You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial information, including the notes thereto, all included in the Accountants' Report attached as Appendix I of this prospectus. The consolidated financial information in the Accountants' Report has been prepared in accordance with HKFRS and the unaudited pro forma financial information included in Appendix II to this prospectus, in each case together with the accompanying notes.

This discussion contains forward-looking statements that involve risks and uncertainties. We caution you that our business and financial performance are subject to substantial risks and uncertainties. In evaluating our business, you should carefully consider the information provided under the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a leading, fast growing and vertically integrated copper producer, focusing on the mining, ore processing, leaching, smelting and sale of copper, based in Zambia. According to Wood Mackenzie, we were the first Chinese firm to invest in Zambia's copper assets since the privatization of its copper industry in the late 1990s and we were the largest PRC enterprise in terms of total overseas copper production in 2011 (including copper concentrate, blister copper and copper cathode). Our main products are copper concentrate, blister copper and copper cathode. We also produce sulfuric acid, a by-product generated during the blister copper smelting process. In 2011, we produced 39.3 kt of contained copper in concentrate, 150.9 kt of blister copper, 7.0 kt of copper cathode and 328.8 kt of sulfuric acid. Our ultimate Controlling Shareholder is CNMC, a PRC state-owned enterprise directly administered by the SASAC and engaged in the development of nonferrous metal resources, construction and engineering, as well as related trade and services, both in the PRC and overseas. We are the overseas platform for the CNMC Group in terms of copper and cobalt resources development.

During 2009, 2010 and 2011, the sales of blister copper accounted for 89.6%, 94.2% and 92.5%, respectively, of our revenue; the sales of copper cathode accounted for 4.9%, 4.2% and 4.5%, respectively, of our revenue; the sales of copper concentrate accounted for 4.1%, 0.0% and 0.0%, respectively, of our revenue; and the sales of sulfuric acid accounted for 1.4%, 1.6% and 3.0%, respectively, of our revenue.

The following table sets out, for the periods indicated, certain items derived from our consolidated statements of comprehensive income and their respective percentages of our total revenue.

	Year ended December 31,					
	2009		2010		2011	
	(US$ '000)	(% of revenue)	(US$ '000)	(% of revenue)	(US$ '000)	(% of revenue)
Revenue	696,290	100.0	1,357,285	100.0	1,283,906	100.0
Cost of sales	(604,550)	(86.8)	(1,141,146)	(84.1)	(1,095,648)	(85.3)
Gross profit	91,740	13.2	216,139	15.9	188,258	14.7
Other income	2,081	0.3	1,240	0.1	4,835	0.4
Distribution and selling expenses	(6,236)	(0.9)	(21,863)	(1.6)	(27,917)	(2.2)
Administrative expenses	(20,865)	(3.1)	(29,016)	(2.1)	(36,983)	(2.9)
Finance costs	(5,330)	(0.8)	(8,232)	(0.6)	(9,248)	(0.7)
(Loss)/gain arising on change in fair value of derivatives	(134)	—	(25,538)	(1.9)	10,369	0.8
Gain on bargain purchase	48,945	7.0	—	—	—	—
Other expenses	(4,374)	(0.6)	(5,146)	(0.4)	(11,004)	(0.9)
Profit before tax	105,827	15.1	127,584	9.4	118,310	9.2
Income tax expense	(11,480)	(1.6)	(20,202)	(1.5)	(15,020)	(1.2)
Profit for the year	94,347	13.5	107,382	7.9	103,290	8.0
Profit and total comprehensive income attributable to:						
Owners of the Company	81,674	11.7	73,911	5.4	70,014	5.5
Non-controlling interests	12,673	1.8	33,471	2.5	33,276	2.5
	94,347	13.5	107,382	7.9	103,290	8.0

SEGMENTAL INFORMATION

We operate our business in the following three segments:

- Mining, which produces copper concentrate;
- Leaching, which produces copper cathodes; and
- Smelting, which produces blister copper and sulfuric acid.

The following table sets out, for the periods indicated, an analysis of our revenue and results by reportable segment:

	Year ended December 31,		
	2009	2010	2011
	(US$'000)	(US$'000)	(US$'000)
Revenue (including inter-segment sales)			
— Mining[1]	127,215	218,965	285,835
— Leaching[2]	35,138	57,149	58,223
— Smelting[3][4]	634,656	1,301,459	1,227,359
	797,009	1,577,573	1,571,417
Elimination*	(100,719)	(220,288)	(287,511)
Revenue for the year	696,290	1,357,285	1,283,906

* Inter-segment sales were conducted at terms mutually agreed among the companies comprising the Group.

	2009	2010	2011
Segment profit			
— Mining[1]	22,763	34,684	28,751
— Leaching[2]	17,556	36,723	28,020
— Smelting[3][4]	9,733	41,119	49,190
	50,052	112,526	105,961
Unallocated expenses[5]	—	—	(2,281)
Elimination	(4,650)	(5,144)	(390)
Gain on bargain purchase	48,945	—	—
Profit for the year	94,347	107,382	103,290

Notes:

(1) Mining refers to mining and exploration of copper and production of copper concentrate.

(2) Leaching refers to production and sale of copper cathodes which are produced using the solvent extraction-electrowinning technology.

(3) Smelting refers to production and sale of blister copper and sulfuric acid which are produced using ISA smelting technology.

(4) Includes sulfuric acid as a by-product.

(5) The unallocated expenses mainly represent expenses of our Company.

BASIS OF PRESENTATION

Our Company was incorporated in Hong Kong on July 18, 2011 with limited liability. Our parent company is CNMD, incorporated in the BVI, and our ultimate holding company is CNMC, incorporated in the PRC. Accordingly, for purposes of preparing the consolidated financial information of our Group, our Company has been considered as the holding company of the companies now comprising our Group throughout the Track Record Period. Our Group comprising our Company and its subsidiaries resulting from the Reorganization is regarded as a continuing entity. Our Group has been under the control of CNMC prior to and after the Reorganization.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow for the Track Record Period which include the results, changes in equity and cash flows of the companies comprising our Group have been prepared as if the current group structure had been in existence throughout the Track Record Period (other than the acquisition of Luanshya), or since the respective dates of incorporation where it is a shorter period.

The consolidated statements of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies comprising our Group as if our Group structure had been in existence at those dates (other than the acquisition of Luanshya). All of the intra-group transactions and balances have been eliminated upon consolidation.

The principal activity of our Company is investment holding. Our Group's subsidiaries are principally engaged in the mining, exploration, ore processing, leaching, smelting and sale of copper concentrate, copper cathode, blister copper and sulfuric acid.

For additional details of the basis of presentation of our Group's consolidated financial information, see Note 1 of Section B to the Accountants' Report, set out in Appendix I and the section headed "Our History and Reorganization" in this prospectus.

KEY FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our business and historical financial condition and results of operations have been affected by a number of important factors which we believe will continue to affect our financial condition and results of operations in the future. Our results are primarily affected by the following factors:

Prices of Our Copper Products

The price of our copper products has a material impact on our results of operations. Copper prices are significantly affected by changes in global economic conditions and related industry cycles and are established with reference to international commodity market prices. Copper prices are also significantly affected by certain force majeure events, such as the earthquakes in Chile, a major copper producing country, in February 2010 and February 2011. Generally, copper producers are unable to influence market commodity prices directly; however, events such as changes in production capacity, temporary price reductions or other actions by participants in the market may have an effect on market prices. Additionally, the prices realized by producers on sales of their products may be affected by contractual arrangements, production levels, product quality and hedging strategies.

In line with industry practice, the pricing mechanism for our copper products is set out in our annual contracts, and, according to our annual contracts, our copper products are priced by reference to the LME-quoted price for the relevant period. For information on the historical annual market prices for copper on the LME, see the section headed "Industry Overview" in this prospectus. Since we are contractually required to deliver our copper products to CNMC International Trade on a CIF basis, therefore, our average selling price to CNMC International Trade is higher than the market price to cover the transportation and freight expenses as well as insurance expenses for the blister copper we sell to CNMC International Trade.

Price variations have historically influenced our results of operations and are expected to continue to do so. To minimize this risk, we enter into copper futures contracts and provisional price arrangement to manage our exposure in relation to forecasted sales of copper products, forecasted purchases of copper concentrate, inventories and firm commitments to sell our copper products. We do not generally alter our production levels or the ore grade we produce in response to short-term fluctuations in commodity prices.

Production Capacity and Sales Volume of Products

Sales volume of our copper products has a substantial effect on our results of operations. We are generally able to sell all of the products we produce, so our revenue generally fluctuates as a result of changes in the production volume of our products, which depends on our production capacity.

We have been increasing our production capacity in recent years. For instance, CCS, which has an annual designed production capacity of 150 kt of blister copper, commenced smelting operations in February 2009. We also acquired Luanshya in 2009, which has significantly increased our production volume of copper concentrate. We have also recently begun production at two new projects: the Muliashi Leach Plant and the DRC Project. In addition, we are undertaking various other projects to increase our leaching and smelting capacities, including the expansion of the Chambishi Copper Smelter, which is expected to further increase our production capacity of blister copper, and the Mabende Project and the Kakoso Tailings Development Project, which are expected to increase our copper cathode production capacity. In addition, as higher volumes of production generally reduce unit production costs, our production levels are a key factor in determining our overall cost competitiveness. We have benefited from economies of scale as we have increased production volumes over the Track Record Period.

Although our production volumes of major products are the main factor affecting our sales volumes for such products, our sales volumes may include products stored in inventory.

Production Costs and Efficiency

Same as our competitors, we are unable to influence market commodity prices directly. As a result, our competitiveness and long-term profitability are significantly dependent upon our ability to control the costs and maintain efficient operations. Our production costs are affected by both production volume and average production cost. Our average production cost is affected by the unit costs of raw material, direct labor, subcontracting work, and utilities, among others.

Copper concentrate is the major raw material used in CCS' production. During the Track Record Period, a minority percentage of copper concentrate used in the smelting operation at CCS was supplied by our own mining and ore processing operations. We procured the majority of copper concentrate we needed from external suppliers to meet the designed capacities of our copper production facilities at CCS. Changes in the market price of copper concentrate, which generally fluctuates with the international copper price, or the sufficiency of copper concentrate supply may have material impact on our overall production costs.

Major raw materials used in SML's production primarily include copper tailings, oxide ore and mixed ores. During the Track Record Period, a significant portion of raw materials used in the leaching operation at SML were supplied by our own mining and ore processing operations. We paid no cost for these copper tailings because they were waste previously disposed by NFCA. We also procured a minority percentage of oxide ore and mixed ores from external suppliers to meet the designed capacities of our copper production facilities at SML. The fluctuations of the market price of oxide ore and mixed ores may have material impact on our overall production costs.

