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

2011 Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Dayong *(Chairman)*
Mr. Lu Qi
Mr. Zhao Guangsheng
Mr. Wu Guangsheng
Mr. Zhao Bochen

Non-Executive Directors

Mr. Xue Di'an
Mr. Liu Tongyou

Independent Non-Executive Directors

Mr. Cao Shiping
Mr. Cao Kuanyu
Mr. Sin Lik Man

AUDIT COMMITTEE

Mr. Sin Lik Man *(Chairman)*
Mr. Cao Shiping
Mr. Cao Kuangyu

REMUNERATION COMMITTEE

Mr. Cao Kuangyu *(Chairman)*
Mr. Lu Qi
Mr. Sin Lik Man

NOMINATION COMMITTEE

Mr. Wang Dayong *(Chairman)*
Mr. Cao Kuangyu
Mr. Sin Lik Man

AUTHORISED REPRESENTATIVES

Mr. Wang Dayong
Mr. Ip Wing Wai

COMPANY SECRETARY

Mr. Ip Wing Wai

INDEPENDENT AUDITOR

PricewaterhouseCoopers
22 Floor, Prince's Building
Central, Hong Kong

LEGAL ADVISERS

as to Hong Kong law
Reed Smith Richards Butler

as to PRC law
Global Law Office

as to Cayman Islands law
Conyers Dill & Pearman

COMPLIANCE ADVISER

China Everbright Capital Limited
17/F, Far East Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

In the PRC
No. 38 Guangchang Bei Road
Hami City
Xinjiang Uygur Autonomous Region
PRC

In Hong Kong
20th Floor, Alexandra House
18 Chater Road
Central, Hong Kong

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

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

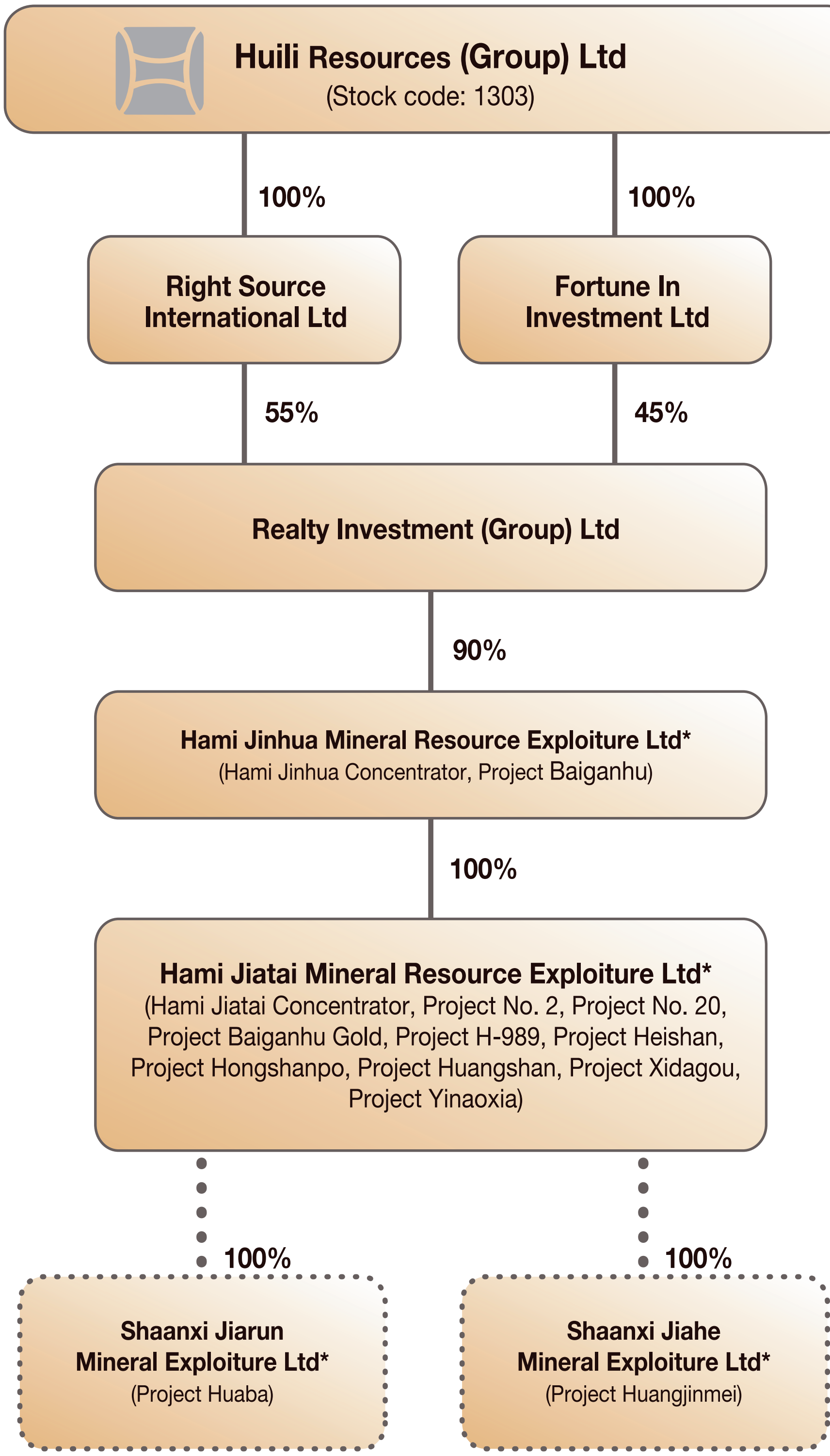
In Hong Kong
China Construction Bank Corporation Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
Taiwan Shin Kong Commercial Bank Co., Ltd.,
Hong Kong Branch

COMPANY WEBSITE

www.huili.hk

STOCK CODE

1303



** For identification purposes only*

● ● ● *Acquisitions not yet completed as of the date of this report*

Mines Information

MINERAL RESOURCES AS OF 31 DECEMBER 2011

Project name	Classification	Quantity (kt)	Ni Grade (%)	Cu Grade (%)	Ni metal (t)	Cu metal (t)
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

Project name	Classification	Quantity (kt)	Zn Grade (%)	Pb Grade (%)	Zn metal (t)	Pb metal (t)
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

Project name	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
	Total	3,180	2.95	9.4

MINERAL RESOURCES AS OF 31 DECEMBER 2011 *(Continued)*

Project name	Classification	Quantity (kt)	V_2O_5 Grade (%)	V_2O_5 metal (t)
Project Huaba (V)	Measured	—	—	—
	Indicated	49,900	0.80	398,410
	Inferred	53,360	0.76	403,660
	Total	103,250	0.78	802,080

Project name	Classification	Quantity (kt)	Cu Grade (%)	Cu metal (t)
Project Huaba (Cu)	Measured	—	—	—
	Indicated	1,330	1.50	19,870
	Inferred	1,210	1.23	14,970
	Total	2,540	1.37	34,840

ORE RESERVES AS OF 31 DECEMBER 2011

Project name	Reserve classification	Ore Quantity (kt)	Ni Grade (%)	Cu Grade (%)	Ni metal (t)	Cu metal (t)
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	Reserve classification	Ore Quantity (kt)	Zn Grade (%)	Pb Grade (%)	Zn metal (t)	Pb metal (t)
Project Baiganhu	Proved	—	—	—	—	—
	Probable	1,055	5.95	3.73	62,773	39,352

Source: Independent Technical Report prepared by Minarco-Mine Consult

Mines Information

EXPLORATION PROJECTS AS OF 31 DECEMBER 2011

Project name	Type of ore under exploration	Exploration Area (km2)	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

Project name	Type of ore under exploration/ mining	Exploration Area (km2)	Permit expiry date (month/year)	Current operation status
Project Huaba	V	11.41	April 2011	In the course of applying mining permit
Project Huangjinmei	Au	4.29	October 2011	In the course of applying mining permit

Glossary:

Au: Gold
Cu: Copper
Ni: Nickel
Pb: Lead
Zn: Zinc
V: Vanadium
V_2O_5: Vanadium Pentoxide

CAPITAL EXPENDITURE

For the year ended 31 December 2011, capital expenditure for the acquisition or upgrade of property, plant and equipment and land use rights was approximately RMB766,000.

Dear shareholders,

On behalf of the board of directors of Huili Resources (Group) Limited (the "Company" or "Huili Resources"), I am pleased to present the report on the annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the 12 months ended 31 December 2011 ("2011 financial year" or "review period").

The report was the first results report following the listing of the Company. Following the listing of the Company at the beginning of this year, Huili Resources entered a new era. The Company will endeavor to enhance its advantages, accumulate the expertise in mining industry and grasp business opportunities to sustain the Group's long-term growth.

In 2011, affected by the global economic fluctuations and the control of the macroeconomic policy in China, the Chinese economy slowed down modestly. However, the demand for nonferrous metal resources in China continued to increase. To tackle the backdrop of China's increasing reliance on the international market for nonferrous metal resources, it is mentioned in the outline of the Twelfth Five-year Plan that the state will drive the "prospecting" strategy. Wen Jiabo, Premier of the State Council, discussed and approved the "Prospecting Breakthrough Strategic Action Outline (2011—2020)" at the meeting of the Standing Committee of the State Council on 19 October last year. He demanded achieving a new significant breakthrough in geological and mineral exploration in China so as to form a number of strategic continuation areas of important mineral resources and establish a reserve system of important mineral resources, thereby providing strong resource assurance and industry support for the steady and fast development of the economy. In view of this, we will carry on the following strategic development and competitive advantages.

