the Over-allotment Option will not be exercised, the share charges (further details of which are set out in the section headed "Financial investor" in this prospectus) executed by King Award and Sky Circle in favour of CCBIAM have been released), an interest or short position in our Shares or underlying shares of our Company which will fall to be disclosed to our Company under the provisions of divisions 2 and 3 of part XV of the SFO is set out below:

Name	Nature of interest	Class of securities(Note 1)	Number of Shares	Approximate percentage of interest in the share capital of the Company immediately after the Share Offer(Note 2)
Sky Circle	Beneficial owner	Ordinary (L)	280,643,135	28.06%
Yuan Hong	Interest of spouse(Note 3)	Ordinary (L)	280,643,135	28.06%
King Award	Beneficial owner	Ordinary (L)	343,008,276	34.30%
Zhang Jie	Interest of spouse(Note 4)	Ordinary (L)	343,008,276	34.30%
High Inspiring	Beneficial owner	Ordinary (L)	126,348,589	12.63%
China Construction Bank Corporation	Interest in a controlled corporation (Note 5)	Ordinary (L)	126,348,589	12.63%

Notes:

1. The letter "L" denotes the person's long position in such Shares.

2. Assuming the Over-allotment Option is not exercised.

3. Yuan Hong is the wife of Mr. WANG. Mr. WANG is the legal and beneficial owner of the entire issued share capital of Sky Circle.

4. Zhang Jie is the wife of Mr. LU. Mr. LU is the legal and beneficial owner of the entire issued share capital of King Award.

5. High Inspiring is indirectly and wholly owned by China Construction Bank Corporation.

Save as set out above, based on the information available on the Latest Practicable Date, taking no account of any Shares which may be taken up under the Share Offer, the Directors are not aware of any person (not being a Director or chief executives of our Company) who will, immediately following the completion of the Share Offer, be interested, directly or indirectly, in an interest or short position in our Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of divisions 2 and 3 of part XV of the SFO.

3. Interests of the substantial shareholders of any member of our Group (other than our Company)

Save as set out above, the Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Share Offer, be interested, directly or indirectly, in 10% or more of the nominal amount of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group (other than our Company) or any options in respect of such capital.

4. Particulars of service contracts

(a) ***Executive Directors***

Each of the executive Directors has entered into a service contract with our Company for an initial term of three years with effect from their respective dates of appointment unless terminated by not less than three months' notice in writing served by either the executive Directors or our Company. Under their service contract, each executive Director is entitled to a fixed basic salary, and any bonus and other non-cash benefits are only payable at the discretion of our Company. In certain other circumstances, the agreement can also be terminated by our Company, including but not limited to certain breaches of the Directors' obligations under the agreement or certain misconducts. The appointments of the executive Directors are also subject to the provisions of retirement and rotation of Directors under the Articles. The executive Directors are officially stationed in the PRC, but may be required to work in Hong Kong or in other places, as may be determined by the board of Directors from time to time. The service contracts further provide that during the term of the service contract and within one year upon the termination of service, each executive Director cannot engage in any business which is competing or is likely to compete, either directly or indirectly, with the business of our Group.

(b) ***Non-executive Directors and independent non-executive Directors***

Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with our Company for a term of three years with effect from their respective date of appointment. Under their respective appointment letters, each of the non-executive Directors and independent non-executive Directors is entitled to a fixed director's fee. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

(c) ***Remuneration policy***

Our Company's policies concerning remuneration of executive Directors are as follows:

(i) the amount of remuneration payable to the executive Directors will be determined on a case by case basis depending on the Director's experience, responsibility, workload and the time devoted to our Group;

(ii) non-cash benefits may be provided at the discretion of the Board to the Directors under their remuneration package; and

(iii) the executive Directors may be granted, at the discretion of the Board, share options under the Share Option Scheme.

(d) ***Others***

(i) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(ii) During the year ended 31 December 2010, the aggregate of the remuneration and benefits in kind paid to the Directors was approximately RMB113,000. Details of the Directors' remuneration are also set out in note 34(a) of the Accountant's Report set out in Appendix I to this prospectus.

(iii) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending 31 December 2011 is estimated to be approximately HK$160,000.

(iv) None of the Directors or any past directors of any member of our Group has been paid any sum of money for the three years ended 31 December 2010 and the six months ended 30 June 2011 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(v) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for three years ended 31 December 2010 and the six months ended 30 June 2011.