In our copper production at CCS and SML, we also use various auxiliary materials, including water, oxygen and diesel and other fuel, among others. In addition, our mining operations at NFCA and Luanshya use many types of auxiliary materials such as chemical products, explosives, lubricating oil, electric wires and cables, pipes, rubber products, steel and wood, among others. Most of these auxiliary materials are sourced from Independent Third Parties in Zambia.

Labor costs are principally a function of the number of employees and changes in compensation from time to time. Improvement in labor productivity would result in a decrease in our per-unit labor costs. In recent years, we have had periodic negotiations with the local labor unions to minimize the increases in our average labor compensation.

Prior to 2011, NFCA subcontracted the management of its mining operations to a third-party contractor by paying to the third-party contractor an amount that included the raw materials costs purchased by the contractor for NFCA, labor costs for NFCA's workers, and management fee related to the mining operations, which were determined at the beginning of each year. In 2011, in order to improve its cost efficiencies, NFCA amended such arrangement to subcontract the entire mining operations to this same third-party contractor, who purchases raw materials for itself and employs its own workers.

We consume a substantial amount of electricity in our operations. We purchase electricity from the local power grid at market prices. The unit prices of the electricity consumed by our various subsidiaries ranged between US$0.048 and US$0.079 per kWh in 2009 and ranged between US$0.056 and US$0.103 per kWh in 2011. However, future changes in electricity price may have an adverse impact on our results of operations if we are unable to shift such costs increases to our customers. Electricity accounted for 1.5%, 1.2% and 1.9% of our total cost of sales for 2009, 2010 and 2011, respectively.

Economic Growth in China and Globally

Copper and related products have diverse industrial uses and their market demand depends on, among others, the state of the global economy and stability of international trade. In recent years, China has become an important market and its influence on the global copper industry has been increasing. The economic growth in China has been accompanied by growth in demand for refined copper at a CAGR of 13.3% from 2001 to 2011. In 2011, 66.0% of our revenue was derived from sales to China (including Hong Kong). We expect demand for copper and related products to increase as the Chinese economy continues to grow.

Zambian Government Control and Policies

The Zambian Government exercises a substantial degree of influence over the mining and smelting of nonferrous metals in the country. Certain existing laws and regulations potentially impacting our business involve barriers to entry, tax, setting, amending or abolishing import tariffs and limitations and duties on the export of copper and related products.

Future changes in the level of Zambian Government control may have a direct impact on our business, financial condition and results of operations. However, we believe the regulatory trends will be favorable for large entities, such as our Company. We have adjusted and will continue to adjust our business strategies and operations to respond to the evolving Zambian Government policies. For instance, CCS, which commenced operations in February 2009, enabled us to produce blister copper, for which Zambia levies no export duty. In contrast, Zambia levies a 15% export duty on copper concentrate, which had been our main product before then. We have taken the differences in export duties between blister copper and copper concentrate, among other business rationales, into consideration in deciding to add smelting operations to integrate with our existing mining operations in Zambia and to increase our production of blister copper substantially even though the gross profit margin of blister copper was substantially lower than that of our other products. The Zambian Government also has the discretion to grant income tax incentives to mining companies. For instance, both CCS and SML have been granted ten-year income tax incentives for zero rate of income tax for the first five profitable years; 50% of income tax relief for the next three years thereafter; and 25% of income tax relief for the remaining two years. For details of preferential policies from which we benefit, see "Business — Our Competitive Strengths — We benefit from the long-term political and economic relationship between China and Zambia and thus the favorable policies of the Zambian government" in this prospectus and Note 10 of Section B to the Accountants' Report, set out in Appendix I of this prospectus.

Implementation of Our Plan to Increase Ore Reserves and Resources

Our future growth will be significantly affected by our ability to increase our ore reserves and resources. We plan to increase our ore reserves and resources through a combination of acquiring, or consolidating with, other mines in the region and extending mining activities to areas adjacent to the boundary limits of our existing mines as set forth in our current mining rights. Mineral exploration and development involves substantial expense and a high degree of risk, which may not be completely avoided through any combination of experience, knowledge and careful evaluation. In addition, exploration expenses are not capitalized until the mineral property is determined to contain economically recoverable reserves.

CRITICAL ACCOUNTING POLICIES

In the process of applying our accounting policies, which are described in Note 3 of Section B to the Accountants' Report, set out in Appendix I to this prospectus, our Directors have identified the following judgment and key sources of estimation uncertainty that have significant effect on the amounts recognized in the financial information.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months, are discussed below.

Revenue Recognition

Our Group produces blister copper, copper cathode, copper concentrate and sulfuric acid. Copper products are sold under provisional pricing arrangements where final grades of copper, gold and silver in copper products are agreed based on third-party examination and final prices are set at a specified date based on market prices. Revenues are recognized when title and risk pass to the customer using history of grades of copper, gold and silver in copper products based on internal examination statistics and forward prices for the expected date of final settlement. Besides, changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in copper market prices result in the existence of an embedded derivative in the trade receivables. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of revenue. Sulfuric acid revenue is recorded when title and risk have passed to the customer.

Depreciation of Mining Properties and Leases

Mining properties and leases costs are depreciated using the UOP. The calculation of the UOP rate of depreciation, and therefore the annual depreciation charge to operations, can fluctuate from initial estimates. This could generally result when there are significant changes in any of the factors or assumptions used in estimating mineral reserves, notably changes in the geology of the reserves and assumptions used in determining the economic feasibility of the reserves. Such changes in reserves could similarly impact the useful lives of assets depreciated on a straight-line basis, where those lives are limited to the life of the project, which, in turn is, limited to the life of the proved and probable mineral reserves. Estimates of proved and probable reserves are prepared by experts in extraction, geology and reserve determination. Assessments of UOP rates against the estimated reserve base and the operating and development plan are performed regularly.

Income Taxes

Current income taxes are recorded based on estimated income taxes payable for the current year and significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities using substantively enacted tax rates for the period in which the differences are expected to reverse. Deferred tax assets relating to tax losses are recognized when management considers to be probable that tax losses can be utilized. The outcome of their actual utilization may be different.

Restoration, Rehabilitation and Environmental Costs

Provision is made for costs associated with restoration and rehabilitation of mining sites and certain production facilities of our Group as soon as the obligation to incur such costs arises. Such restoration and closure costs are typical of mining, leaching and smelting industries and they are normally incurred at the end of the life of the mine and production facilities. The costs are estimated on the basis of mine/plant closure plans and the estimated discounted costs of dismantling and removing these facilities and the costs of restoration are capitalized when incurred reflecting our obligations at that time. A corresponding provision is created on the liability side.

The capitalized asset is charged to profit or loss over the life of the asset through depreciation over the life of the operation and the provision is increased each period via unwinding the discount on the provision. Management estimates are based on local legislation. The actual costs and cash outflows may differ from estimates because of changes in laws and regulations, changes in prices, analysis of site conditions and changes in restoration technology.

The Group provides for such costs in accordance with statutory requirements.

Valuation of Derivative Instruments

Derivative instruments are carried at fair value and our Group evaluates the quality and reliability of the assumptions and data used to measure fair value in the three hierarchy levels, Level 1, 2 and 3, as prescribed by HKFRS 7. Fair values are determined in the following ways: externally verified via comparison to quoted market prices in active markets ("Level 1"); by using models with externally verifiable inputs ("Level 2"); or by using alternative procedures such as comparison to comparable instruments and/or using models with unobservable market inputs requiring our Group to make market-based assumptions ("Level 3"). Details of the hierarchy of fair value measurement of the financial instruments of our Group are set out in Note 33 of Section B to the Accountants' Report, set out in Appendix I of this prospectus.

Estimated Impairment of Trade Receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit and loss when there is objective evidence that the asset is impaired.

In making the estimates, management considered that detailed procedures have been in place to monitor this risk. In estimating whether allowance for bad and doubtful debts is required, our Group takes into consideration the ageing status and the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discuss with the relevant customers and report on the recoverability. When there is objective evidence of impairment loss, our Group takes into consideration the estimation of future cash flows. The amount of the impairment 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. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Details of movements of allowance for trade receivables and other receivables are disclosed in Note 18 of Section B to the Accountants' Report, set out in Appendix I of this prospectus.

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

We generate revenue from the sale of our products to external customers. Our revenue is affected by our total sales volume which is in turn subject to, among other things, our production capacity and market conditions. Revenue is also affected by our product sales mix as average selling prices vary among our different product segments as well as within a product segment and between periods.

The following table sets forth the production and sales volumes of each product segment during the periods indicated.

	Year ended December 31,					
	2009		2010		2011	
	Production volume	Sales volume	Production volume	Sales volume	Production volume	Sales volume
	(tonnes)		(tonnes)		(tonnes)	
Blister copper[(1)]	108,413	105,156	165,119	163,026	150,863	147,794
Copper cathode[(1)]	6,513	6,214	7,103	7,423	7,003	7,004
Copper concentrate[(1)]	23,590	5,071	32,047	—	39,265	—
Sulfuric acid	217,117	196,746	330,034	313,614	328,842	338,208

Note:

(1) The production volumes and the sales volumes are on a contained-copper basis.

The following table sets forth a breakdown of our revenue by product segments and the percentage revenue contribution by each product segment during the periods indicated.

	Year ended December 31,					
	2009		2010		2011	
	(US$ '000)	(% of revenue)	(US$ '000)	(% of revenue)	(US$ '000)	(% of revenue)
Blister copper	624,185	89.6	1,278,483	94.2	1,186,840	92.5
Copper cathode	33,848	4.9	56,336	4.2	58,223	4.5
Copper concentrate	28,218	4.1	—	—	—	—
Sulfuric acid	10,039	1.4	22,466	1.6	38,843	3.0
Total	**696,290**	**100.0**	**1,357,285**	**100.0**	**1,283,906**	**100.0**

Cost of Sales

Cost of sales primarily includes raw material costs, direct labor costs, subcontracting work, utilities, depreciation, among others. The major raw material used in our production is copper concentrate. During 2009, 2010 and 2011, our own mining and ore processing operations supplied 14.5%, 19.4% and 26.1%, respectively, of copper concentrate used in the smelting operations at CCS. See "Business — Smelting Operations — Chambishi Copper Smelter — Raw Materials for Smelting at CCS".

The following table sets forth a breakdown of our cost by product segments during the periods indicated:

	Year ended December 31,					
	2009		2010		2011	
	(US$ '000)	(% of revenue)	(US$ '000)	(% of revenue)	(US$ '000)	(% of revenue)
Blister copper	567,532	81.5	1,114,543	82.1	1,059,694	82.5
Copper cathode	13,532	1.9	18,378	1.4	25,974	2.0
Copper concentrate	17,671	2.5	—	—	—	—
Sulfuric acid	5,815	0.9	8,225	0.6	9,980	0.8
Total	**604,550**	**86.8**	**1,141,146**	**84.1**	**1,095,648**	**85.3**

The following table sets forth the components of our cost of sales and the percentage of cost of sales represented by such component during the periods indicated.