MERGER AND ACQUISITION OPPORTUNITIES AND ORGANIC GROWTH

Huili Resources currently holds a total of ten permits and owns defined and considerable mineral resources. Three of the permits are mining permits (Project No.2, Project No.20, Project Baiganhu). Approximately 60%, 82% and 55% of the proven and/or indicated mineral resources of No.2, No.20 and Baiganhu have been transformed into JORC ore reserves. It is believed after further exploration, relevant studies and approvals, more mineral resources (particularly mineral resources of H-989, Huangjinmei and Huaba) may be identified, upgraded and/or transformed into incremental ore reserves. The Company plans to conduct initial exploration of the six mineral areas under the exploration permits, including Heishan, Huangshan, Hongshanpo, Xidagou, Yinaoxia and Baiganhu Gold. Huili Resources also plans to achieve the rapid growth of mineral resources through the acquisition of target companies owning mineral resources.

DIVERSIFIED SPECIES

Our exploration projects have laid a foundation for the long-term operation of the Company. Relying on its own ore resources supply, the Company positioned in the upstream segments of mining and processing and achieved steady business operations by optimizing production, reducing production costs and adjusting the sales strategy. Meanwhile, upon completion of the Shaanxi mineral resources acquisition project currently in progress, the Company's mineral resources will increase. The added metallic mineral species can also effectively reduce the integrated risk associated with price fluctuation of different metals.

WELL-POSITIONED TO CAPITALIZE ON BUSINESS OPPORTUNITIES IN XINJIANG

Xinjiang, in which the Company's resources and reserves are located, is recognized as a region with rich mineral resources and is also the third largest province for the production of nickel and nickel concentrates in China with an annual production volume of 4,630 tonnes, representing approximately 5% of the total annual production in China. Our management (Mr. Zhao Guangsheng, Mr. Wu Guangsheng and Mr. Zhao Bochen all joined Hami Jinhua and Hami Jiatai as senior management members in 2002) have a remarkable track record in exploration, mining and processing activities in Xinjiang. We believe we are well-positioned to expand our overall operations by acquiring nickel and other non-ferrous metal assets in Xinjiang.

PROFESSIONAL MANAGEMENT TEAM

We have established expertise in prospecting, mining and ore processing. The management has extensive relevant techniques, vision and in-depth industry knowledge to help the Company capitalize on market opportunities, formulate business strategies, evaluate and manage risks. It is believed this will also help the Company identify potential acquisition targets to achieve long-term growth.

Looking ahead, the Company believes the strong demand for mineral resources in China will enable domestic metal prices to remain stable. China is the largest single consuming country of various base metals. Among these metals, lead and zinc saw an increasing production and demand whereas nickel and copper need to be imported to fill the market gap. Huili Resources will achieve the rapid growth of mineral resources and reserves through the acquisition of target companies and further exploration. This year, the Company plans to acquire the entire equity interests in Shaanxi Jiarun and Shaanxi Jiahe which are to hold the mining permits of the Shaanxi Huaba Project and the Huangjinmei Project. We will also continue to expand the customer base with a view to establish long-term partnership with more customers.

On behalf of the board of directors of Huili Resources, I would like to express my most sincere gratitude to all employees, customers and business partners and would also like to take this opportunity to extend my gratitude to the shareholders who have consistently supported the Group.

Wang Dayong
Chairman

26 March 2012

BUSINESS REVIEW

The Company is principally engaged in mining and ore processing of diversified non-ferrous metals including nickel, copper, zinc and lead in Hami, Xinjiang. The Hami 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.

Mining projects

Currently, the Company has three mining projects with valid mining and safety production permits, namely Project No.2, Project No.20 and Project Baiganhu. Project No.20, which produces nickel and copper ore, is under development to extract ores at a lower part of the ore bodies and Project Baiganhu, which produces lead and zinc ore, is under mine construction currently. Both of them are expected to resume/ commence commercial operation in the third quarter of 2012. On the other hand, production of Project No.2 has been suspended as a result of the implementation of the consolidation program in Hami. The Company is now pending for the formulation of a compensation plan, including the pricing terms and timetable of the consolidation program, with the main integration entity and the respective government authority.

Exploration projects

The Company realizes the importance of adequate mineral resources and ore reserves for long-term sustainable expansion of business. Currently the Company holds seven exploration permits in Hami namely Project Baiganhu Gold, Project H-989, Project Heishan, Project Hongshanpo, Project Huangshan, Project Xidagou and Project Yinoxia, covering more than 44km2 exploration area with ore types covering gold, nickel, copper, lead and zinc. The Company has applied for a mining permit for Project H-989 in September 2011 after six years exploration effort and will continue to carry out more in-depth exploration in these areas to further expand its resources.

Metal Concentrators

The Company operates two metal concentrators in Hami namely Hami Jiatai Concentrator and Hami Jinhua Concentrator, which produces nickel/ copper concentrates and lead/ zinc concentrates respectively. Each of them has a designed production capacity of 450,000 tonnes annually. It is planned that Hami Jiatai Concentrator will process copper-nickel ores supplied by Project No.20, Project H-989 as well as independent suppliers, and Hami Jinhua Concentrator will process lead-zinc ores exploited from Project Baiganhu. The two metal concentrators are expected to resume/ commence production in the third quarter and second quarter of 2012 respectively.

Shaanxi acquisition

The Company has conditionally agreed to acquire the entire equity interest of Shaanxi Jiarun and Shaanxi Jiahe, which hold the exploration permits for Project Huaba and Project Huangjinmei, respectively. The predominant resources in Project Huaba and Project Huangjinmei are vanadium/ copper and gold respectively. At the moment, both projects are in the course of applying mining permits. Details of the acquisitions were set out in the prospectus dated 29 December 2011.

RESULTS REVIEW

Revenue

Revenue is derived primarily from the sale of metal concentrates to customers, which are mainly smelters and trading companies around the region. During the year, the Group recorded revenue of RMB19.6 million, representing 48% decrease as compared to 2010. Such decrease was mainly due to drop in total sales volume as Project No.20 and Project Baiganhu were under development and production in Project No.2 was suspended as a result of the implementation of the consolidation program. In the first half of 2011, the Group mainly sold the inventories produced in the previous years. During the second half of 2011, the Group mainly focused its managerial and financial resource to implement the development programs on its mining projects as scheduled and therefore no sales have been recorded.

Cost of sales

Cost of sales represents mainly subcontracting costs, cost of auxiliary materials used in the production process, staff costs, depreciation, amortisation, electricity and water costs and production safety fee. Cost of sales decreased by RMB13.5 million or 41% from RMB33.0 million in 2010 to RMB19.5 million in 2011. The decrease in cost of sales was in line with the decrease in sales as mentioned above.

Gross profit

As a result of the foregoing, the Group derived a gross profit of RMB0.1 million in 2011, representing a decrease of RMB4.4 million or 98%, from that of RMB4.5 million in 2010.

Administrative expenses

The Company successfully listed its shares on the Hong Kong Stock Exchange on 12 January 2012 (the "Listing"). Administrative expenses during the year 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. Administrative expenses increased by RMB7.7 million or 49% from RMB15.7 million in 2010 to RMB23.4 million in 2011 due to the recognition of RMB17.5 million as expenses for preparation of the Listing during the year.

Other (losses)/gains - net

The Group recorded RMB0.6 million as other gains-net in 2011 reversing from a loss of RMB0.3 million last year, as the Group recognised a penalty of RMB0.4 million related to late tax payment of VAT. No such penalty was incurred this year.

Finance (costs)/income - net

The Group recorded net finance costs of RMB0.8 million as compared to net finance income of RMB9.1 million in 2010, when the Group recorded a net fair value gain of RMB 11.1 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. Two supplementary agreements were entered on 9 March 2011 and 11 July 2011 and further revised the terms of the dividend payable resulting a net fair value gain after unwinding of discount of RMB2.0 million this year. Besides, an exchange loss of RMB2.6 million was incurred during the year.

Income tax credit

Income tax credit decreased from approximately RMB1.5 million in 2010 to RMB0.6 million in 2011. Income tax credit represented the deferred tax which were mainly recognised for amortisation and depreciation.

Loss and total comprehensive loss attributable to the equity holders

Due to decrease in gross profit and increase in Listing expenses being allocated and charged to the profit and loss account during the year, loss attributable to the equity holders increased to RMB23.5 million in 2011 from RMB3.4 million last year.

LIQUIDITY AND CAPITAL RESOURCES

The Group mainly financed its day to day operations by internally generated cash flow, banking facilities and equity financing. Primary uses of funds during the year included Listing expenses, operation expenses, and purchase of property, plant and equipment.

As at 31 December 2011, current assets of RMB62.1 million was comprised of inventories of RMB11.0 million, other receivables and prepayments of RMB8.1 million, cash and cash equivalents of RMB41.0 million and restricted cash at banks of RMB1.9 million. Current liabilities of RMB41.1 million was mainly comprised of the current portion of pre-acquisition dividend payable of RMB15.0 million, trade payables of RMB1.1 million, other payables and accruals of RMB24.7 million and income tax payable of RMB0.3 million.

The Group conducted its continuing operational business transactions mainly in Renminbi and Hong Kong dollars. The Group did not arrange any forward currency contracts for hedging purposes.