(vi) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connexion with the promotion or formation of our Company.

5. **Agency fees or commissions received**

(a) None of the Directors, the promoter (if any) of our Company or the persons named under "Consent of experts" in this appendix had received any discounts, brokerage or other special terms, agency fee or commission from our Group in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

(b) The Underwriters will receive such commission(s), fee(s) and/or expense(s) as mentioned in the section headed "Underwriting" in this prospectus.

6. **Disclaimers**

(a) Save as set out above and in the section headed "Reorganisation" in this prospectus, none of the Directors or any of the persons whose names are listed in the paragraph headed "Consent of experts" in this appendix are directly or indirectly interested in the promotion of our Company or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(b) Save as set out above, none of the Directors nor any of the persons whose names are listed in the paragraph headed "Consent of experts" in this appendix are materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group.

(c) Save as set out above, none of the Directors have entered or have proposed to enter into any service contracts with us or any other member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(d) Save as set out in the sections headed "Underwriting" and "Structure of the Share Offer" in this prospectus, none of the persons whose names are listed in the paragraph headed "Consent of experts" in this appendix have any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of our Group or is an officer or servant or a partner of or in the employment of an officer or servant of our Group.

(e) Save as disclosed in this prospectus, no cash, share or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of our Company nor is any cash, share or benefit intended to be paid, allotted or given on the basis of the Share Offer or related transactions as mentioned in this prospectus.

D. OTHER INFORMATION

1. Share Option Scheme

(a) The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our Company pursuant to a written resolution of the Shareholders passed on 16 December 2011. The terms of the Share Option Scheme are in accordance with the provisions of chapter 17 of the Listing Rules.

(i) The purpose of the Share Option Scheme is to provide the Participants (defined in paragraph (ii) below) who have been granted options (the "Options") under the Share Option Scheme to subscribe for Shares (the "Grantees") with the opportunity to acquire proprietary interests in our Company and to encourage Participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and its Shareholders as a whole. The Share Option Scheme will provide our Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

(ii) The Share Option Scheme is subject to the administration of the Board and/or the remuneration committee of our Company, as any of them may have taken action or made a decision or determination in relation to the Share Option Scheme (each of them so acted shall be referred to as the "Scheme Board"). The Scheme Board may, at its discretion, invite directors, officers, employees (including, without limitation, those employed for a fixed term) and consultants of any member of our Group (each a "Participant") to participate in the Share Option Scheme.

(iii) Initially the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme or any other share option schemes adopted by our Company (and to which the provisions of chapter 17 of the Listing Rules are applicable) shall not exceed 100,000,000 Shares, being 10 per cent. of the aggregate of our Shares in issue as of the date our Shares commence trading on the Stock Exchange. (Options which have lapsed shall not be counted in calculating the 10 per cent. limit.) However (but subject to the 30 per cent. limit referred to in this paragraph below), our Company may refresh this 10 per cent. limit with Shareholders' approval provided that each such limit (as refreshed) may not exceed the 10 per cent. of our Shares in issue as of the date of the Shareholders' approval. (Options previously granted under the Share Option Scheme and any other share option schemes adopted by our Company (and to which the provisions of chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with the relevant scheme or exercised options) will not be counted for the purpose of calculating the limit to be refreshed.) Our Company may seek separate approval by Shareholders in general meeting for granting Options beyond the 10 per cent. limit provided that the Options in excess of the limit are granted only to Participants specially identified by our Company before such approval is sought.

The total number of Shares which may be issued upon exercise of all Options granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by our Company (and to which the provisions of chapter 17 of the Listing Rules are applicable) must not exceed 30 per cent. of our Shares in issue from time to time.

(iv) Unless approved by Shareholders in the manner set out in this paragraph below, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including exercised, cancelled and outstanding Options) under the Share Option Scheme in any 12 month period must not exceed 1 per cent. of our Shares in issue. Any further grant of Options which would result in the number of Shares issued as aforesaid exceeding the said 1 per cent. limit must be subject to prior Shareholders' approval with the relevant Participant and his associates abstaining from voting.