	For the year ended December 31,					
	2009		2010		2011	
	(US$ '000)	(% of total cost of sales)	(US$ '000)	(% of total cost of sales)	(US$ '000)	(% of total cost of sales)
Raw materials	492,604	81.5	973,258	85.3	875,953	79.9
Direct labor	13,988	2.3	40,286	3.5	58,540	5.3
Subcontracting work	42,726	7.1	44,647	3.9	58,950	5.4
Utilities(1)	11,440	1.9	18,867	1.6	25,034	2.3
Depreciation	27,463	4.5	43,021	3.8	49,931	4.6
Others	16,329	2.7	21,067	1.9	27,240	2.5
Total cost of sales	**604,550**	**100.0**	**1,141,146**	**100.0**	**1,095,648**	**100.0**

Note:

(1) Utilities include electricity, water and oxygen.

Other Income

Other income primarily consists of interest income, finance income earned under finance leases, net revenue from construction contracts; net income from sale of spare parts and other materials, and others.

Distribution and Selling Expenses

Distribution and selling expenses primarily consist of transportation and freight expenses, insurance expenses, salaries for employees of our sales force, packaging costs, among others. Distribution and selling expenses of different product lines may vary as our product mix changes.

Administrative Expenses

Administrative expenses primarily consist of salary and benefits paid to our administrative staff, depreciation, travel costs, office expenses, among others.

Finance Costs

Finance costs consist of interest expenses on bank and other borrowings and the unwinding of discount relating to the passage of time in respect of the provision for restoration, rehabilitation and environmental costs, reduced by borrowing costs capitalized in construction in progress associated with (1) our investment in the mining and ore processing facilities for NFCA and Luanshya, and (2) our investment in the smelting facilities for CCS. For additional details regarding the unwinding of discount relating to the passage of time in respect of the provision for restoration, rehabilitation and environmental costs, see Note 27 of Section B to the Accountants' Report, set out in Appendix I of this prospectus.

Loss/Gain Arising on Change in Fair Value of Derivatives

Loss/gain arising on change in fair value of derivatives consists of losses/gains relating to decreases or increases in fair value of our short-term copper futures contracts. We entered into these contracts during the Track Record Period to hedge our net exposure to the copper price fluctuations due to the timing difference between when we expect to procure copper concentrate from external suppliers and when we expect to sell blister copper to external customers but these transactions did not qualify for hedge accounting. Because we have long (or buying) positions on copper concentrate in our operations, we need to maintain short (or selling) positions on copper futures. For instance, in 2010, we had an aggregate hedging amount of 10,750 tonnes (which accounted for 7.2% of our annual sales volume), all at short (or selling) positions. Because we hold the 3-month futures contracts traded on the LME, which have better liquidity than those of the 6-month contracts, we need to periodically close our outstanding short (or selling) positions when the relevant futures contracts expire and then re-establish short (or selling) positions with the same amounts and price terms. Although we incurred losses in 2009 and 2010 on the short (or selling) positions of our copper futures trading due to the copper price increases on the LME in 2009 and 2010, the derivative transactions realized our hedging goal to reduce our net exposure to the copper price fluctuations and was not due to incorrect hedging decisions we made. In contrast, our gain in 2011 on the short (or selling) positions of our copper futures trading was attributable to the copper price decrease on the LME in the second half of 2011 and the derivative transactions realized our hedging goal to reduce our net exposure to the copper price fluctuations.

We have adopted various internal hedging policies and have been implementing our hedging activities strictly in accordance with such policies. Such policies provide, among others, that futures trading may only be undertaken at the trading platforms of recognized exchanges, the commodities traded must relate to our products, futures trading must be approved by our Board of Directors or relevant decision-making bodies, the transactions amounts must be commensurate with our financial capability, speculative futures trading is strictly prohibited and monthly reports in relation to such futures trading activities must be submitted. The futures trading group of CCS is the decision-making body that approves CCS' futures trading activities. Its members include the General Manager, Assistant General Manager, Finance Manager and Sales Manager of CCS, who have various backgrounds in copper production and sales, futures trading, accounting and finance, as well as risk management. The relevant Directors and the futures trading group of CCS have sufficient experience to approve the futures trading. The risk management post of the futures trading group of CCS sets cut-loss limits for hedging activities based on our outstanding futures positions, amount of unrealized gains or losses, credit limits, amount of deposits in futures margin account and prevalent market conditions. The futures trading group, the sales department and the finance department of CCS are responsible for reviewing the monthly reports in relation to futures trading activities submitted by the risk management post. See the section headed "Business—Sales, Distribution and Marketing" in this prospectus for further information.

Gain on Bargain Purchase

Gain on bargain purchase represents gain recognized for acquiring Luanshya at a consideration lower than the recognized amount of identified assets acquired and liabilities assumed of Luanshya.

Other Expenses

Other expenses primarily consist of foreign exchange gains and losses, net expenses for operating hospitals, schools and recreational facilities, loss or gain on disposal of property, plant and equipment, depreciation of property, plant and machinery under suspension of production, listing expenses, among others.

Income Tax Expense

No provision for Hong Kong profits tax has been made as our Company had no assessable profit arising in Hong Kong during the Track Record Period.

Income tax in Zambia is calculated at 35% on the assessable income, except for that arising from mining activities which is 30% on the relevant assessable income, for the Track Record Period. Therefore, during the Track Record Period, the provision for income tax in Zambia is calculated at 30% of the estimated assessable income of NFCA and Luanshya derived from mining activities, and 35% of the estimated assessable income of NFCA and Luanshya for their income derived from non-mining activities for the Track Record Period.

During the Track Record Period, SML and CCS enjoyed the following income tax incentives:

- On June 10, 2011, SML was granted ten-year income tax incentives for zero rate of income tax for the first five profitable years; 50% of income tax relief for the next three years thereafter; and 25% of income tax relief for the remaining two years. SML first became profitable in 2008.

- On June 10, 2010, SML was granted a rebate of the income tax payable in respect of its operations for the charge years covering the period from April 1, 2005 to March 31, 2009 according to Statutory Instrument No. 43 of 2010. Accordingly, we reversed the accrued tax of SML for the period from December 3, 2004 (date of incorporation) to December 31, 2007 amounting to US$4.4 million in June 2010.

- On April 3, 2009, CCS was granted ten-year income tax incentives for zero rate of income tax for the first five profitable years; 50% of income tax relief for the next three years thereafter; and 25% of income tax relief for the remaining two years. CCS first became profitable in 2010.

We are also subject to VAT at 16% on purchases and sales in Zambia whereas VAT is exempted on export, and relevant input VAT paid for purchases supported by valid VAT invoices could be refunded by Zambia Revenue Authority to the extent that total input VAT paid on purchases exceeds total output VAT payable on domestic sales.

In addition, NFCA and Luanshya are also subject to mineral royalty at 3% on sale of taxable mining products. On September 25, 2009, according to Statutory Instrument No. 66 of 2009, the Commissioner of Zambia Revenue Authority shall remit the whole or part of the mineral royalties payable by Luanshya not exceeding US$9 million. For the period from July 7, 2009, the date on which CNMC acquired Luanshya, to December 31, 2011, Luanshya had not made any payment for such mineral royalty as the mineral royalty payable by Luanshya has not exceeded US$9 million as of December 31, 2011.

For the period from April 1, 2008 to March 31, 2009, NFCA was also subject to Windfall Tax based on the amount by which the monthly average selling prices of copper and cobalt exceed certain "Trigger Prices" as stipulated in the Tenth Schedule of the Income Tax (Amendment) Act

2008. The rates applicable were 0%, 25%, 50% or 75% depending on the average copper or cobalt price. The tax was payable quarterly. The Windfall Tax was abolished in 2009.

Prior to 2011, NFCA received certain management services rendered by certain third-party overseas suppliers with management fees paid to them being subject to withholding tax ("WHT") and reverse value added tax ("RVAT"). RVAT is a charge to transfer of liability to account for and pay Value Added Tax on imported services from the person making the supply to the person receiving the supply according to the Value Added Tax Act in Zambia. On August 5, 2011, NFCA received the assessments for the assessment years 2004 to 2009 which indicated among other things, the outstanding WHT and RVAT be the equivalents of US$1.5 million and US$1.6 million, respectively. Such amounts have been included in "other payables and accrued expenses" as at December 31, 2009 and 2010 set out in Note 23 of Section B to the Accountants' Report, set out in Appendix I to this prospectus. On September 9, 2011, the outstanding taxes payable had been fully settled.

In the opinion of our Company's Zambian counsel, pursuant to the Convention between the Republic of Zambia and Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Tax on Income, distribution of dividends to CNMH, an investment holding company incorporated under the laws of the Republic of Ireland, from its Zambian subsidiaries would be exempt from such withholding tax save for instances where CNMH has a permanent establishment in Zambia. Our directors confirm that CNMH has no permanent establishment in Zambia, and therefore are of the view that no provision for withholding tax on the Group's undistributed profit is required to be made during the Track Record Period.

See Note 10 of Section B to the Accountants' Report, set out in Appendix I of this prospectus for further information.

RESULTS OF OPERATIONS

The following discussion addresses the principal trends that have affected our results of operations during the periods under review.

The Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010

The following table sets forth sales volume, average selling prices, revenue, and percentage contribution to total revenue of our products during the period indicated.

	Year ended December 31,							
	2010				2011			
	Sales Volume(1)	Average Selling Price	Revenue	% of Total Revenue	Sales Volume(1)	Average Selling Price	Revenue	% of Total Revenue
	(tonnes)	(US$ per tonne)	(US$ '000)	(%)	(tonnes)	(US$ per tonne)	(US$ '000)	(%)
Blister copper	163,026	7,842	1,278,483	94.2	147,794	8,030	1,186,840	92.5
Copper cathode	7,423	7,589	56,336	4.2	7,004	8,313	58,223	4.5
Sulfuric acid	313,614	72	22,466	1.6	338,208	115	38,843	3.0
Total			1,357,285	100.0			1,283,906	100.0

Note:

(1) The sales volumes are on the contained-copper basis for all products, except sulfuric acid.

Revenue

Revenue decreased by 5.4% from US$1,357.3 million in 2010 to US$1,283.9 million in 2011. This decrease in revenue was primarily due to the decreases in the sales volume of copper products mainly because CCS halted production for one month in June 2011 due to the periodic maintenance of the ISA furnace, partially offset by the increases in the average selling prices of copper products as a result of the increase in international copper prices in 2011 as compared to 2010. The design of CCS's ISA furnace does not require its operation to be suspended for maintenance for at least 18 months since its previous maintenance and until such time when it can no longer be maintained at its normal operation condition.