INDEBTEDNESS

As at 31 December 2011, the Group did not have any short-term or long-term bank loans. The Group did not have 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, the Company obtained a two year non-revolving banking facility of US$13.5 million which will be available to draw down within six months from the date of granting of such banking facility.

Up to 31 December 2011, the Company has not yet drawn down the available banking facility.

FINANCIAL RATIOS

The current ratios of the Group, being total current assets to total current liabilities, were 1.8 and 1.5 as at 31 December 2010 and 2011 respectively. Current ratio as at 31 December 2011 decreased mainly due to decrease in cash and cash equivalents after payment of various Listing expenses during the year.

The gearing ratio of the Group is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as equity attributable to equity holders of the Company plus net debt. As at 31 December 2010 and 2011, there were no borrowings for the Group.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2011, the Group had capital commitments for property, plant and equipments of approximately RMB183.4 million (2010: RMB183.4 million).

As at 31 December 2011, the future aggregate minimum lease payments under non-cancellable operating leases of various offices was approximately RMB0.3 million (2010: RMB0.3 million).

As at 31 December 2011, the Group had investment commitments with amounts of RMB180 million for the acquisitions of Shaanxi Jiarun and Shaanxi Jiahe (2010: RMB192 million).

The Group may be subject to new environmental laws and regulations that may impose contingencies upon the Group in the future. The Group may also be subject to the effect of under-insurance on future accidents incurred by the employees. Such (i) new environmental laws and regulations; and (ii) under insurance on the employees may impose significant costs and liabilities on the Group.

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2011, the Group employed 66 employees. The total staff costs for the year ended 31 December 2011 were approximately RMB 2.3 million (2010: RMB 2.1 million). The salaries of employees largely depend on their job nature, performance and length of service with the Group. The directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group. Discretionary bonuses are also available to the Group's employees depending on the overall performance of the Group.

In addition to the basic remuneration, the Group also provides employees with employees benefits, including pension, medical scheme and other applicable social insurance as required by the applicable laws and regulations. Apart from regular on-job training, the Group provides 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.

Directors and employees, among others, are entitled to participate in the share option scheme at the discretion of the board. No share option was granted since the implementation of the scheme.

FUTURE OUTLOOK

Following the successful listing of its shares on the Hong Kong Stock Exchange in January 2012, the Company has entered into a new era. Moving forward, the overall strategic objective of the Company is to exploit its competitive advantages to become one of the leading diversified metal mining companies in the PRC.

The Company will pursue to ramp up the existing mining and ore processing capacities. Hami Jiatai Concentrator has not been running at its full capacity because of limited supply of copper-nickel ores extracted from Project No. 2 and Project No. 20. In order to restore and further expand its production scale and improve its efficiency, the Company will further invest in Project No.20 to increase its mining capacity as well as Project H-989 which is expected to commence commercial production in the first half of 2013. The Company also plans to procure copper-nickel ores from independent suppliers in Hami to further enhance the production scale of Hami Jiatai Concentrator. Following the commencement of commercial production of Project Baiganhu and Hami Jinhua Concentrator at around the third quarter of 2012, the Company's mining and ore processing capacities will be further improved.

On the other hand, control of sizable mineral resources and ore reserves is fundamental to long-term sustainable expansion of business of the Company, which plans to expand its portfolios of mineral resources and ore reserves through focused exploration efforts. More in-depth exploration will be carried out in those areas in Hami, where the Company holds seven exploration permits. Upon completion of the acquisition of Shaanxi Jiarun and Shaanxi Jiahe, the Company will commence exploration, mining and ore processing activities on Project Huaba and Project Huangjinmei respectively. In order to further expand and achieve long-term sustainable growth, the Company will continue to look for potential consolidation or acquisition targets with high quality nickel, copper and other mineral resources which satisfy the acquisition criteria of the Company.

Furthermore, the Company will strive to strengthen its customer relationship and broaden the customer base. As the production of Hami Jiatai Concentrator and Hami Jinhua Concentrator is expected to ramp up gradually since the second quarter of 2012, the Company intends to develop and/or further strengthen the long-term supplier relationship with Jinchuan Group, who is one of the leading integrated non-ferrous metallurgical and chemical engineering enterprises engaged in mining, concentrating, metallurgy and chemical engineering in the PRC, and other non-ferrous metallurgical enterprises in order to stabilize and grow the revenue base. The Company also intends to minimize sales risks by increasing the geographical reach with a view to broaden its customer base.

EXECUTIVE DIRECTORS

Mr. Wang Dayong (王大勇)

Mr. WANG, aged 45, is an executive Director and the Chairman of the Company. Mr. WANG joined the Group 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 the 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 the Group; solicits new cooperation opportunities and business development for the Group; and designs, develops and implements overall strategic plans for the Group. As such, Mr. WANG is responsible for formulating the major corporate and business strategies of the 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. SC2.1 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 the Group 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 the 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 the Group; explores investment projects and to sources and introduces to the Group; solicits new business opportunities and business development for the 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 the Company and is responsible for the Group's overall operations including technology and production. Mr. Zhao joined the Group 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 the Group, 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 the 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 the 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 the 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 Hami Jiatai Concentrator and Hami Jinhua Concentrator. Mr. Wu joined the Group in November 2002. He graduated from the University of Changchun (長春大學) specialized in operation and management in 1992. Prior to joining the Group, 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 the mines. Mr. Zhao joined the Group 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 the Group, 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 Project No. 2, Project No. 20 and Project Baiganhu since joining the Group. He is mainly responsible for monitoring the day-to-day operations of the 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 Project No. 20 and the design of 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 (陜西省地質學校) 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 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 the 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)

Mr. Sin, 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.

SENIOR MANAGEMENT

Mr. IP Wing Wai (葉永威)

Mr. Ip, aged 33, is qualified accountant, company secretary and the chief financial officer of the Company. He works for the 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 the Company since August 2011. Mr. Ip is responsible for the Group's overall financial reporting and company secretarial functions of the 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 the Group, 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 the Group 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 (哈密地區南昊化工有限責任公司) (now known as Hami Nanhao Chemical Co., Ltd. (哈密地區化工廠) as a workshop settlement clerk, an accountant and a chief finance accountant.

Mr. LI Jiangguo (李建國)

Mr. Li, aged 47, joined the Group 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 the nickel concentrates, copper concentrates, lead concentrates and zinc concentrates to the customers. The major customers usually place sales contracts with the Group for terms of one year to five years. Mr. Li solicits with the customers and renew such sales contracts and negotiate terms. The sales department will also arrange the delivery schedule of the concentrates to the designated delivery point as specified by the customers.

Mr. LI Xidong (李喜東)

Mr. Li, aged 38, has been the 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 the 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 the 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 the Group, 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 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 the 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 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 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 Project No. 20. He is responsible for the on-going design of pit development systems, ventilation systems and safety system of 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 the 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 the Group, 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 the 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 the 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.

INTRODUCTION

The Company was listed on the Main Board of the Stock Exchange on 12 January 2012 (the "Listing Date"). Since the Listing Date, the Company has committed to maintain a high standard of corporate governance and has taken appropriate steps to adopt and comply the provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' SECURITIES TRANSACTIONS

Since 16 December 2011, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model code") as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Directors confirm that they have complied with the required standard as set out in the Model Code from the Listing Date and up to the date of this report.

BOARD OF DIRECTORS

The Board of Directors (the "Board") is principally accountable to the shareholders and is responsible for the leadership and control of the Group including overseeing the Group's businesses, strategic directions, financial performance, setting objectives and business development plans, and monitoring the performance of the senior management.

The Board, with balance of skills and experience, meets regularly to formulate overall strategy, monitor business development as well as the financial performance of the Group and has formal procedures on matters for consideration and decision. The Board has delegated certain authorities to the senior management for the day-to-day management of the Group's operation.

The composition of the Board is as follows:

Executive directors:

Mr. Wang Dayong (Chairman) (appointed on 19 February 2010)
Mr. Lu Qi (appointed on 16 December 2011)
Mr. Zhao Guangsheng (Chief Executive Officer) (appointed on 16 December 2011)
Mr. Wu Guangsheng (appointed on 16 December 2011)
Mr. Zhao Bochen (appointed on 16 December 2011)

Non-executive directors:

Mr. Xue Di'an (appointed on 16 December 2011)
Mr. Liu Tongyou (appointed on 16 December 2011)

Independent non-executive directors:

Mr. Cao Shiping (appointed on 16 December 2011)
Mr. Cao Kuangyu (appointed on 16 December 2011)
Mr. Sin Lik Man (appointed on 16 December 2011)

The Directors have no financial, business, family or other material/relevant relationship among themselves.

The Company has received the annual confirmation of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent.

ENTERING INTO SERVICE CONTRACTS WITH EXECUTIVE DIRECTORS

The Company has respectively entered into service contracts with all executive directors for a term of three years with effect from their respective appointment dates unless terminated by not less than three months' notice in writing served by either the executive directors or the Company. Each of the executive directors is subject to retirement and re-election at the annual general meeting of the Company in accordance with the articles of association ("Articles of Association") of the Company. The Board believes that entering into service contracts with the said Directors will be beneficial for maintaining management stability of the Group.

TERMS OF NON-EXECUTIVE DIRECTORS

All non-executive Directors and independent non-executive Directors of the Company were appointed for a term of three years commencing on 16 December 2011 and all of them are subject to retirement by rotation in accordance with the Articles of Association of the Company.