Each grant of Options to any Director, chief executive or substantial shareholder of our Company (or any of their respective associates) (as such terms are defined in rule 1.01 of the Listing Rules) shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Option). Where any grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in our Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant:

(aa) representing in aggregate over 0.1 per cent. (or such other higher percentage as may from time to time be specified by the Stock Exchange) of our Shares then in issue; and

(bb) having an aggregate value, based on the closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange),

such grant of Options shall be subject to prior approval by the Shareholders. All connected persons (as defined in the Listing Rules) of our Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

No offer shall be made and no Option shall be granted to any Participant in circumstances prohibited by the Listing Rules at a time when the Participant would or might be prohibited from dealing in our Shares by the Listing Rules or by any applicable rules, regulations or law. In particular, during the period commencing one month immediately preceding the earlier of:

(aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(bb) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, no Option may be granted.

(v) (aa) The period within which the Options must be exercised will be specified by our Company at the time of grant. This period must expire no later than 10 years from the relevant Date of Grant (being the date on which the Scheme Board resolves to make an offer of Option to the relevant Grantee).

(bb) In the event the Grantee (being an employee or a director of our Company or any member of our Group) ceases to be a Participant for any reason other than (1) his or her death or (2) on one or more of the grounds of termination of employment or engagement specified in paragraph (xii)(ff) below, the Option shall lapse on the date of cessation of such employment or engagement and not be exercisable unless the Scheme Board otherwise determines in which event the Option shall be exercisable to the extent and within such period as the Scheme Board may determine. The date of cessation of employment of a Grantee (being an employee and who may or may not be a director of our Company or any member of our Group) shall be the last actual working day on which the Grantee was physically at work with the relevant member of our Group, whether salary is paid in lieu of notice or not.

(cc) In the event the Grantee dies before exercising the Option in full and none of the events for termination of employment under paragraph (xii)(ff) below then exists with respect to such Grantee, the personal representative(s) of the Grantee shall be entitled within a period of twelve (12) months from the date of death to exercise the Option up to the entitlement of such Grantee as of the date of death.

(dd) If a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph (v)(ee) below) resulting in a change of control of our Company is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, our Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company at any time within such period as shall be notified by our Company.

(ee) If a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company.

(ff) In the event a notice is given by our Company to its shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three business days prior to the date of the proposed shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

(gg) In the event of a compromise or arrangement, other than a scheme of arrangement contemplated above, between our Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it first gives notice of the meeting to its members and/or creditors to consider such a scheme or arrangement and the Grantee may at any time thereafter but before such time as shall be notified by our Company exercise the Option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three business days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

(hh) Upon the occurrence of any of the events referred to in paragraphs (v)(dd) to (v)(gg) above, our Company may in its discretion and notwithstanding the terms of the relevant Option also give notice to a Grantee that his or her Option may be exercised at any time within such period as shall be notified by our Company and/or to the extent (not being less than the extent to which it could then be exercised in accordance with its terms) notified by our Company. If our Company gives such notice that any Option shall be exercised in part only, the balance of the Option shall lapse.

(vi) At the time of grant of the Options, our Company may specify any minimum period(s) for which an Option must be held before it can be exercised. Our Share Option Scheme does not contain any such minimum period.

(vii) At the time of the grant of the Options, our Company may specify any performance target(s) which must be achieved before the Options can be exercised. Our Share Option Scheme does not contain any performance targets.

(viii) The amount payable on acceptance of an Option is HK$1.00 (or its equivalent), which must be paid within 14 days from the date on which the letter containing the offer of Option is delivered to that Participant.

(ix) The subscription price for our Shares the subject of the Options shall be no less than the higher of (aa) the closing price of our Shares as stated in the daily quotations sheet issued by the Stock Exchange on the Date of Grant; (bb) the average closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant (provided that in the event that any Option is proposed to be granted within a period of less than five business days after the trading of our Shares first commences on the Stock Exchange, the new issue price of our Shares for the Share Offer shall be used as the closing price for any business day falling within the period before listing of our Shares on the Stock Exchange); and (cc) the nominal value of a Share on the Date of Grant. The subscription price will be established by the Scheme Board at the time the Option is offered to the Participant.

(x) Our Shares to be allotted and issued upon the exercise of an Option shall be subject to all the provisions of the Articles for the time being in force and will rank pari passu with the fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of our Company. Prior to the Grantee being registered on the register of members of our Company, the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company), in respect of our Shares to be issued upon the exercise of the Option.