Revenue from blister copper decreased by 7.2% from US$1,278.5 million in 2010 to US$1,186.8 million in 2011, reflecting a 9.3% decrease in sales volume, partially offset by a 2.4% increase in average selling price. The decrease in the sales volume was primarily due to the one-month production halt at CCS in June 2011, which was due to the periodic maintenance of its ISA furnace. The average selling price increased primarily because the market benchmark prices we referenced increased in 2011 as compared to 2010.

Revenue from copper cathode increased by 3.3% from US$56.3 million in 2010 to US$58.2 million in 2011, reflecting a 9.5% increase in average selling price, partially offset by a 5.7% decrease in sales volume. The average selling price increased primarily because the market benchmark prices we referenced increased in 2011 as compared to 2010. The sales volume decreased primarily because we sold more prior year's inventory in 2010 as compared to 2011.

The following table sets forth the cost of sales, unit cost of sales, gross profits and gross profit margins of our products during the period indicated.

	Year ended December 31,							
	2010				2011			
	Cost of sales	Unit cost of sales	Gross Profit	Gross profit margin	Cost of sales	Unit cost of sales	Gross Profit	Gross profit margin
	(US$'000)	(US$ per tonne)	(US$'000)	(%)	(US$'000)	(US$ per tonne)	(US$'000)	(%)
Blister copper	1,114,543	6,837	163,940	12.8	1,059,694	7,170	127,146	10.7
Copper cathode	18,378	2,476	37,958	67.4	25,974	3,709	32,249	55.4
Sulfuric acid	8,225	26	14,241	63.4	9,980	30	28,863	74.3
Total	**1,141,146**		**216,139**	**15.9**	**1,095,648**		**188,258**	**14.7**

Cost of sales

Cost of sales decreased by 4.0% from US$1,141.1 million in 2010 to US$1,095.7 million in 2011. This decrease in cost of sales was primarily due to the decrease in the sales volumes of blister copper.

Cost of sales of blister copper decreased by 4.9% from US$1,114.5 million in 2010 to US$1,059.7 million in 2011, reflecting a 9.3% decrease in sales volume, partially offset by a 4.9% increase in unit cost of sales. The increase in unit cost of sales was primarily attributable to the increase in raw material costs, which was primarily due to (1) the increase in the price of the copper concentrate we purchased from external suppliers from 2010 to 2011 due to the increase in international benchmark copper price, (2) the increase in the cost of mining and processing operations at NFCA and Luanshya, which supplied copper concentrate to CCS, and (3) the depreciation costs of the smelting facilities of CCS during the one-month production halt at CCS in June 2011 due to the periodic maintenance of the ISA furnace.

Cost of sales of copper cathode increased by 41.3% from US$18.4 million in 2010 to US$26.0 million in 2011, reflecting a 49.8% increase in unit cost of sales, partially offset by a 5.6%

decrease in sales volume. The increase in unit cost of sales was primarily attributable to the increase in raw material costs and labor costs. The increase in raw material costs was primarily because we purchased more tailings, the raw materials for producing copper cathode, from external suppliers in 2011 as compared to 2010.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by 12.9% from US$216.1 million in 2010 to US$188.3 million in 2011. Our gross profit margin decreased from 15.9% in 2010 to 14.7% in 2011.

The gross profit margin of blister copper decreased from 12.8% in 2010 to 10.7% in 2011 primarily due to the increase in the unit cost of sales of blister copper, partially offset by the increase in international copper price and the higher average selling price to CNMC International Trade and Yunnan Copper Group (to whom we commenced our sales in 2011), which covered transportation, freight and insurance expenses.

The gross profit margin of copper cathode decreased from 67.4% in 2010 to 55.4% in 2011 primarily because we purchased a greater proportion of tailings from external suppliers in 2011 as compared to 2010 in order to optimize the mix of our tailings procured internally and externally by considering the stock level of our own tailings resources and the international copper price. The average cost of our tailings procured externally was higher than the average cost of those procured internally, and due to the higher proportion of tailings being procured externally, our gross profit margin of copper cathode decreased. The gross profit margin of copper cathode was significantly higher than that of blister copper because we use tailings to produce copper cathode and use copper concentrate to produce blister copper. The costs of tailings are significantly lower than that of copper concentrate.

Other income

Other income increased from US$1.2 million in 2010 to US$4.8 million in 2011. This increase was primarily due to a US$1.7 million net income from construction contracts and a US$1.0 million increase in finance income earned under finance leases, among others.

Distribution and selling expenses

Our distribution and selling expenses increased by 27.7% from US$21.9 million in 2010 to US$27.9 million in 2011. This increase in distribution and selling expenses was primarily due to the increase in transportation and freight expenses as well as insurance expenses as a result of the increase in the aggregate proportion of blister copper we sold to CNMC International Trade and Yunnan Copper Group (to whom we commenced our sales in 2011). The terms of our sales of blister copper to CNMC International Trade and Yunnan Copper Group require us to pay the transportation, freight and insurance expenses, which are covered by the higher average selling price of our sales to CNMC International Trade and Yunnan Copper Group. In contrast, under our other product sales contracts, we are not required to pay transportation, freight or insurance expenses.

Administrative expenses

Our administrative expenses increased by 27.5% from US$29.0 million in 2010 to US$37.0 million in 2011. The increase in administration expenses was primarily due to (1) a US$3.4 million increase in salary expenses as a result of increased headcount relating to the continuing expansion of our operations at Luanshya, including Muliashi Project, and, to a lesser extent, the operations at our other subsidiaries, as well as increased average compensation for administrative employees, and (2) a US$0.8 million increase in depreciation.

Finance costs

Our finance costs increased by 12.3% from US$8.2 million in 2010 to US$9.2 million in 2011. This increase was primarily due to an increase in interest expenses on bank and other borrowings resulting from the increase in interest-bearing borrowings from US$581.4 million as at December 31, 2010 to US$711.2 million as at December 31, 2011, partially offset by (1) a decrease in the weighted average interest rate on our interest-bearing borrowings from 1.9% per annum as at December 31, 2010 to 1.4% per annum as at December 31, 2011, and (2) the increase in the borrowing costs that Luanshya capitalized during 2011 as compared to 2010.

Gain/Loss arising on change in fair value of derivatives

Our loss arising on change in fair value of derivatives was US$25.5 million in 2010 compared to a US$10.4 million gain in 2011, primarily due to the gain relating to change in fair value of copper futures contracts we entered into in 2011 as compared to the loss relating to change in fair value of copper futures contracts we entered into in 2010. We entered into these contracts to hedge our net exposure to the copper price fluctuations due to the timing difference between when we expect to procure copper concentrate from external suppliers and when we expect to sell blister copper to external customers. See Note 25 of Section B to the Accountants' Report set out in Appendix I of this prospectus.

Other expenses

Our other expenses increased by 113.8% from US$5.1 million in 2010 to US$11.0 million in 2011, primarily due to (1) the fact that we recognized bad debt allowance of US$1.2 million in 2011 for uncollectible accounts as compared to a reversal of bad debt allowance of US$1.6 million in 2010 for accounts collected that were previously categorized as bad debt, (2) an increase in foreign exchange loss by US$1.3 million, (3) an increase in the net expense for operating hospitals, schools and recreational facilities relating to our operations in Zambia by US$0.8 million, and (4) the US$2.3 million expenses incurred in 2011 related to the Listing, partially offset by a net gain of US$0.6 million on disposal of property, plant and equipment in 2011 whereas we have a loss of US$0.1 million in 2010.

Income tax expense

Our income tax expense decreased by 25.7% from US$20.2 million in 2010 to US$15.0 million in 2011. The effective tax rate decreased from 15.8% in 2010 to 12.7% in 2011, primarily because the proportion of our deductible expenses increased in 2011. In 2011, we commenced to engage a Zambian local contractor to provide mining services to us, and as a result, a greater proportion of our mining expenses were deductible.

Profit for the year and net profit margin attributable to owners of the Company

As a result of the foregoing, our profit attributable to owners of the Company decreased by 5.3% from US$73.9 million in 2010 to US$70.0 million in 2011. Net profit margin attributable to owners of the Company (being the profit attributable to the owners of the Company as a percentage of revenue) was 5.4% in 2010 and 5.5% in 2011.

The Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

The following table sets forth sales volume, average selling prices, revenue, and percentage contribution to total revenue of our products during the period indicated.

	Year ended December 31,							
	2009				2010			
	Sales volume	Average selling price	Revenue	% of Total revenue	Sales volume	Average selling price	Revenue	% of Total revenue
	(tonnes)	(US$ per tonne)	(US$'000)	(%)	(tonnes)	(US$ per tonne)	(US$'000)	(%)
Blister copper[1]	105,156	5,936	624,185	89.6	163,026	7,842	1,278,483	94.2
Copper cathode[1]	6,214	5,447	33,848	4.9	7,423	7,589	56,336	4.2
Copper concentrate[1]	5,071	5,565	28,218	4.1	—	—	—	—
Sulfuric acid	196,746	51	10,039	1.4	313,614	72	22,466	1.6
Total			696,290	100.0			1,357,285	100.0

Note:

(1) The sales volumes are on a contained-copper basis.

Revenue

Revenue increased by 94.9% from US$696.3 million in 2009 to US$1,357.3 million in 2010. This increase in revenue was primarily due to increases in the sales volume and average selling price of copper products, which was the result of the increases in our production volume and international copper prices in 2010.

Revenue from blister copper increased by 104.8% from US$624.2 million in 2009 to US$1,278.5 million in 2010, reflecting a 55.0% increase in sales volume and a 32.1% increase in average selling price. The sales volume increased primarily because CCS commenced operations in March 2009 and only reached full production capacity in June 2009 while it operated at full production capacity throughout 2010. The average selling price increased primarily because (1) the market benchmark prices we referenced increased in 2010, and (2) we derived a greater proportion of revenues from sales to CNMC International Trade, for which our average selling price was calculated on the CIF basis which was higher than the average selling price on the EXW basis for our sales to other customers.

Revenue from copper cathode increased by 66.4% from US$33.8 million in 2009 to US$56.3 million in 2010, reflecting a 19.5% increase in sales volume and a 39.3% increase in average selling price. The sales volume increased primarily because our production volume increased in 2010 and because we sold more prior year's inventory in 2010. The average selling price increased primarily because the market benchmark prices we referenced increased in 2010.

Revenue from copper concentrate decreased from US$28.2 million in 2009 to nil in 2010 because in March 2009 we stopped selling copper concentrate as the end-product to external customers and began selling it as an intermediate product to our smelter for further processing into blister copper in accordance with our business strategy to achieve integration along the copper production chain that generates higher economic value.