AUDIT COMMITTEE

Pursuant to Rule 3.21 of the Listing Rules, an audit committee was established by the Board on 16 December 2011 with written terms of reference in compliance with the Code. The primary duties of the audit committee are to review and supervise the Group's financial reporting process and internal control system. The audit committee comprises three independent non-executive Directors, namely Mr. Sin Lik Man, Mr. Cao Shiping and Mr. Cao Kuangyu. Mr. Sin Lik Man is the chairman of the audit committee.

As the audit committee was set up on 16 December 2011, it had not held any meeting during the year under review. The audit committee held one meeting after the Listing Date and up to the date of this report to review the annual results of the Group for the year ended 31 December 2011.

REMUNERATION COMMITTEE

A remuneration committee was established on 16 December 2011 with written terms of reference in compliance with the Code. The primary duties of the remuneration committee are to make recommendations to the 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 Mr. Cao Kuangyu, Mr. Sin Lik Man and Mr. Lu Qi. Mr. Cao Kuangyu is the chairman of the remuneration committee.

NOMINATION COMMITTEE

A nomination committee was established on 16 December 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 Mr. Cao Kuangyu, Mr. Sin Lik Man and Mr. Wang Dayong. Mr. Wang Dayong is the chairman of the nomination committee.

ACCOUNTABILTY AND AUDIT

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2011, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records with reasonable accuracy for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

Auditors' Responsibilities and Remuneration

An analysis of remuneration in respect of services provided by the auditor, PricewaterhouseCoopers, of the Group is as follows.

	RMB'000
Annual audit services	750
Agreed-upon procedures on preliminary result announcement	30
	780

The statement of the auditor of the Company regarding their reporting responsibilities is set out in the Independent Auditor's Report on page 39.

Internal Control

During the year, the Company has adopted and reviewed the effectiveness of the Group's internal control procedures which include the policies, procedures, monitoring and communication activities and standard of behavior established for safeguarding the interests of the shareholders of the Company. The system of internal control aims to help achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. However, the design of the system is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage, rather than eliminate, the risks of failure when business objectives are being sought.

In order to further strengthen the internal control system of the Group, the following measures are adopted:

- established three new position of compliance officers, (i) Mr. Lu Qi, executive Director; (ii) Mr. Zhao Guangsheng, executive director and Chief Executive Officer; and (iii) Mr. IP Wing Wai, company secretary and chief financial officer, who will report to the Board directly on a monthly basis to ensure that operations of the Group are in compliance with applicable laws, rules and regulations, to strengthen the existing internal control framework and to recommend remedial plans to the Board should there be any internal control deficiencies;

- Engaged a PRC legal advisor to provide advice to the Board and the 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 business operations of the Group in the PRC; and

- Appointed China Everbright Capital Limited as the compliance advisor to advise on ongoing compliance with Listing Rules issues and other applicable securities laws and regulations in Hong Kong, details of which are set out in the section "Compliance Adviser" below.

Based on its assessment which covers all material controls including financial, operational and compliance controls and risk management functions, the Board believes that for the year ended 31 December 2011, the Company's internal control is effective. The Board is satisfied that there are adequate resources of staff with appropriate qualifications and experience in its accounting and financial reporting team and that sufficient training and budget have been provided.

COMPLIANCE ADVISOR

The Company has appointed China Everbright Capital Limited on 12 January 2012 as the compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to the Company pursuant to the requirements thereunder. It is expected that China Everbright Capital Limited will, amongst other things, provide advice to the Company with due care and skill on a timely basis in the following circumstances:

- before the publication by the 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 Chapter 14 or 14A of the Listing Rules, is contemplated by the Company including share issues and share repurchases;

- where the Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in the prospectus or where the Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in the prospectus;

- where the Stock Exchange makes an inquiry of the 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 the Company for a waiver from any of the requirements in Chapter 14A of the Listing Rules, advise the 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.

COMMUNICATION WITH SHAREHOLDERS

The Company believes in regular and timely communication with shareholders as part of its efforts to help shareholders understand its business better and the way the Company operates. To promote effective communication with the public, the Company maintains a website (www.huili.hk) on which comprehensive information about the Company's major businesses, press releases, notices, financial information, announcements, annual and interim reports and shareholders circulars are being made available.

The Board is endeavour to maintain an on-going dialogue with shareholders. The chairman of the Board and member of the Audit Committee should attend the annual general meeting to answer questions. Press conferences and analysts presentations are also held by the Company to answers questions regarding the Group's operations and financial position.

The directors present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011.

CORPORATE INFORMATION

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 ("Stock Exchange") under the name of Realty Resources (Group) Limited. On 13 May 2010, the Company changed its name to Huili Resources (Group) Limited. The Company issued 250,000,000 ordinary new shares of HK$0.1 each at a subscription price of HK$1.7 per share pursuant to the public offering. The Company's shares including these new shares were listed on the main board of Hong Kong Stock Exchange Limited on 12 January 2012.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The gross proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 12 January 2012 amounted to approximately HK$425 million, which are intended to be or have been applied in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The net proceeds are temporarily placed in short term deposits with licensed institutions in Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the mining, ore processing and sales of nickel, copper, lead and metal products in the People's Republic of China, details of which are set out in note 10 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The result of the Group's for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 44.

The directors of the Company do not recommend the payment of a dividend.

DISTRIBUTABLE RESERVES

The Company's distributable reserves consist of share premium and retained earnings, if any.

Under the Companies Law of the Cayman Islands, the share premium account is distributable to shareholders if immediately following the date on which the Company proposes to distribute the dividend. The Company will be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2011, the Company had a reserve balance of RMB79,362,000, representing share premium of RMB109,303,000 net of accumulated losses of RMB29,941,000, available for distribution to the shareholders.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last four financial years is set out on page 103 to 104.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 7 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note 16 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a prorata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's share during the year ended 31 December 2011.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in notes 16, 17 and 18 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 100% of the total sales for the year and sales to the largest customer included therein amounted to 84% of the total sales. Purchases from the Group's five largest suppliers accounted for 80% of the total purchases for the year and purchases from the largest supplier include therein amounted to 32% of the total purchases.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Wang Dayong (Chairman) (appointed on 19 February 2010)
Mr. Lu Qi (appointed on 16 December 2011)
Mr. Zhao Guangsheng (appointed on 16 December 2011)
Mr. Wu Guangsheng (appointed on 16 December 2011)
Mr. Zhao Bochen (appointed on 16 December 2011)

Non-executive directors:

Mr. Xue Di'an (appointed on 16 December 2011)
Mr. Liu Tongyou (appointed on 16 December 2011)

Independent non-executive directors:

Mr. Cao Shiping (appointed on 16 December 2011)
Mr. Cao Kuangyu (appointed on 16 December 2011)
Mr. Sin Lik Man (appointed on 16 December 2011)

In accordance with the Company's articles of association, (i) directors appointed shall hold office until the forthcoming annual general meeting and eligible for re-election and (ii) at each annual general meeting one-third of directors shall retire from office by rotation. Mr. Wang Dayong, Mr. Xue Di'an, Mr. Liu Tongyou and Mr. Cao Shiping will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 14 to 25.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a 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 the Company.

Each of the non-executive directors and independent non-executive directors has signed an appointment letter with the Company for a term of three years with effect from their respective date of appointment.

Apart from the foregoing, no directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2011, the following Directors or the chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

Name of Director	Nature of interest	Total interest in shares	Approximate percentage of the Company's issued share capital
Mr. Wang Dayong (note 1)	Interest in a controlled corporation	280,643,135 (L)	37.42%
Mr. Lu Qi (note 2)	Interest in a controlled corporation	343,008,276 (L)	45.73%

Remarks: (L): Long position

Notes:

1. 280,643,135 shares were held by Sky Circle International Limited which is wholly owned by Mr. Wang Dayong.

2. 343,008,276 shares were held by King Award Limited which is wholly owned by Mr. Lu Qi.

Interests in the shares of associated corporations of the Company

Name	Name of associated corporation	Nature of interest	Approximately percentage of interest in the share capital of the associated corporation
Mr. Wang Dayong	Sky Circle International Limited	Beneficial owner	100%
Mr. Lu Qi	King Award Limited	Beneficial owner	100%

Save as disclosed above, as at 31 December 2011, none of the directors and chief executive of the company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

No Directors of the Company are considered to have interests in any business which is likely to compete directly or indirectly with that of the Group.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of encouraging the eligible participants to work towards enhancing the value of the Company and shareholders as a whole. Eligible participants of the Share Option Scheme include directors, officers, employees and consultants of any member of the Group. The Share Option Scheme became effective on 16 December 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Initially the maximum number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 100,000,000 shares, being 10% of the aggregate of the shares in issue as at the listing date. However the Company may refresh this 10% limit with shareholders' approval provided that each such limit (as refreshed) may not exceed the 10% of the shares in issue as at the date of the shareholders' approval. The total number of shares which may be issued upon exercise of all share options granted and yet to be exercised under the Share Option Scheme or any other share option schemes must not exceed 30% of the shares in issue from time to time.

The maximum number of shares issued and to be issued upon exercise of the share options granted to each participant under the Share Option Scheme in any 12 month period must not exceed 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval. Each grant of share options to any director, chief executive or substantial shareholder of the Company (or any of their respective associates) 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 share options). Where any grant of share options to a substantial shareholder or an independent non-executive director, or any of their respective associates, in excess of 0.1% of the shares in issue or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12 month period, are subject to shareholders' approval in advance in a general meeting.