(xi) No Options may be granted under the Share Option Scheme on or after the date of the tenth anniversary of the adoption of the Share Option Scheme.

(xii) An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

(aa) the expiry of the Option period;

(bb) the date or the expiry of the periods for exercising the Option as referred to in paragraphs (v)(bb), (dd) and (gg) above (as the case may be);

(cc) subject to the scheme of arrangement (referred to in paragraph (v)(ee) above) becoming effective, the expiry of the period for exercising the Option as referred to in paragraph (v)(ee) above;

(dd) with respect to the events referred to in paragraph (v)(ff) above, the earlier of the date or expiry of the period for exercising the Option as referred to in paragraph (v)(ff) and the date of commencement of the winding up of our Company;

(ee) the date on which the Grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favor of any other person, over or in relation to any Option in breach of the Share Option Scheme;

(ff) the date on which the Grantee (being an employee, officer, director or consultant of any member of our Group) ceases to be a Participant by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily, unless the Scheme Board resolves that the relevant option shall not lapse in any of the aforesaid circumstances;

(gg) the date on which the Grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally.

(xiii) In the event of an alteration in the capital structure of our Company whilst any Option remains exercisable by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of shares or reduction of the share capital of our Company, but excluding, for the avoidance of doubt, any alteration in the capital structure of our Company as a result of an issue of shares as consideration in a transaction to which our Company is a party, the auditors of or the financial advisor engaged by our Company for such purpose shall determine what adjustment is required to be made to the subscription price, and/or the number of shares to be issued on exercise of the Options, and/or (if necessary) the method of exercise of the Option (or any combination of the foregoing) provided that any such adjustments give the Participant the same proportion of the equity capital of our Company, provided that no adjustment may be made to the extent that shares would be issued at less than their nominal value. If applicable, any adjustment pursuant to this paragraph as anticipated under rule 17.03(13) of the Listing Rules shall comply with the requirements of and any guidance letter issued by the Stock Exchange from time to time.

(xiv) Any Options granted but not exercised may be cancelled if the Grantee so agrees and new Options may be granted to the same Grantee provided such Options fall within the limits specified in paragraph (iii) above and are otherwise granted in accordance with the terms of the Share Option Scheme.

(xv) Our Shares issued on exercise of the Options will on issue be identical to the then existing issued shares of our Company.

(xvi) Our Company by ordinary resolution of Shareholders, or the Scheme Board, may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered or granted, but in all other respects the Share Option Scheme shall remain in full force and effect. Any granted but unexercised Options shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

(xvii) The Options are not transferable, except for the transmission of an Option on the death of a Grantee to his personal representative(s) on terms of and as permitted by the Share Option Scheme.

(xviii) Subject to the terms set out in the paragraph below, the Scheme Board may amend any of the provisions of the Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Share Option Scheme, which are not found in the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any Grantee at that date).

(b) Those specific provisions of the Share Option Scheme which relate to the matters set out in rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and no changes to the authority of the Directors or administrator of the Share Option Scheme in relation to any alteration of the terms herein shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with chapter 17 of the Listing Rules.

2. **Tax and other indemnity**

(a) ***Tax indemnity and other indemnity***

Each of King Award and Sky Circle has, pursuant to the deed of indemnity dated 16 December 2011 referred to in the paragraph headed "Summary of material contracts" in this appendix, given indemnity in favour of the Group from and against, among other things:

(i) any tax liabilities which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received before the Listing Date, save;

(aa) to the extent that such taxation arises or is incurred as a result of any retrospective change in law or the interpretation or practice by the relevant tax authority or retrospective increase in tax rates coming into force on or after the Listing Date;

(bb) for any liability which would not have arisen but for any act, transaction, omission of or transactions voluntarily effected by any member of our Group (other than pursuant to a legally binding commitment created before the Listing Date) on or after the Listing Date and otherwise than carried out in the ordinary course of business after the Listing Date; and

(cc) for which our Group is primarily liable as a result of transactions entered into in the ordinary course of business after 30 June 2011; and

(ii) any losses, claims or other liabilities which the Group may suffer as a result (whether directly or indirectly) of:

(aa) the failure to obtain the necessary title certificates in respect of the 4 parcels of land mentioned in note 3 of the property numbered 2 in Appendix IV to this prospectus; and

(bb) the failure to register with the competent authority in respect of the PRC lease agreements mentioned in notes 2 and 3 of the property numbered 5 in Appendix IV to this prospectus.