The following table sets forth the cost of sales, unit cost of sales, gross profits and gross profit margins of our products during the year indicated.

	Year ended December 31,							
	2009				2010			
	Cost of sales	Unit cost of sales	Gross profit	Gross profit margin	Cost of sales	Unit cost of sales	Gross profit	Gross profit margin
	(US$ '000)	(US$ per tonne)	(US$ '000)	(%)	(US$ '000)	(US$ per tonne)	(US$ '000)	(%)
Blister copper	567,532	5,397	56,653	9.1	1,114,543	6,837	163,940	12.8
Copper cathode	13,532	2,178	20,316	60.0	18,378	2,476	37,958	67.4
Copper concentrate	17,671	3,485	10,547	37.4	—	—	—	—
Sulfuric acid	5,815	30	4,224	42.1	8,225	26	14,241	63.4
Total	**604,550**		**91,740**	**13.2**	**1,141,146**		**216,139**	**15.9**

Cost of Sales

Cost of sales increased by 88.8% from US$604.6 million in 2009 to US$1,141.1 million in 2010. This increase in cost of sales was primarily due to the increases in the sales volume and unit cost of sales of blister copper.

Cost of sales of blister copper increased by 96.4% from US$567.5 million in 2009 to US$1,114.5 million in 2010, reflecting a 55.0% increase in sales volume and a 26.7% increase in unit cost of sales. The increase in unit cost of sales was primarily attributable to the increase in raw material costs, which was primarily because (1) the copper concentrate we purchased from external suppliers had a higher price in 2010 due to the increase in international benchmark copper price, and (2) the copper concentrate provided by Luanshya had a higher unit cost due to its lower grade.

Cost of sales of copper cathode increased by 35.8% from US$13.5 million in 2009 to US$18.4 million in 2010, reflecting a 19.5% increase in sales volume and a 13.7% increase in unit cost of sales. The increase in unit cost of sales was primarily attributable to the increase in raw material costs and labor costs. The increase in raw material costs was primarily because we purchased more copper oxide ores from external suppliers in 2010. In contrast, in 2009 we used our own tailings more.

The cost of sales of copper concentrate decreased to nil from 2009 to 2010 because we stopped selling copper concentrate as the end-product to external customers and began selling it as an intermediate product to our smelter for further processing into blister copper in accordance with our business strategy to achieve integration along the copper production chain that generates higher economic value.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 135.6% from US$91.7 million in 2009 to US$216.1 million in 2010. Our gross profit margin increased from 13.2% in 2009 to 15.9% in 2010.

The gross profit margin of blister copper increased from 9.1% in 2009 to 12.8% in 2010 primarily due to the increase in (1) our average selling price, which referenced the international copper price, and (2) the higher selling price to CNMC International Trade, which covered transportation, freight and insurance expenses, partially offset by the increase in the costs of copper concentrate we purchased from external suppliers, which also referenced the international copper price.

The gross profit margin of copper cathode increased from 60.0% in 2009 to 67.4% in 2010 primarily due to the increase in our average selling price, which referenced the international copper price, partially offset by the increase in the costs of copper oxide ores we purchased from external suppliers, which also referenced the international copper price. The gross profit margin of copper cathode was significantly higher than that of blister copper because we use tailings to produce copper cathode and use copper concentrate to produce blister copper. The costs of tailings are significantly lower than that of copper concentrate. We increased our production of blister copper notwithstanding that the gross profit margin of blister copper was substantially lower than that of our other products because (1) blister copper production is part of our business strategy to achieve integration along the copper production chain, (2) Zambia levies no export duty on blister copper, and (3) we intended to increase our total profit even if such decision may reduce our overall gross profit margin.

Other income

Other income decreased from US$2.1 million in 2009 to US$1.2 million in 2010. This decrease was primarily due to a decrease in interest income by US$1.1 million resulting from a greater proportion of our bank deposits as demand deposits, the interest rate of which was significantly lower than time deposits.

Distribution and selling expenses

Our distribution and selling expenses increased by 2.5 times from US$6.2 million in 2009 to US$21.9 million in 2010. This increase in distribution and selling expenses was primarily due to the increase in transportation and freight expenses as well as insurance expenses as a result of the increase in the sales volume of blister copper to CNMC International Trade. The terms of our sales of blister copper to CNMC International Trade require us to pay the transportation, freight and insurance expenses, which are covered by the higher average selling price of our sales to CNMC International Trade. In contrast, under our other product sales contracts, we are not required to pay transportation, freight or insurance expenses. The increase in distribution and selling expenses was also due to the increase in the sales volumes of copper cathode and sulfuric acid.

Administrative expenses

Our administrative expenses increased by 39.1% from US$20.9 million in 2009 to US$29.0 million in 2010. The increase in administration expenses was primarily due to (1) a US$3.7 million increase in salary expenses as a result of increased headcount relating to the acquisition of Luanshya, as well as increased average compensation for administrative employees, and (2) a US$0.7 million increase in travel and lodging expenses primarily due to increase in our administrative headcounts.

Finance costs

Our finance costs increased by 54.4% from US$5.3 million in 2009 to US$8.2 million in 2010. This increase was primarily due to (1) an increase in interest expenses on bank and other borrowings resulting from the increase in interest-bearing borrowings from US$426.6 million as at December 31, 2009 to US$581.4 million as at December 31, 2010, partially offset by a decrease in the weighted average interest rate on our interest-bearing borrowings from 2.0% per annum as at December 31, 2009 to 1.9% per annum as at December 31, 2010, and (2) the fact that CCS capitalized no borrowing costs during the full year of 2010, while in 2009 it capitalized the borrowing costs of US$2.4 million before it commenced operations in March 2009.

Loss arising on change in fair value of derivatives

Our loss arising on change in fair value of derivatives increased from US$0.1 million in 2009 to US$25.5 million in 2010, primarily due to loss relating to change in fair value of copper futures contracts we entered into in 2010 to hedge our net exposure to the copper price fluctuations due to the timing difference between when we expect to procure copper concentrate from external suppliers and when we expect to sell blister copper to external customers. See Note 25 of Section B to the Accountants' Report set out in Appendix I of this prospectus.

Gain on bargain purchase

We had no gain on bargain purchase in 2010. Our gain on bargain purchase was US$48.9 million in 2009 as a result of our gain recognized for acquiring Luanshya at a consideration lower than the recognized amount of identified assets acquired and liabilities assumed of Luanshya.

Other expenses

Our other expenses increased from US$4.4 million in 2009 to US$5.1 million in 2010, primarily due to (1) a decrease in depreciation by US$2.4 million because the depreciation of Luanshya's assets was categorized as other expenses in 2009 because Luanshya was not in production in 2009, while we recognized the depreciation as cost of sales in 2010 because Luanshya commenced production in 2010, and (2) the fact that we recognized the bad debt allowance of US$1.2 million in 2009 for uncollectible accounts as compared to a reversal of bad debt allowance of US$1.6 million in 2010 for accounts collected that were previously categorized as bad debt. The decrease in other expenses from 2009 to 2010 was partially offset by, among others, (1) an increase in exchange loss by US$4.6 million, and (2) an increase in the net expense for operating hospitals, schools and recreational facilities relating to our operations in Zambia by US$1.1 million.

Income tax expense

Our income tax expense increased by 76.0% from US$11.5 million in 2009 to US$20.2 million in 2010. The effective tax rate increased from 10.8% in 2009 to 15.8% in 2010, primarily due to the gain on bargain purchase recognized in 2009 was not taxable in 2009. Without considering the one-time gain on bargain purchase in 2009, our effective tax rate would have decreased from 20.2% in 2009 to 15.8% in 2010, primarily because CCS firstly had taxable profit (after utilizing previous tax losses in previous years) in 2010 and started to benefit from its ten-year income tax incentives.

Profit for the year and net profit margin attributable to the owners of the Company

As a result of the foregoing, our profit attributable to owners of the Company decreased by 9.5% from US$81.7 million in 2009 to US$73.9 million in 2010. Net profit margin attributable to the owners of the Company (being the profit attributable to owners of the Company as a percentage of revenue) decreased from 11.7% in 2009 to 5.4% in 2010, primarily due to the one-time gain on purchase bargain associated with the acquisition of Luanshya in 2009. Without considering the one-time gain on bargain purchase, our profit attributable to owners of the Company would have increased by 125.8% from US$32.7 million in 2009 to US$73.9 million in 2010 and our net profit margin attributable to the owners of the Company (being the profit attributable to owners of the Company as a percentage of revenue) would have been 4.7% in 2009 as compared to 5.4% in 2010.

LIQUIDITY AND CAPITAL RESOURCES

Our cash needs are primarily due to property, plant and equipment purchases, costs and expenses relating to operating activities and bank loans repayment. We have historically received our cash resources from capital contributions by shareholders, long-term and short-term bank loans, shareholder loans and operating activities. As of December 31, 2009, 2010 and 2011, we had bank balances and cash in the amounts of US$194.3 million, US$336.8 million and US$217.3 million, respectively, and also had restricted bank balances in the amounts of US$2.6 million, US$20.2 million and US$17.5 million, respectively.

Taking into account the net proceeds from the Global Offering, the financial resources available to our Company, including internally generated funds, the available banking facilities and in the absence of unforeseen circumstances, our Directors are of the opinion that our Company will have available sufficient working capital for at least 125% of our Group's present requirements, that is at least 12 months from the date of this prospectus.

Cash Flows

The following table sets forth certain information regarding our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,		
	2009	2010	2011
	(US$ '000)	(US$ '000)	(US$ '000)
Net cash from operating activities	25,378	178,352	168,509
Net cash used in investing activities	(125,237)	(158,707)	(412,420)
Net cash from financing activities	217,532	123,488	126,468
Net increase/(decrease) in cash and cash equivalents	117,673	143,133	(117,443)
Cash and cash equivalent at beginning of the year	76,089	194,302	336,789
Effect of foreign exchange rate changes	540	(646)	(2,043)
Cash and cash equivalent at end of the year	194,302	336,789	217,303

Net cash flows generated from operating activities

We derive our cash inflow from operations primarily from the receipts of our copper product sales. Our cash outflows are primarily for various operating expenses. Net cash generated from operating activities was US$25.4 million, US$178.4 million and US$168.5 million in 2009, 2010 and 2011, respectively.