The amount payable on acceptance of an option is HK$1.00, which must be paid within 14 days from the date on which the letter containing the offer of option is delivered to that participant. The period within which the share options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the relevant date of grant. The Share Option Scheme does not contain the minimum period for which an option must be held before it can be exercised.

The exercise price of the share options is determined by the directors of the Company, but will no less than the higher of (a) the closing price of the shares on the date of grant; (b) the average closing price of the shares for the five business days immediately preceding the date of grant; and (c) the nominal value of a share on the date of grant.

As at the date of this report, the Company has not granted any share option under the Share Option Scheme.

Saved as disclosed above, at no time during the year, the directors and chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

CONTRACT OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2011, the following interests and short positions of 5% or more of the issued share capital and share option of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Nature of interest	Total interests in shares	Approximate percentage of the Company's issued share capital
Sky Circle International Limited	Beneficial owner (Note 1)	280,643,135 (L)	37.42%
Yuan Hong	Interest of spouse (Note 1)	280,643,135 (L)	37.42%
King Award Limited	Beneficial owner (Note 2)	343,008,276 (L)	45.73%
Zhang Jie	Interest of spouse (Note 2)	343,008,276 (L)	45.73%
High Inspiring Limited	Beneficial owner (Note 3)	126,348,589 (L)	16.85%
China Construction Bank Corporation	Interest in a controlled corporation (Note 3)	126,348,589 (L)	16.85%

Remarks: (L): Long position

Notes:

1. Yuan Hong is the wife of Mr. Wang Dayong. Mr. Wang is the legal and beneficial owner of the entire issued share capital of Sky Circle International Limited.

2. Zhang Jie is the wife of Mr. Lu Qi. Mr. Lu is the legal and beneficial owner of the entire issued share capital of King Award Limited.

3. High Inspiring Limited is indirectly and wholly owned by China Construction Bank Corporation.

Save as disclosed above, as at 31 December 2011, the directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public since the listing of the Company's shares on 12 January 2012.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 34 to the consolidated financial statements.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

ON BEHALF OF THE BOARD

Mr. Wang Dayong
Chairman
Hong Kong, 26 March 2012

羅兵咸永道

To the shareholders of Huili Resources (Group) Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Huili Resources (Group) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 41 to 102 which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2012

Consolidated Balance Sheet

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**64,154**	70,238
Mining rights	8	**129,711**	129,711
Land use rights	9	**10,314**	9,830
Deferred tax assets	11	**6,473**	6,415
Prepayment for investments	12	**30,000**	18,000
Total non-current assets		**240,652**	234,194
Current assets			
Inventories	13	**11,017**	23,020
Other receivables and prepayments	14	**8,145**	2,730
Cash and cash equivalents	15	**40,973**	63,598
Restricted cash at banks	15	**1,949**	—
Total current assets		**62,084**	89,348
Total assets		**302,736**	323,542
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	**65,972**	65,972
Share premium	16	**109,303**	109,303
Other reserves	17	**(15,524)**	(15,524)
(Accumulated losses)/retained earnings	18	**(11,393)**	12,149
		148,358	171,900
Non-controlling interests		**12,272**	12,568
Total equity		**160,630**	184,468

Consolidated Balance Sheet

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Pre-acquisition dividend payable – non-current portion	19	**63,990**	50,949
Provision for close down, restoration and environmental costs	20	**2,260**	2,019
Deferred tax liabilities	11	**34,794**	35,351
Total non-current liabilities		**101,044**	88,319
Current liabilities			
Pre-acquisition dividend payable – current portion	19	**15,000**	30,000
Trade payables	21	**1,070**	5,982
Other payables and accruals	22	**24,726**	13,093
Income tax payable		**266**	1,680
Total current liabilities		**41,062**	50,755
Total liabilities		**142,106**	139,074
Total equity and liabilities		**302,736**	323,542
Net current assets		**21,022**	38,593
Total assets less current liabilities		**261,674**	272,787

The notes on pages 47 to 102 are an integral part of these consolidated financial statements.

The financial statements on pages 41 to 102 were approved by the Board of Directors on 26 March 2012 and were signed on its behalf.

Wang Dayong
Director

Lu Qi
Director

		As at 31 December	
		2011	2010
	Note	**RMB'000**	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	14	**13,020**	1,789
Cash and cash equivalents	15	**37,859**	57,101
Total current assets		**50,879**	58,890
Total assets		**158,207**	166,218
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	16	**65,972**	65,972
Share premium	16	**109,303**	109,303
Accumulated losses	18	**(29,941)**	(9,057)
Total equity		**145,334**	166,218
LIABILITY			
Current liabilities			
Other payables	22	**12,873**	—
Total current liabilities and total liabilities		**12,873**	—
Total equity and liabilities		**158,207**	166,218
Net current assets		**38,006**	58,890
Total assets less current liabilities		**145,334**	166,218

The notes on pages 47 to 102 are an integral part of these consolidated financial statements.

The financial statements on pages 41 to 102 were approved by the Board of Directors on 26 March 2012 and were signed on its behalf.

Wang Dayong
Director

Lu Qi
Director

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Revenue	6	**19,611**	37,566
Cost of sales	13,23	**(19,503)**	(33,036)
Gross profit		**108**	4,530
Distribution costs	23	**(938)**	(1,821)
Administrative expenses	23	**(23,399)**	(15,737)
Other gains/(losses) – net	25	**591**	(345)
Operating loss		**(23,638)**	(13,373)
Finance income		**6,091**	13,134
Finance costs		**(6,906)**	(4,002)
Finance (costs)/income – net	26	**(815)**	9,132
Loss before income tax		**(24,453)**	(4,241)
Income tax credit	27	**615**	1,501
Loss for the year		**(23,838)**	(2,740)
Other comprehensive income		**—**	—
Total comprehensive loss		**(23,838)**	(2,740)
Loss/total comprehensive loss attributable to:			
Equity holders of the Company		**(23,542)**	(3,374)
Non-controlling interests		**(296)**	634
		(23,838)	(2,740)
Loss per share attributable to the equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	28	**(0.031)**	(0.005)

The notes on pages 47 to 102 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Dividend	18(d)	**—**	—

Consolidated Statement of Changes in Equity

	Note	Attributable to equity holders of the Company									
		Share capital RMB'000 (Note 16)	Share premium RMB'000 (Note 16)	Loans from shareholders RMB'000 (Note 16)	Safety funds RMB'000 (Note 17)	Maintenance funds RMB'000 (Note 17)	Capital reserve RMB'000 (Note 17)	Retained earnings/ (accumulated losses) RMB'000 (Note 18)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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	16,17	1	107,327	(90,000)	—	—	(17,328)	—	—	—	—
Issue of new shares from share premium	16	62,692	(62,692)	—	—	—	—	—	—	—	—
Capital injection from shareholders	16	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	17	—	—	—	221	361	—	(582)	—	—	—
At 31 December 2010		65,972	109,303	—	221	1,583	(17,328)	12,149	171,900	12,568	184,468
At 1 January 2011		65,972	109,303	—	221	1,583	(17,328)	12,149	171,900	12,568	184,468
Total comprehensive loss		—	—	—	—	—	—	(23,542)	(23,542)	(296)	(23,838)
At 31 December 2011		65,972	109,303	—	221	1,583	(17,328)	(11,393)	148,358	12,272	160,630

The notes on pages 47 to 102 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	30(a)	**(6,771)**	12,653
Income tax paid		**(1,414)**	—
Net cash (used in)/generated from operating activities		**(8,185)**	12,653
Cash flows from investing activities			
Prepayment of investments	12	**(12,000)**	(18,000)
Purchase of property, plant and equipment and land use rights		**(766)**	(617)
Proceeds from disposal of property, plant and equipment	30(b)	**104**	—
Interest received	26	**101**	64
Net cash used in investing activities		**(12,561)**	(18,553)
Cash flows from financing activities			
Capital contribution from equity holders of the Company	16(d)	**—**	67,947
Net cash generated from financing activities		**—**	67,947
Net (decrease)/increase in cash and cash equivalents		**(20,746)**	62,047
Cash and cash equivalents at beginning of year		**63,598**	1,551
Exchange differences on cash and cash equivalents		**(1,879)**	—
Cash and cash equivalents at end of year	15	**40,973**	63,598

The notes on pages 47 to 102 are an integral part of these consolidated financial statements.

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 was listed on the Main Board of the Stock Exchange of Hong Kong Limited on 12 January 2012.

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 financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

These financial statements have been approved for issue by the Board of Directors on 26 March 2012.

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 哈密市佳泰礦業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.

1 GENERAL INFORMATION AND REORGANIZATION *(Continued)*

1.2 The Reorganization (Continued)

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 therefore (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 authorized share capital to HK$500,000,000 divided into 5,000,000,000 ordinary shares of HK$0.10 each. The Company capitalized 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.

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 statements are presented using predecessor value accounting in a manner similar to the uniting of interests method. Under predecessor value accounting, the financial statements consolidate 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 the years ended 31 December 2010 and 2011, including adjustments required for conforming these group companies' accounting policies and applying those policies to all the years ended 31 December 2010 and 2011.

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 statements are set out below. These policies have been consistently applied for each of the years ended 31 December 2010 and 2011, unless otherwise stated.

3.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and under the historical cost convention.

The preparation of financial statements 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 the Group'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 5.