(b) ***Estate Duty***

Further, pursuant to the Deed of Indemnity, each of King Award and Sky Circle has given indemnity in respect of, among other matters, any liability for Hong Kong estate duty, if any, which might be incurred by any of the members of the Group by reason of any transfer of property to any of the members of the Group on or before the Listing Date. The Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, the British Virgin Islands and the PRC, being jurisdictions in which the companies comprising our Group are incorporated.

3. **Litigation**

Neither our Company or any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known by the Directors to be pending or threatened by or against any member of our Group.

4. **Application for listing of Shares**

The Sponsor has made an application for and on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, all our Shares in issue, our Shares to be issued as mentioned in this prospectus and any Shares which may fall to be issued pursuant to the exercise of any options granted which may be granted under the Share Option Scheme.

5. **Preliminary expenses**

The preliminary expenses of our Company are estimated to be approximately HK$47,000 and are payable by our Company. The commission and expenses relating to the Share Offer that are to be borne by our Company are set out in the section headed "Underwriting" in this prospectus.

6. **Promoter**

Our Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoter in connection with the Share Offer and the related transactions described in this prospectus.

7. **Qualifications of experts**

The followings are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	**Qualifications**
China Everbright Capital Limited	Licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
PricewaterhouseCoopers	Certified public accountants
Jones Lang LaSalle Sallmanns Limited	Chartered surveyors and valuers
Global Law Office	Qualified PRC lawyers
Conyers Dill & Pearman	Cayman Islands legal advisers
Minarco-MineConsult	Technical advisers

8. **Consent of experts**

Each of the experts whose names are set out in paragraph D7 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

9. **Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. **Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

11. **Taxation of holders of the shares**

(a) ***Cayman Islands***

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.

(b) ***Hong Kong***

Dealings in Shares registered on our Company's Hong Kong register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasized that none of our Company, the Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares. Profit from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, which is charged on each of the purchaser and seller at HK$1 for every HK$1,000 or part thereof against the higher of the consideration or the fair value of our Shares being sold or transferred.

12. **Miscellaneous**

(a) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries; and

(v) no commission has been paid or payable, except for the commission payable to the Underwriters, for subscription of, agreeing to subscribe or procuring subscription of any shares in our Company or any of its subsidiaries.

(b) The Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2011 (being the date to which the latest audited financial statements of our Group were prepared); and

(ii) there has not been any interruption in the business of our Group which may have or have had a material adverse effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

(c) The register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by our Company's Share Registrar in Hong Kong and may not be lodged in the Cayman Islands.

(d) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE** and **YELLOW** application forms, (ii) the written consents referred to in the paragraph headed "Consent of experts" in Appendix VII to this prospectus, and (iii) copies of the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix VII to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Reed Smith Richards Butler at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date that is 14 days from the date of this prospectus:

(a) the memorandum of association of the Company and the Articles;

(b) the accountant's report prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(c) the accountant's report of Shaanxi Jiarun prepared by PricewaterhouseCoopers, the text of which is set out in Appendix IIA to this prospectus;

(d) the accountant's report of Shaanxi Jiahe prepared by PricewaterhouseCoopers, the text of which is set out in Appendix IIB to this prospectus;

(e) the report in respect of unaudited pro forma financial information prepared by PricewaterhouseCoopers, the text of which is set out in Appendix III to this prospectus.

(f) the letter, summary of valuation and valuation certificate relating to the property interests of our Group prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix IV to this prospectus;

(g) the letter of advice prepared by Conyers Dill & Pearman referred to in the section headed "Summary of the constitution of our Company and Cayman Companies Law" in Appendix VI to this prospectus;

(h) the Independent Technical Report prepared by the independent technical adviser, MMC, the text of which is set out in Appendix V to this prospectus;

(i) the PRC legal opinions prepared by Global Law Office, our legal advisers as to PRC law;

(j) the Companies Law;

(k) the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix VII to this prospectus;

(l) the service agreements with each of the Directors referred to in the paragraph headed "Particulars of service contracts" in Appendix VII to this prospectus;

(m) the written consents referred to in the paragraph headed "Consent of experts" in Appendix VII to this prospectus; and

(n) the rules of the Share Option Scheme.

滙力集團
HUILI GROUP