Net cash generated from operating activities in 2011 was primarily attributable to (1) profit before tax in the amount of US$118.3 million, (2) a US$74.1 million decrease in trade and other receivables, prepayment and other assets, and (3) depreciation of property, plant and equipment in the amount of US$59.4 million, which were partially offset by, among others, a US$97.2 million decrease in trade and other payables and accrued expenses. The decrease in trade and other receivables was primarily due to (1) a greater proportion of our sales attributable to CNMC International Trade and Yunnan Copper Group (to whom we commenced our sales in 2011), whose prepayments to us provided faster settlement of trade receivables as compared to our other customers, and (2) the decrease in the LME price of copper in the fourth quarter of 2011 as compared to the same period in 2010, which reduced our trade receivables as of the year end relating to our sales of copper products in the fourth quarter that were priced in reference to the LME price of copper. The decrease in trade and other payables was primarily due to (1) the decrease in our purchase of copper concentrate from external suppliers on accounts at the end of 2011 as compared to at the end of 2010 to better control our inventory, and (2) the decrease in the LME price of copper in the fourth quarter of 2011 as compared to the same period in 2010, which reduced our trade payables as of the year end relating to our purchase of copper concentrate in the fourth quarter that were priced by reference to the LME price of copper.

Net cash generated from operating activities in 2010 was primarily attributable to (1) profit before tax in the amount of US$127.6 million, (2) depreciation of property, plant and equipment in the amount of US$45.6 million, (3) loss on changes in fair value of derivatives in the amount of US$25.5 million, (4) finance costs in the amount of US$8.2 million, and (5) decrease in trade and other payables and accrued expenses in the amount of US$8.0 million, which were partially offset by a US$2.6 million increase in inventories and US$31.9 million increase in investments in derivatives, among others. The increase in trade and other payables and accrued expenses and the increase in inventories were primarily due to increased sales of blister copper and operation of Luanshya. The investments in derivatives increased mainly because we entered into more copper futures contracts, which required more margin deposits.

Net cash generated from operating activities in 2009 was primarily attributable to (1) profit before tax of US$105.8 million, (2) a US$144.3 million increase in trade and other payables and accrued expenses, and (3) depreciation of US$31.9 million, which was partially offset by (1) a US$120.2 million increase in inventories, (2) a US$90.7 million increase in trade and other receivables, prepayment and other assets, and (3) gain on bargain purchase of US$48.9 million, among others. The increases in (1) trade and other payables and accrued expenses, (2) inventories, and (3) trade and other receivables, prepayment and other assets were primarily the result of the commencement of CCS' operations in 2009.

Net cash flows used in investing activities

Our cash outflow from investing activities primarily consists of purchases of property, plant and equipment for copper production. Net cash used in investing activities was US$125.2 million, US$158.7 million and US$412.4 million in 2009, 2010 and 2011, respectively.

Net cash used in investing activities in 2011 was primarily attributable to a US$393.0 million purchase of property, plant and equipment mainly for our leaching facilities at Luanshya (i.e. Muliashi Project) and SML as well as our mining and ore processing facilities at NFCA and Luanshya and finance leases to a fellow subsidiary in the amount of US$34.9 million, partially offset by repayment of finance lease receivables from a fellow subsidiary of US$5.0 million, receipt of government grant to finance the Group's capital expenditures and interest that have been capitalized, and a US$2.6 million decrease in restricted bank balances as pledge for the banking facilities available to us.

Net cash used in investing activities in 2010 was primarily attributable to (1) a US$147.0 million purchase of property, plant and equipment mainly for our mining and ore processing facilities at NFCA and Luanshya, and (2) a US$17.5 million increase in restricted bank balances mainly as pledge for the new bank loans we borrowed and for issuing letters of credit for purchasing certain plant and equipment, partially offset by receipt of government grant of US$5.6 million.

Net cash used in investing activities in 2009 was primarily attributable to a US$126.9 million purchase of property, plant and equipment mainly for the mining and ore processing facilities at NFCA and Luanshya.

Net cash flows generated from financing activities

Our cash inflow from financing activities primarily consists of new bank and other borrowings, and proceeds from increase in capital. Our cash outflow from financing activities primarily consists of repayment of bank and other borrowings, dividend payments, and interest payments. Net cash generated from financing activities was US$217.5 million, US$123.5 million and US$126.5 million in 2009, 2010 and 2011, respectively.

Net cash generated from financing activities in 2011 was primarily attributable to new bank and other borrowings raised in the amount of US$287.1 million, partially offset by repayment of bank and other borrowings in the amount of US$118.0 million. We also paid dividends of US$28.7 million to shareholders of our subsidiaries, and paid interests of US$14.0 million.

Net cash generated from financing activities in 2010 primarily resulted from new bank and other borrowings raised in the amount of US$165.8 million, partially offset by repayment of bank and other borrowings in the amount of US$11.0 million. We also paid dividends of US$21.1 million to shareholders of our subsidiaries, and paid interests of US$10.2 million.

Net cash generated from financing activities in 2009 primarily resulted from new bank and other borrowings raised in the amount of US$284.8 million, partially offset by repayment of bank and other borrowings in the amount of US$48.5 million. We also paid dividends of US$9.4 million to shareholders of our subsidiaries, and paid interests of US$9.4 million.

NET CURRENT ASSETS

As at December 31, 2009, 2010 and 2011 and April 30, 2012, we had net current assets of US$320.2 million, US$361.6 million, US$183.2 million and US$191.6 million, respectively, as set out in detail below:

	As of December 31,			As of April 30,
	2009	2010	2011	2012
	(US$'000) (audited)	(US$'000) (audited)	(US$'000) (audited)	(US$'000) (unaudited)
Current assets:				
Inventories	174,958	177,524	164,281	161,353
Finance lease receivables	—	—	6,483	6,483
Trade receivables	80,980	132,975	95,786	117,439
Amounts due from a customer under a construction contract(1)	26,066	26,085	—	—
Prepayments and other receivables(2)	144,261	110,395	56,084	60,390
Restricted bank balances	563	18,168	7,557	7,708
Bank balances and cash	194,302	336,789	217,303	305,463
Total current assets	**621,130**	**801,936**	**547,494**	**658,836**
Current liabilities:				
Trade payables	(172,796)	(171,160)	(107,364)	(127,578)
Other payables and accrued expenses(3)	(75,761)	(100,758)	(57,116)	(139,658)
Income tax payable	(4,342)	(1,535)	(87)	(187)
Derivatives, at fair value	(134)(4)	(10,101)(4)	(775)(4)	(776)
Bank and other borrowings — due within one year	(47,944)(5)	(156,745)(5)	(199,000)(5)	(199,000)
Total current liabilities	**(300,977)**	**(440,299)**	**(364,342)**	**(467,199)**
Net current assets	**320,153**	**361,637**	**183,152**	**191,637**

Notes:

(1) Represents the amounts due from a fellow subsidiary under a construction contract in respect of building a transformer station in Zambia. For additional details, see Note 19 of Section B to the Accountants' Report, set out in Appendix I to this prospectus.

(2) Represents prepayments for inventories, VAT receivables, deposits in futures margin accounts, and other receivables. Prepayment and other receivables include balances with the Retained Group and non-controlling shareholders of our subsidiaries. The decrease in other receivables during the Track Record Period was primarily due to the settlement of the outstanding amounts due to us by ZCCZ in relation to the infrastructure construction work CCS had performed for ZCCZ in the Zambia-China Economic & Trade Cooperation Zone. For additional details, see Note 20 of Section B to the Accountants' Report, set out in Appendix I to this prospectus.

(3) Represents receipts in advance from customers, accrued expenses, payables for properties, plant and equipment, dividends payable, and other payables, which included provision for legal cases and payables on balances to related parties. Other payables and accrued expenses include balances with the Retained Group and non-controlling shareholders of our subsidiaries that are mainly related to dividends payable, accrued interest expenses, as well as amounts arisen from normal course of business and are recurring in nature. The dividends payable will be settled before the Listing whereas the accrued interest expenses will be settled within the six months after the Listing. For additional details, see Note 23 of Section B to the Accountants' Report, set out in Appendix I to this prospectus.

(4) The decrease in derivatives at fair value from US$10.1 million as of December 31, 2010 to US$0.8 million as of December 31, 2011 was attributable to the differences between the market LME copper cash prices and the exercise prices of the unsettled copper futures contracts (the "Differences") in December 2010 were larger than those in December 2011. The LME copper cash prices were US$9,650 and US$7,590 as of December 31, 2010 and 2011, respectively, whereas the exercise prices of unsettled copper futures contracts ranged from US$8,150 to US$9,261 and US$7,150 to US$8,190, respectively, and these contracts were stated at their fair values, which were estimated at the Differences times the size of the unsettled copper futures contracts.

(5) The current portion of bank and other borrowings increased from US$156.7 million as of December 31, 2010 to US$199.0 million as of December 31, 2011 primarily because a US$110 million loan due in 2013 that was classified as current liabilities, partially offset by settlement of certain loans from CNMC and a non-controlling shareholder of a subsidiary and bank loans in the amount of US$67.6 million.

Bank Balances and Cash

We hold our bank balances and cash principally in US dollars and, to a lesser extent, in ZMK and Renminbi. Bank balances and cash consist of cash, time deposits and demand deposit. As at December 31, 2009, 2010 and 2011, we had bank balances and cash of US$194.3 million, US$336.8 million and US$217.3 million, respectively. The decrease in bank balances and cash was primarily due to our capital expenditure for various projects.

Trade Receivables

Our trade receivables represent the receivables from the sale of products to external customers. As at December 31, 2009, 2010 and 2011, we had trade receivables of US$81.0 million, US$133.0 million and US$95.8 million, respectively. The increase in our trade receivables from 2009 to 2010 was primarily attributable to higher revenue during the period from US$696.3 million in 2009 to US$1,357.3 million in 2010, which was driven by the increase in sales volume. The decrease in our trade receivables from December 31, 2010 to December 31, 2011 was primarily due to (1) a greater proportion of our sales attributable to CNMC International Trade and Yunnan Copper Group (to whom we commenced our sales in 2011), whose prepayments to us provided faster settlement of trade receivables as compared to our other customers, and (2) the decrease in the LME price of copper in the fourth quarter of 2011 as compared to the same period in 2010, which reduced our trade receivables as of the year end relating to our sales of copper products in the fourth quarter that were priced by reference to the LME price of copper.

Up to April 30, 2012, US$92.1 million, or 96.1%, of trade receivables as of December 31, 2011 had been settled.

Inventories

Our inventories included raw materials, spare parts and consumables (worth US$138.1 million, US$109.5 million and US$83.1 million), work-in-progress (worth US$0.8 million, US$2.1 million and US$10.6 million) and finished goods (worth US$36.0 million, US$65.9 million and US$70.5 million) as at December 31, 2009, 2010 and 2011, respectively. The increases in our inventories from December 31, 2009 to December 31, 2010 was primarily due to the increase in our production of blister copper. The decrease in our inventories from December 31, 2010 to December 31, 2011 was primarily because (1) the LME price of copper decreased from the end of 2010 to the end of 2011 so that our cost of blister copper and costs of other raw materials decreased, and (2) we purchased less copper concentrate at the end of 2011 as compared to the end of 2010 to better control our inventory level.