3.1.1 Going Concern

The Group meets its day-to-day working capital requirements through fundings from its bank facilities and proceeds from the Listing. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the group's products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basis of preparation (Continued)

3.1.2 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 is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

- 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 is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

- 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 is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- 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 is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Subsidiaries

3.2.1 Consolidation

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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

The Group applies the acquisition method to account for business combinations except for the Reorganization. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Subsidiaries *(Continued)*

3.2.1 Consolidation *(Continued)*

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, 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 interest 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.

3.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 statements are 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 statement 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 statement of comprehensive income within 'finance income/(costs)-net'. All other foreign exchange gains and losses are presented in consolidated statement 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 statement of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 *Foreign currency translation* *(Continued)*

(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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

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 statement of comprehensive income during the financial period in which they are incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Property, plant and equipment *(Continued)*

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 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 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 the consolidated statement of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 amortisation and any 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.

3.9 Impairment of 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Financial assets

3.10.1 Classification

The Group's financial assets are 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).

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.

3.10.3 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or 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 group of financial assets that can be reliably estimated.

For loans and receivables category, 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 recognised in the consolidated income statement. 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 the consolidated income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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. It excludes borrowing costs. 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 and other 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 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.

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 the income statement, 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.

(a) *Current income tax*

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's 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 Current and deferred income tax *(Continued)*

(b) Deferred income tax

Inside basis differences

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively 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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability 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.

(c) Offsetting

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.21 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.

3.22 Operating 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 consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

3.23 Dividend distribution

Dividend distribution to the former shareholders of a subsidiary is recognized as a liability in the Group's financial statements. Dividend distribution to the Company's shareholders is recognised 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.

3.24 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.25 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 2011, 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 RMB379,000 (2010: RMB571,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Hong Kong dollar denominated cash.

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 *Financial risk factors* *(Continued)*

(a) *Market risk* *(Continued)*

(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 each of the years ended 31 December 2010 and 2011, 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 sheet 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 as at 31 December 2010 and 2011 after considering the Group's historical experience in collection of accounts receivable and other receivables.

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 *Financial risk factors* *(Continued)*

(c) Liquidity risk

The Group obtained funds through initial public offering of the Company's shares. The Group also may obtain funding 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.

The Group

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2011				
Trade and other payables	**19,604**	**—**	**—**	**—**
Pre-acquisition dividend payable – current portion	**15,000**	**—**	**—**	**—**
Pre-acquisition dividend payable – non-current portion	**—**	**20,000**	**57,000**	**—**
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	—

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 *Financial risk factors* *(Continued)*

(c) Liquidity risk

The Company

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2011				
Other payables	**12,873**	—	—	—
At 31 December 2010				
Other payables	—	—	—	—

(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 year ended 31 December 2011, all the revenues of the Group were derived from two external customers (2010: three). These revenues were mainly attributable to nickel and copper metal products.

4 FINANCIAL RISK MANAGEMENT *(Continued)*

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 sheet 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 2010 and 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

As at 31 December 2010 and 2011, the carrying amounts less provision of receivables and payables are a reasonable approximation of their fair values due to their short-term maturities.

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 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 2016 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.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

(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 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 each of the years ended 31 December 2010 and 2011, 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.

Apart from the two reportable segments, 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.

6 SEGMENT INFORMATION *(Continued)*

The segment information provided to the CODM for the reportable segments for each of the years ended 31 December 2010 and 2011 as follows:

	Year ended 31 December					
	2011			2010		
	Hami Jiatai RMB'000	**Hami Jinhua RMB'000**	**Total RMB'000**	Hami Jiatai RMB'000	Hami Jinhua RMB'000	Total RMB'000
Segment revenue						
– Nickel concentrate	**16,084**	**—**	**16,084**	24,022	—	24,022
– Copper concentrate	**3,329**	**—**	**3,329**	9,262	—	9,262
– Zinc concentrate	**—**	**—**	**—**	—	631	631
– Lead concentrate	**—**	**—**	**—**	—	3,202	3,202
– Others	**198**	**—**	**198**	449	—	449
	19,611	**—**	**19,611**	33,733	3,833	37,566
Segment operating loss	**(3,292)**	**(2,053)**	**(5,345)**	(4,892)	(1,206)	(6,098)
Unallocated operating loss (note (a))	**—**	**—**	**(18,293)**	—	—	(7,275)
Operating loss	**(3,292)**	**(2,053)**	**(23,638)**	(4,892)	(1,206)	(13,373)
Segment finance income/ (costs) – net	**1,789**	**—**	**1,789**	10,981	(56)	10,925
Unallocated	**—**	**—**	**(2,604)**	—	—	(1,793)
Finance income/(costs) – net	**1,789**	**—**	**(815)**	10,981	(56)	9,132
Income tax credit	**325**	**290**	**615**	1,186	315	1,501
Amortisation	**77**	**152**	**229**	786	149	935
Depreciation	**3,898**	**1,938**	**5,836**	6,498	1,943	8,441

6 SEGMENT INFORMATION *(Continued)*

	As at 31 December					
		2011			2010	
	Hami Jiatai	**Hami Jinhua**	**Total**	Hami Jiatai	Hami Jinhua	Total
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Segment assets	**132,253**	**124,067**	**256,320**	137,153	126,211	263,364
Unallocated assets (note (b))	**—**	**—**	**46,416**	—	—	60,178
Total	**132,253**	**124,067**	**302,736**	137,153	126,211	323,542
Segment liabilities	**106,730**	**26,871**	**133,601**	109,694	29,286	138,980
Unallocated liabilities	**—**	**—**	**8,505**	—	—	94
Total	**106,730**	**26,871**	**142,106**	109,694	29,286	139,074

Notes:

(a) Unallocated operating loss for each of the years ended 31 December 2010 and 2011 mainly arose from expenses for preparation of initial public offering of the Company's shares.

(b) Unallocated assets as at 31 December 2010 and 31 December 2011 mainly represented the bank deposits held by the Company and prepaid expenditures for the Company's preparation works of initial public offering of the Company's shares.

7 PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2010	Buildings RMB'000	Machinery and equipment RMB'000	Office equipment and others RMB'000	Motor vehicles RMB'000	Mining structures RMB'000	Construction In progress RMB'000	Total 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 23)	(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
Year ended 31 December 2011							
Opening net book amount	**29,536**	**18,158**	**99**	**1,081**	**13,441**	**7,923**	**70,238**
Additions	**—**	**50**	**2**	**—**	**—**	**—**	**52**
Depreciation (Note 23)	**(1,771)**	**(3,339)**	**(76)**	**(650)**	**—**		**(5,836)**
Disposal	**(300)**	**—**	**—**	**—**	**—**	**—**	**(300)**
Closing net book amount	**27,465**	**14,869**	**25**	**431**	**13,441**	**7,923**	**64,154**
At 31 December 2011							
Cost	**33,993**	**26,930**	**412**	**7,199**	**14,393**	**7,923**	**90,850**
Accumulated depreciation	**(6,528)**	**(12,061)**	**(387)**	**(6,768)**	**(952)**	**—**	**(26,696)**
Net book amount	**27,465**	**14,869**	**25**	**431**	**13,441**	**7,923**	**64,154**

7 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Note:

(a) Depreciation of property, plant and equipment has been charged to cost of sales and administrative expenses as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Administrative expenses	**234**	646
Cost of sales	**5,602**	7,795
	5,836	8,441

8 MINING RIGHTS

The Group

	RMB'000
Year ended 31 December 2010	
Opening net book amount	130,426
Amortisation charge (Note 23)	(715)
Closing net book amount	129,711
At 31 December 2010	
Cost	133,523
Accumulated amortization	(3,812)
Net book amount	129,711
Year ended 31 December 2011	
Opening net book amount	**129,711**
Amortisation charge (Note 23)	—
Closing net book amount	**129,711**
At 31 December 2011	
Cost	**133,523**
Accumulated amortization	**(3,812)**
Net book amount	**129,711**

8 MINING RIGHTS *(Continued)*

Note:

(a) Amortisation of mining rights was allocated to production cost for the year ended 31 December 2010. There was no amortisation for the year ended 31 December 2011 as no ore was mined.

9 LAND USE RIGHTS

The Group

In Mainland China with remaining land use right periods ranging from 42 to 45 years as at 31 December 2011:

	RMB'000
Year ended 31 December 2010	
Opening net book amount	10,050
Amortisation charge (Note 23)	(220)
Closing net book amount	9,830
At 31 December 2010	
Cost	10,423
Accumulated amortization	(593)
Net book amount	9,830
Year ended 31 December 2011	
Opening net book amount	**9,830**
Addition	**713**
Amortisation charge (Note 23)	**(229)**
Closing net book amount	**10,314**
At 31 December 2011	
Cost	**11,136**
Accumulated amortization	**(822)**
Net book amount	**10,314**

10 INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Unlisted investment, at cost (Note 17)	**17,328**	17,328
Loan receivable from a subsidiary (Note (a))	**90,000**	90,000
Total	**107,328**	107,328

Notes:

(a) The balance is receivable from Fortune In, interest free and unsecured, and has no fixed terms of repayment (Note 1.2).

(b) As at 31 December 2010 and 2011, the Company had direct or indirect interests in the following subsidiaries:

Company name	Country/place of incorporation	Issued and paid-up capital/ registered capital	Interest held	Principal activities and place of operation
Right Source	The BVI	US$100	100% directly held	Investment holdings, the BVI
Fortune In	The BVI	HK$100	100% directly held	Investment holdings, the BVI
Realty Investment	Hong Kong	HK$10,000	100% indirectly held	Investment holdings, Hong Kong
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	RMB50,000,000	90% indirectly held	Mining, ore processing and sales of lead and zinc metal products, the PRC
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	RMB10,000,000	90% indirectly held	Mining, ore processing and sales of nickel and copper metal products, the PRC

* 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.