Up to April 30, 2012, US$70.5 million of finished goods and US$63.9 million of other inventories, or 81.9% of inventories in total as of December 31, 2011, had been used/sold.

Trade Payables

Our trade payables represent the payables for the purchase of raw materials and auxiliary materials from external suppliers. As at December 31, 2009, 2010 and 2011, we had trade payables of US$172.8 million, US$171.2 million and US$107.4 million, respectively. The decreases in our trade payables from December 31, 2010 to December 31, 2011 was primarily due to (1) the decrease in our purchase of copper concentrate from external suppliers on accounts at the end of 2011 as compared to at the end of 2010 to better control our inventory, and (2) the decrease in the LME price of copper in the fourth quarter of 2011 as compared to the same period in 2010, which reduced our trade payables as of the year end relating to our purchase of copper concentrate in the fourth quarter that were priced by reference to the LME price of copper.

Up to April 30, 2012, US$105.6 million, or 98.4%, of trade payables as of December 31, 2011 had been settled.

NON-CURRENT ASSETS

Our non-current assets primarily consist of property, plant and equipment, which primarily include the mining and ore processing facilities at NFCA and Luanshya, the smelting facilities at CCS and the leaching facilities at SML. As at December 31, 2009, 2010 and 2011, we had property, plant and equipment of US$436.7 million, US$538.0 million and US$875.8 million, respectively. The increases in property, plant and equipment from December 31, 2009 to December 31, 2011 was primarily due to the increases of our investment in our mining, ore processing, smelting and leaching facilities.

Our non-current assets also include prepayments for electricity under a power supply agreement (the "Power Supply Agreement") and a connection agreement (the "Connection Agreement") between Luanshya and Copperbelt Energy Corporation Plc ("Copperbelt Energy"), a power supply company in Zambia listed on the Lusaka Stock Exchange. The electricity generated by the relevant network assets will be provided to the Group on an exclusive basis and the electricity fees were negotiated by referencing the standard market rates in Zambia. Under these agreements and consistent with the usual local practice to secure power supply, Luanshya will construct relevant network assets at its own cost and transfer it to Copperbelt Energy for the consideration of US$3,725,000. The total budgeted construction cost of such relevant network assets is US$12.0 million. Our Directors consider the difference between the budgeted construction cost and the consideration to be paid by Copperbelt Energy are, in substance, prepayments for electricity in connection with the Power

Supply Agreement. For additional details, see Note 20 of Section B to the Accountants' Report, as set out in Appendix I to this prospectus.

Our Zambian legal adviser is of the view that, under Zambian laws, Luanshya does not need any approval or permit to construct the relevant network assets because Luanshya does not generate, transmit, distribute or supply electricity.

INDEBTEDNESS

The following table sets forth our indebtedness as at the dates presented:

	As of December 31,		
	2009	2010	2011
	(US$'000)	(US$'000)	(US$'000)
Bank borrowings			
— secured	170,000	270,000	170,000
— unsecured	180,000	234,000	435,450
Loans from CNMC, unsecured(1)	33,922	34,723	82,068
Loans from a non-controlling shareholder of a subsidiary, unsecured(2)	42,683	42,683	23,661
Total	**426,605**	**581,406**	**711,179**
Carrying amount repayable:			
Within one year	47,944	156,745	199,000
More than one year, but not exceeding two years	119,000	199,000	19,000
More than two years, but not exceeding five years	244,661	160,661	149,661
More than five years	15,000	65,000	343,518
Total	**426,605**	**581,406**	**711,179**

Notes:

(1) The borrowings as at December 31, 2011 of US$82.1 million are repayable from November 20, 2014 to November 17, 2018. We intend to repay these borrowings within six months after Listing.

(2) The borrowings as at December 31, 2011 of US$23.7 million are repayable from January 10, 2012 to June 30, 2014. We intend to repay these borrowings within six months after Listing.

For more details of our bank and other borrowings as of December 31, 2009, 2010 and 2011, see Note 24 of Section B to the Accountants' Report, set out in Appendix I to this prospectus.

Due to our business expansion during the Track Record Period, we have relied on both long-term and short-term borrowings to fund a portion of our capital requirement and working capital needs. Our long-term loan and short-term borrowings increased from US$426.6 million as at December 31, 2009 to US$711.2 million as at December 31, 2011, primarily due to the increased funds we used to support our business expansion and capital expenditure.

The Directors believe that, in view of the strong financial position, our Company is able to conveniently secure external funding if we need to.

At the close of business on April 30, 2012, being the latest practicable date for the purpose of the indebtedness statement, the Group had outstanding unsecured loans from the ultimate holding company of approximately US$82.1 million, unsecured loans from a non-controlling shareholder of a subsidiary of approximately US$19.7 million, secured bank borrowings of approximately

US$170.0 million and unsecured bank borrowings of approximately US$424.5 million. The secured bank borrowings were secured by certain of the Group's bank balances and guaranteed by corporate guarantees given by the ultimate holding company and a bank in the PRC. Included in the unsecured bank borrowings of the Group are loans of US$80.0 million, which are guaranteed by corporate guarantees given by the ultimate holding company and a non-controlling shareholder of a subsidiary. The remaining unsecured bank borrowings of the Group of US$344.5 million are guaranteed by corporate guarantees given by the ultimate holding company.

CONTINGENT LIABILITIES

In addition, as of April 30, 2012, the Group had outstanding contingent liabilities in respect of various claims involving alleged unfair/unlawful termination or breach of employment contracts, wrongful calculation of wages/benefits, compensation for injuries and false imprisonment and defamation. At the end of each of the Relevant Years and as at April 30, 2012, we had made relevant provision for the potential liabilities of US$300,000, US$300,000, US$300,000 (see Note 39 of Section B to the Accountants' Report, set out in Appendix I to this Prospectus), and US$300,000, respectively, which our Directors opined that it is adequate based on the present assessments by our Group's legal advisers.

Save as disclosed under "— Indebtedness" and "— Contingent Liabilities", and apart from intra-group liabilities, we did not have outstanding at the close of business on April 30, 2012 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Save as disclosed above, the Directors have confirmed that there have been no material changes in our indebtedness since April 30, 2012.

PROVISION FOR RESTORATION, REHABILITATION AND ENVIRONMENTAL COSTS

Our provision for restoration, rehabilitation and environmental costs in relation to our subsidiaries in Zambia involving in mining, leaching and smelting operations, which amounted to US$17.1 million, US$16.5 million and US$17.5 million for 2009, 2010 and 2011, respectively, represent the accrued cost required to provide adequate restoration and rehabilitation, which is (1) estimated based on actual costs, contractors' quotation and our best-effort estimate according to our environmental management and rehabilitation plans, and (2) audited by independent qualified professionals, (i.e. third-party chemical/environmental scientists and engineering geologists) in Zambia in accordance with the Mines and Minerals Act (Environmental) Regulations on an annual basis.

The Ministry of Mines and Mineral Development of Zambia relies on the results of such independent audit report and the annual estimate of the restoration, rehabilitation and environmental costs to each company set out therein when making its assessment to require the subsidiaries to make an annual contribution equal to 1% to 4% of the estimated restoration costs into an EPF, which is administered by the Zambian government.

The relevant EPF regulations also require that the balance of the estimated restoration costs be secured using instruments such as a bank guarantee and letter of credit.

Our Directors have reviewed the underlying assumptions and calculations and the discount rates used to determine the provision for restoration, rehabilitation and environmental costs. Based on the above, our Directors are satisfied that adequate provision has been made at the end of each reporting period and the Sponsors have no reasons to believe otherwise.

FINANCIAL RATIOS

Profitability Ratios

The following table shows a summary of our Earnings Before Interests, Taxes, Depreciation and Amortization (or EBITDA, which equals profit before tax plus the absolute amounts of net finance costs, depreciation and amortization), Earnings Before Interests and Taxes (or EBIT, which equals profit before tax plus the absolute amount of net finance costs) and profitability ratios for the periods indicated.

	Year ended December 31,		
	2009	2010	2011
Profit attributable to owners of the Company (US$'000)	81,674	73,911	70,014
Add: Profit attributable to non-controlling interests (US$'000)	12,673	33,471	33,276
Add: Income tax expense (US$'000)	11,480	20,202	15,020
Profit before tax (US$'000)	105,827	127,584	118,310
Add: net finance costs (US$'000)	5,330	8,232	9,248
EBIT (US$'000)	111,157	135,816	127,558
Add: Depreciation (US$'000)	31,930	45,584	59,388
EBITDA(1) (US$'000)	143,087	181,400	186,946
EBIT margin(2)	16.0%	10.0%	9.9%
EBITDA margin(3)	20.5%	13.4%	14.6%
Net profit margin(4)	13.5%	7.9%	8.0%
Net profit margin attributable to the owners of the Company(5)	11.7%	5.4%	5.5%

Notes:

(1) EBITDA is not a standard measure under HKFRS and should not be considered in isolation or be construed as an alternative to cash flows, profit or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities.

(2) EBIT margin equals EBIT divided by revenue, expressed as a percentage.

(3) EBITDA margin equals EBITDA divided by revenue, expressed as a percentage.

(4) Net profit margin equals profit for the year as a percentage of revenue.

(5) Net profit margin attributable to the owners of the Company equals net profit attributable to owners of the Company as a percentage of revenue.

Our EBITDA margin decreased from 20.5% in 2009 to 13.4% in 2010, primarily due to (1) the increases in sales of blister copper, which had a lower gross profit margin, and (2) the one-time gain on purchase bargain associated with the acquisition of Luanshya in 2009. Our EBIT margin decreased from 16.0% in 2009 to 10.0% in 2010, primarily due to the same reason. Our EBITDA margin increased from 13.4% in 2010 to 14.6% in 2011 primarily due to the increase in international copper prices. Our EBIT margin decreased from 10.0% in 2010 to 9.9% in 2011 primarily due to the increase in depreciation of NFCA's Chambishi West Mine in 2011, partially offset by the increase in international copper prices. Our net profit margin attributable to owners of the Company were 11.7%, 5.4% and 5.5% in 2009, 2010 and 2011, primarily reflecting to the one-time gain on purchase bargain associated with the acquisition of Luanshya in 2009. Without considering the one-time gain on bargain purchase, our net profit margin attributable to owners of the Company would have been 4.7%, 5.4% and 5.5% in 2009, 2010 and 2011, respectively, primarily due to the change in our product mix, which had different profit margins, and the differences in tax incentive we received during each period.

Return Ratios

The following table shows a summary of our return ratios for the periods indicated.