11 DEFERRED INCOME TAX

The Group

The analysis of deferred tax assets and deferred tax liabilities is as follow:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Deferred tax assets	**(6,473)**	(6,415)
Deferred tax liabilities	**34,794**	35,351
Deferred tax liabilities – net	**28,321**	28,936

The gross movements on the deferred income tax account are as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
At beginning of the year	**28,936**	31,850
Credited to consolidated statement of comprehensive income (Note 27)	**(615)**	(2,914)
At end of the year	**28,321**	28,936

11 DEFERRED INCOME TAX *(Continued)*

The Group (Continued)

The movements in deferred tax assets and liabilities for each of the years ended 31 December 2010 and 2011, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

	Depreciation and others RMB'000	Tax losses RMB'000	Provisions and accruals RMB'000	Total RMB'000
At 1 January 2010	(2,356)	(266)	(2,252)	(4,874)
(Credited)/charged to the consolidated statement 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 statement of comprehensive income	**1,573**	**(783)**	**(848)**	**(58)**
At 31 December 2011	**(2,779)**	**(846)**	**(2,848)**	**(6,473)**

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

	RMB'000
At 1 January 2010	36,724
Credited to consolidated statement of comprehensive income	(1,373)
At 31 December 2010	35,351
At 1 January 2011	**35,351**
Credited to consolidated statement of comprehensive income	**(557)**
At 31 December 2011	**34,794**

12 PREPAYMENT FOR INVESTMENTS

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Prepayment for potential acquisition of subsidiaries (note)	**30,000**	18,000

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 in July, 2010, 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 acquiree 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 in respect of 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 supplementary agreements 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 2011, total down payments paid for acquisition of the two companies above mentioned amounted to RMB18,000,000 and RMB30,000,000 respectively.

13 INVENTORIES

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Raw materials	**2,483**	2,634
Semi-finished goods	**2,531**	2,531
Finished goods	**6,003**	17,855
	11,017	23,020

Raw materials includes mainly consumables, semi-finished goods includes raw ores, and finished goods includes concentrates.

The cost of inventories recognised as expense and included in "cost of sales" is as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Cost of sales (note)	**19,503**	33,036

Note:

Included in the cost of inventories recognised as expense were idle capacity variance of RMB7,276,000 for the year ended 31 December 2011(2010: RMB5,267,000), which was directly charged to cost of sales.

14 OTHER RECEIVABLES AND PREPAYMENTS

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Other receivables		
– Amounts due from Mr. Wei Xing (note (a))	**341**	313
– Others (note (b))	**7,887**	2,244
Less: impairment provision (note (c))	**(293)**	(39)
	7,935	2,518
Advances to suppliers – third parties	**210**	212
	8,145	2,730

Notes:

(a) Mr. Wei Xing 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 mainly represented expenses for preparation of initial public offering of the Company's shares.

(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	
	2011	2010
	RMB'000	RMB'000
At beginning of the year	**39**	48
Provision/(reversal of provision) for impairment of other receivables	**254**	(9)
At end of the year	**293**	39

14 OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

The Company

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Amounts due from subsidiaries	**5,749**	—
Others	**7,271**	1,789
	13,020	1,789

The amounts due from subsidiaries were unsecured, interest-free and repayable on demand.

15 CASH AND CASH EQUIVALENTS

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Current deposits with banks	**42,922**	63,598
Less: Restricted cash at banks (note (d))	**(1,949)**	—
Cash and cash equivalents	**40,973**	63,598

Balances can be analysed as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Denominated in:		
– RMB	**5,056**	6,488
– Hong Kong dollar	**37,866**	57,110
	42,922	63,598

15 CASH AND CASH EQUIVALENTS *(Continued)*

The Group (Continued)

Notes:

(a) The bank deposits were interest bearing at rates based on bank deposit rates as agreed with banks. The weighted average effective interest rate on deposits ranged from 0.10% to 0.50% per annum as at 31 December 2011 (2010: 0.19% to 0.50%).

(b) 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) The deposits were mainly placed with reputable 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	
	2011	2010
	RMB'000	RMB'000
Current deposits with banks – denominated in Hong Kong dollar	**37,859**	57,101

16 SHARE CAPITAL AND SHARE PREMIUM

The Group and the Company

	Authorised Shares of HK$0.1 each
	Number of shares
Upon the incorporation of the Company (note(a))	3,800,000
Increase in authorised shares (note(c))	4,996,200,000
As at 31 December 2010 and 2011	5,000,000,000

	Issued and fully paid			
	Number of shares	**Share capital RMB'000**	**Share premium RMB'000**	**Total 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 31 December 2011	750,000,000	65,972	109,303	175,275

16 SHARE CAPITAL AND SHARE PREMIUM *(Continued)*

The Group and the Company (Continued)

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 is 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.

17 OTHER RESERVES

The Group

	Safety funds RMB'000	Maintenance funds RMB'000	Capital reserve RMB'000	Total RMB'000
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 31 December 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 16(b)) which was recognized as the deemed cost of investment in subsidiaries upon the Reorganization and the share capital of Right Source and Fortune In.

18 (ACCUMULATED LOSSES)/RETAINED EARNINGS

The Group

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
At beginning of the year	**12,149**	16,105
Loss for the year	**(23,542)**	(3,374)
Appropriation to safety funds (note (b))	**—**	(221)
Appropriation to maintenance funds (note (c))	**—**	(361)
At end of the year	**(11,393)**	12,149

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 were no appropriation to the statutory reserve for the years ended 31 December 2010 and 2011 as there were losses for both years in the PRC subsidiaries.

(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 mined. 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.

(d) The directors of the Company did not propose the payment of dividends to the Company's shareholders for the years ended 31 December 2010 and 2011.

18 (ACCUMULATED LOSSES)/RETAINED EARNINGS *(Continued)*

The Company

	Year ended 31 December 2011 RMB'000	Period from 19 February 2010 to 31 December 2010 RMB'000
At beginning of the year/period	**(9,057)**	—
Loss for the year/period	**(20,884)**	(9,057)
At end of the year/period	**(29,941)**	(9,057)

For the period from 19 February 2010 (date of incorporation) to 31 December 2010 and the year ended 31 December 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 RMB20,884,000 respectively.

19 PRE-ACQUISITION DIVIDEND PAYABLE

The Group

	As at 31 December 2011	2010
Current portion	**15,000**	30,000
Non-current portion	**63,990**	50,949
	78,990	80,949

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 statement of comprehensive income as finance income (Note 26).

19 PRE-ACQUISITION DIVIDEND PAYABLE *(Continued)*

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 statement 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

Upon the conclusion of the agreement on 11 July 2011, the non-current portion was re-measured using appropriate discount rate and a gain of RMB1,405,000 was credited to consolidated statement of comprehensive income as finance income.

20 PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

The Group

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
At beginning of the year	**2,019**	1,863
Unwinding of discount (Note 26)	**241**	156
At end of the year	**2,260**	2,019

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 cleanup costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are remeasured accordingly.

21 TRADE PAYABLES

The Group

Trade payables are analysed as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
– Third parties	**1,070**	5,982

The ageing analysis of trade payables is as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
0 - 90 days	**43**	3,767
91 - 180 days	**6**	169
181 - 365 days	**9**	172
Over 365 days	**1,012**	1,874
	1,070	5,982

The carrying amounts of trade payables approximated their fair values.

22 OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Other payables (note (a))	**13,717**	3,008
Salary and welfare payables	**4,817**	4,329
Accrued taxes other than income tax (note (b))	**6,192**	5,756
	24,726	13,093

22 OTHER PAYABLES AND ACCRUALS *(Continued)*

The Group *(Continued)*

Notes:

(a) Other payables are analysed as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Other payables		
– Amounts due to Beijing Jiatai Hengrun Investment Co. Ltd. ("Beijing Jiatai") ((note (i))	**—**	1,221
– Third parties (note (ii))	**13,717**	1,787
	13,717	3,008

(i) Beijing Jiatai is controlled by Mr. Wei Xing. Amounts due to Beijing Jiatai were interest free and unsecured, and had no fixed terms of repayment.

(ii) Other payables to third parties mainly included payables in relation to expenses incurred for preparation of initial public offering of the Company's shares.

(b) Accrued taxes other than income tax are analysed as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Value added tax	**637**	939
Resource tax	**284**	292
Resource compensation	**5,244**	4,427
Others	**27**	98
	6,192	5,756

The carrying amounts of other payables approximated their fair values.

The Comapny

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Other payables (note (a))	**12,873**	—

(a) Other payable mainly included payables in relation to expenses incurred for preparation of initial public offering of the Company's shares.

23 EXPENSES BY NATURE

The following items have been charged to the operating loss for the years ended 31 December 2010 and 2011:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Depreciation (Note 7)	**5,836**	8,441
Amortisation (Notes 8, 9)	**229**	935
Employee benefit expenses (Note 24)	**2,281**	2,140
Subcontracting expenses	**703**	1,685
Raw materials and consumables used	**410**	2,300
Consumption of semi-finished goods and finished goods acquired from business combinations	**—**	5,038
Changes in inventories of semi-finished goods and finished goods	**11,852**	11,170
Electricity consumed	**324**	1,354
Transportation expenses	**1,073**	1,936
Resource compensation fees	**409**	751
Resource tax	**—**	299
Sales tax levies	**403**	419
Office expenses and operating lease payments	**296**	497
Consulting fees	**300**	2,173
Exploration expenses	**431**	4,395
Industrial accident compensation	**—**	196
Auditor's remuneration	**780**	8
Expenses for preparation of initial public offering	**17,505**	5,366
Others	**1,008**	1,491
	43,840	50,594

24 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Wages and salaries	**1,672**	1,554
Housing benefits (note (a))	**81**	78
Contributions to pension plans (note (b))	**325**	321
Welfare and other expenses	**203**	187
	2,281	2,140

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.

(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.

25 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Rental income	**400**	—
Gains on disposal of property, plant and equipment (Note 30(b))	**113**	45
Subsidy income	**17**	36
Penalty	**—**	(417)
Others	**61**	(9)
	591	(345)

26 FINANCE (COSTS)/INCOME – NET

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Finance income		
– Interest income from bank deposits	**101**	64
– Fair value adjustment of pre-acquisition dividend payable (Note 19)	**5,990**	13,070
	6,091	13,134
Finance costs		
– Exchange losses	**(2,634)**	(1,827)
– Unwinding of discount – provision for close down, restoration and environmental costs (Note 20)	**(241)**	(156)
– Unwinding of discount – pre-acquisition dividend payable (Note 19)	**(4,031)**	(2,019)
	(6,906)	(4,002)
Finance (costs)/income – net	**(815)**	9,132

27 INCOME TAX CREDIT

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Current tax	**—**	1,413
Deferred tax (Note 11)	**(615)**	(2,914)
Income tax credit	**(615)**	(1,501)

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 each of the years ended 31 December 2010 and 2011. Realty Investment did not have any assessable profit for each of the years ended 31 December 2010 and 2011.

27 INCOME TAX CREDIT *(Continued)*

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.

The applicable tax rate of Hami Jiatai and Hami Jinhua for each of the years ended 31 December 2010 and 2011 was 25%.

The tax on the Group's 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	
	2011	2010
	RMB'000	RMB'000
Loss before income tax	**(24,453)**	(4,241)
Tax calculated at domestic tax rates applicable to results in the respective countries	**(891)**	1,205
Tax effects of:		
– Income not subject to tax	**(1,498)**	(3,268)
– Expenses not deductible for tax purposes	**1,772**	559
– Tax losses for which no deferred income tax asset was recognised	**2**	3
Income tax credit	**(615)**	(1,501)

28 LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to the equity holders of the Company by weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Loss attributable to equity holders of the Company	**(23,542)**	(3,374)
Adjusted weighted average number of shares in issue (in thousands)	**750,000**	726,164
Basic and diluted loss per share (RMB)	**(0.031)**	(0.005)

Diluted loss per share equals to basic loss per share as there was no dilutive potential share outstanding for the each of the years ended 31 December 2010 and 2011.

29 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 for each of the years ended 31 December 2010 and 2011 are as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Basic salaries, allowances and other benefits	**92**	107
Contributions to pension plan	**2**	6
	94	113

29 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' emoluments *(Continued)*

The remuneration of each of the directors is set out below:

	Year ended 31 December	
	2011	2010
Name of directors	**RMB'000**	RMB'000
Mr. Wu Guangsheng		
- Basic salaries, allowances and other benefits	**24**	28
Mr. Zhao Guangsheng		
- Basic salaries, allowances and other benefits	**36**	40
- Contributions to pension plan	**2**	3
Mr. Zhao Bochen		
- Basic salaries, allowances and other benefits	**32**	39
- Contributions to pension plan	**—**	3
Mr. Wang Dayong	**—**	—
Mr. Lu Qi	**—**	—
Mr. Xue Di'an*	**—**	—
Mr. Liu Tongyou*	**—**	—
Mr. Cao Shiping*	**—**	—
Mr. Cao Kuangyu*	**—**	—
Mr. Sin Lik Man*	**—**	—
	94	113

* 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 did not receive and were not entitled to receive any emoluments for each of the years ended 31 December 2010 and 2011.

29 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended 31 December 2010 and 2011 are as follows:

	Year ended 31 December	
	2011	2010
Directors	**2**	2
Non-director individuals	**3**	3
	5	5

The details of emoluments paid to the five highest individuals who were directors of the Company during each of the years ended 31 December 2010 and 2011 have been included in Note 29(a). Details of emoluments paid to the remaining non-director individuals are as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Basic salaries, allowances and other benefits	**184**	124
Contributions to pension plan	**34**	10
	218	134

During each of the years ended 31 December 2010 and 2011, 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 each of the years ended 31 December 2010 and 2011, the emoluments paid to each of the highest paid non-director individuals did not exceed HK$1,000,000.

30 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) *Cash (used in)/generated from operations*

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Loss before income tax	**(24,453)**	(4,241)
Depreciation of property, plant and equipment	**5,836**	8,441
Amortisation	**229**	935
Gains on disposal of property, plant and equipment	**(113)**	(45)
Provision/(reversal of provision) for impairment of other receivables	**254**	(9)
Finance income	**(6,091)**	(13,134)
Finance costs	**6,152**	4,002
Cash used in operations before working capital changes	**(18,186)**	(4,051)
Changes in working capital:		
Decrease in inventories	**12,003**	17,048
(Increase)/decrease in other receivables and prepayments	**(5,669)**	19,945
Increase/(decrease) in trade and other payables and accruals	**7,030**	(20,289)
Increase in restricted cash at banks	**(1,949)**	—
Cash (used in)/generated from operations	**(6,771)**	12,653

30 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Proceeds from disposal of property, plant and equipment

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Net book value of the property, plant and equipment (Note 7)	**300**	55
Gains on disposal of property, plant and equipment (Note 25)	**113**	45
	413	100
Offset with amounts due to		
- Mr. Wei Xing (Note (i))	**—**	(100)
- Third party (Note (ii))	**(309)**	—
Net proceeds received	**104**	—

Notes:

(i) 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.

(ii) A construction service supplier bought the disposed vehicles and part of the sales proceeds was offset with the balance due to the supplier.

31 CONTINGENCIES

(a) Environmental contingencies

Historically, the Group has not incurred any significant expenditure for environmental remediation. Save as disclosed in Note 20, 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.

32 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	
	2011	2010
	RMB'000	RMB'000
Authorised but not contracted for:		
– Buildings	**100,471**	100,471
– Machinery and equipment	**82,920**	82,920
	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	
	2011	2010
	RMB'000	RMB'000
No later than 1 year	**30**	30
Later than 1 year and no later than 5 years	**120**	120
Later than 5 years	**150**	180
	300	330

(c) *Investment commitment*

As at 31 December 2011, the Group has total investment commitments of RMB180,000,000 (2010: RMB192,000,000) for the acquisitions of Shaanxi Jiarun and Shaanxi Jiahe (Note 12).

33 RELATED PARTY TRANSACTIONS

(a) For each of the years ended 31 December 2010 and 2011, 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, held 55% equity interests for the period from 1 January 2010 to 7 December 2011 and 45.73% for the period from 8 December 2011 to 31 December 2011 in the Group
Mr. Wang Dayong	Ultimate shareholder, held 45% equity interests for the period from 1 January 2010 to 7 December 2011 and 37.42% for the period from 8 December 2011 to 31 December 2011 in the Group
Hami Jiahua	A company controlled by Mr. Wang Dianyun, a director of Hami Jinhua.

(b) During each of the years ended 31 December 2010 and 2011, the Company had the following material transactions with related parties:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Advances from/payment on the Group's behalf by		
– Mr. Wang Dayong	**1,642**	2,909
– Mr. Lu Qi	**—**	2,967
	1,642	5,876
Advances to/payment on behalf of		
– Hami Jiahua	**—**	3,061
Repayments of amounts due to		
– Mr. Wang Dayong	**1,642**	2,909
– Mr. Lu Qi	**—**	2,967
	1,642	5,876
Repayments of amounts due from		
– Hami Jiahua	**—**	21,375

All the above advances were unsecured and interest-free.

33 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Key management compensation

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Basic salaries, allowances and other benefits	**174**	262
Contributions to pension plan	**40**	23
	214	285

34 EVENTS AFTER BALANCE SHEET DATE

The Company issued 250,000,000 ordinary new shares of HK$0.1 each at a subscription price of HK$1.7 per share pursuant to a public offering. The Company's shares including these new shares were listed on the main board of Hong Kong Stock Exchange Limited on 12 January 2012. Total gross proceeds received by the Company amounted to approximately HK$425,000,000.

Four Years Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years is set out below:

RESULTS

	Year ended 31 December			
	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**19,611**	37,566	—	17,872
(LOSS)/PROFIT BEFORE TAX	**(24,453)**	(4,241)	(8,853)	23,134
Income tax credit	**615**	1,501	2,136	1,172
(LOSS)/PROFIT FOR THE YEAR	**(23,838)**	(2,740)	(6,717)	24,306
Attributable to:				
Equity holders of the Company	**(23,542)**	(3,374)	(6,050)	23,377
Non-controlling interests	**(296)**	634	(667)	929
	(23,838)	(2,740)	(6,717)	24,306

Four Years Financial Summary

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December			
	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**302,736**	323,542	287,897	292,390
TOTAL LIABILITIES	**(142,106)**	(139,074)	(168,636)	(166,412)
NON-CONTROLLING INTERESTS	**(12,272)**	(12,568)	(11,934)	(12,601)
	148,358	171,900	107,327	113,377