	Year ended December 31,		
	2009	2010	2011
Return on equity(1)	40.0%	25.2%	20.3%
Return on assets(2)	10.2%	6.1%	4.9%

Notes:

(1) Return on equity equals profit attributable to owners of the Company divided by average equity attributable to owners of the Company, expressed as a percentage. Average equity attributable to owners of the Company equals the sum of equity attributable to owners of the Company at the beginning of the period and equity attributable to owners of the Company at the end of the period divided by two.

(2) Return on assets equals profit attributable to owners of the Company divided by average total assets, expressed as a percentage. Average total assets equals the sum of total assets at the beginning of the period and total assets at the end of the period divided by two.

Our return on equity decreased from 40.0% in 2009 to 25.2% in 2010, primarily reflecting the one-time gain on purchase bargain associated with the acquisition of Luanshya in 2009. Our return on assets decreased from 10.2% in 2009 to 6.1% in 2010, primarily due to the same reasons. Our return on equity decreased from 25.2% in 2010 to 20.3% in 2011 primarily because CCS halted production for one month in June 2011 due to the periodic maintenance of the ISA furnace. Our return on assets decreased from 6.1% in 2010 to 4.9% in 2011 primarily due to the same reason.

Liquidity Ratios

The following table shows a summary of our liquidity ratios for the periods indicated.

	As of December 31,		
	2009	2010	2011
Current ratio(1)	206.4%	182.1%	150.3%
Quick ratio(2)	148.2%	141.8%	105.2%

Notes:

(1) Current ratio equals current assets divided by current liabilities, expressed as a percentage.

(2) Quick ratio equals current assets minus inventories, then divided by current liabilities, expressed as a percentage.

Our current ratio decreased from 206.4% in 2009 to 182.1% in 2010 and 150.3% in 2011, primarily reflecting the changes in our working capital structure, including the significant increase in bank and other borrowings due within one year attributable to both increases in new loans and increases in the portion of long-term loans due to repayment within one year. Our quick ratio decreased from 148.2% in 2009 to 141.8% in 2010 and 105.2% in 2011, primarily due to the same reasons.

Turnover Ratios

Inventory turnover days

The following table shows a summary of the average inventory turnover days for the respective periods as shown below.

	Year ended December 31,		
	2009	**2010**	**2011**
Inventory turnover days(1)	62.3	56.4	56.9

Note:

(1) Inventory turnover days equals average inventory divided by cost of sales and multiplied by the numbers of days for the period incurring the cost of sales. Average inventory equals the sum of inventory at the beginning of the period and inventory at the end of the period divided by two.

Our inventory turnover days decreased from 62.3 days in 2009 to 56.4 days in 2010 and 56.9 days in 2011, because in 2010 and 2011 our blister copper and copper cathode were primarily sold to the more liquid international markets while in 2009 we generated a portion of our revenue by selling copper concentrate in the less liquid local market.

Our inventories are stated at the lower of cost and net realizable value, less any provision for obsolescence. Net realizable value is determined based on estimated selling price, less further costs expected to be incurred to completion and disposal. When inventories have been written down to net realizable value, a new assessment of net realizable value is made in each subsequent period. When the circumstances that caused the write down no longer exist, the amount of the write down is reversed. We made no provision for inventory in 2009, 2010 and 2011.

Trade receivables turnover days and trade payables turnover days

The following table shows our turnover of average trade receivables and average trade payables for the periods indicated:

	Year ended December 31,		
	2009	**2010**	**2011**
Trade receivables' turnover days(1)	33.8	28.8	32.5
Trade payables' turnover days(2)	58.1	55.0	46.4

Notes:

(1) Trade receivables' turnover days equals average trade receivables divided by revenue and multiplied by the numbers of days for the period generating the sales. Average trade receivables equals the sum of trade receivables at the beginning of the period and trade receivables at the end of the period divided by two.

(2) Trade payables' turnover days equals average trade payables divided by cost of sales and multiplied by the numbers of days for the period incurring the cost of sales. Average trade payables equals the sum of trade payables at the beginning of the period and trade payables at the end of the period divided by two.

Our trade receivables' turnover days decreased from 33.8 days in 2009 to 28.8 days in 2010 and increased to 32.5 days in 2011 which reflected the normal fluctuation of our trade receivables' turnover. The average credit period we grant to our customers is within two months upon presentation of invoices.

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit and loss when there is objective evidence that the asset is impaired. In making the estimates, we consider that detailed procedures have been in place to monitor this risk. In estimating whether allowance for bad and doubtful debts is required, we take into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discuss with the relevant customers and report on the recoverability. When there is objective evidence of impairment loss, we take into consideration the estimation of future cash flows. The amount of the impairment 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. Where the actual future cash flows are less than expected, a material impairment loss may arise. As of December 31, 2009, 2010 and 2011, we had allowance of doubtful accounts of US$5.6 million, US$2.7 million and US$3.8 million, respectively.

The following table sets forth the aging analysis of our trade receivables as at the dates indicated, presented based on the invoice date, net of allowance for doubtful debts:

	At December 31,		
	2009	2010	2011
	(US$'000)	(US$'000)	(US$'000)
Within 1 month	77,837	96,846	84,913
More than 1 month, but less than 3 months	931	32,022	9,712
More than 3 months, but less than 6 months	885	1,403	82
More than 6 months, but less than 12 months	858	2,517	874
Over 1 year	469	187	205
	80,980	132,975	95,786

Our trade payables' turnover days decreased from 58.1 days in 2009 to 55.0 days in 2010 and 46.4 days in 2011, primarily because we procured a greater portion of copper concentrate through faster settlement of trade payables and prepayment. The average credit period we are granted by our suppliers is within three months upon presentation of invoices.

Gearing Ratios

The following table sets out a summary of our gearing ratios for the periods indicated:

	As of December 31,		
	2009	2010	2011
Total debt to total assets ratio(1)	39.9%	42.8%	48.3%
Net debt(2) to total equity ratio(3)	86.0%	70.4%	127.9%
Interest coverage ratio(4)	15.02x	17.19x	13.12x

Notes:

(1) Total debt to total assets ratio equals total bank and other borrowings divided by total assets, expressed as a percentage.

(2) Net debt equals total bank and other borrowings minus bank balances and cash, and restricted bank balances.

(3) Net debt to total equity ratio equals net debt divided by total equity attributable to the owners of our Company, expressed as a percentage.

(4) Interest coverage ratio equals EBITDA divided by the sum of finance costs before capitalization, expressed as a percentage.

Our total debt to total assets ratio increased from 39.9% in 2009 to 42.8% in 2010 and 48.3% in 2011, primarily due to our new bank and other borrowings in 2010 and 2011 for our investment in the smelting facilities of the Chambishi Copper Smelter, the mining and ore processing facilities at NFCA and Luanshya, the Muliashi Project, as well as our increasing needs for working capital associated with our business expansion.

Our net debt to total equity ratio decreased from 86.0% in 2009 to 70.4% in 2010 and then increased to 127.9% in 2011, primarily due to (1) the significant increase in bank balances and cash from 2009 to 2010, and (2) the further increase in bank and other borrowings in 2011.

Our interest coverage ratio increased from 15.02 times in 2009 to 17.19 times in 2010, primarily due to the increase in profit as a result of CCS's full production in full year 2010 as compared to CCS's full production from June to December in 2009. Our interest coverage ratio decreased from 17.19 times in 2010 to 13.12 times in 2011, primarily due to the increase in interest expense associated with the increase in bank and other borrowings.

CAPITAL COMMITMENTS

The following table sets forth the capital commitments of our Company and its subsidiary as at the dates indicated:

	As at December 31,		
	2009	2010	2011
	(US$'000)	(US$'000)	(US$'000)
Capital expenditure contracted for but not provided for in respect of:			
— acquisition of property, plant and equipment	15,673	97,609	284,159
Capital expenditure authorized but not contracted for in respect of:			
— acquisition of property, plant and equipment	—	—	1,057,213

In addition to the above, as at December 31, 2010 and 2011, our Group had commitment to invest in an associate amounting to US$2,143,000 pursuant to the relevant joint venture agreement of that associate. In February 2012, our Group had fulfilled such commitment to invest in this associate.

We plan to fund our capital commitments with cash from operating activities, proceeds from the Global Offering and short-term and long-term indebtedness. See the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus for further information. The Directors expect that we will have sufficient resources to fund our capital commitments during the next 12 months.

We do not have any existing plan to use the above capital commitments for the provision of finance lease to other parties, nor would we do so in the foreseeable future.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, except for the above capital commitments, we had no other significant off-balance sheet arrangements.

DISCLOSURE ABOUT MARKET RISK

We are, in the normal course of business, exposed to market risks relating primarily to credit risk, foreign currency exchange risk, liquidity risk, interest rate risk and commodity price risk.

Credit Risk

Our credit risk is primarily attributable to our trade and other receivables and finance lease receivables. Our Group has concentration of credit risk because 94.8%, 86.4% and 91.0% of the trade receivables as at December 31, 2009, 2010 and 2011, respectively, was due from our Group's seven largest customers during each of the period then ended. Other than the above, we do not have significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. Our Directors monitor the exposures to these credit risks on an ongoing basis.

Our credit risk on restricted bank balances and bank balances is minimal as such amounts are placed in banks with good reputation.

Foreign Currency Exchange Risk

Our operation is in Zambia and most of our sales and purchases were denominated in US$, our functional currency, while certain sales and purchases were settled in currencies (mainly ZMK and Renminbi) other than our functional currency that expose us to foreign currency risk. In addition, the carrying amounts of our foreign currency denominated monetary assets and liabilities are as follows:

	As at December 31,		
	2009	2010	2011
	(US$'000)	(US$'000)	(US$'000)
ZMK denominated monetary assets	46,836	49,989	25,396
ZMK denominated monetary liabilities	(1,386)	(7,943)	(2,874)
RMB denominated monetary assets	1,512	8,894	26,573
RMB denominated monetary liabilities	(25,842)	(29,143)	(44,677)

During the Track Record Period, the exchange rate between Zambia Kwacha and US dollar had fluctuated between approximately 4,500:1 to 5,740:1, and the exchange rate between Zambia Kwacha and Renminbi had fluctuated between approximately 660:1 to 840:1. We had foreign exchange gain of US$1.1 million in 2009, and incurred foreign exchange losses of US$3.5 million and US$4.7 million in 2010 and 2011, respectively. Although we are exposed to foreign currency risk as the result of certain sales and purchase that were settled in ZMK and RMB, these exposure is not expected to have any significant impact on our business, financial condition and results of operation in the foreseeable future as the majority of our assets, liabilities, revenues and expenses are denominated in US dollar. During the Track Record Period, we have had no currency hedging activities and do not expect to have such activities in the foreseeable future.

The sensitivity analysis below has been determined based on the exposure to exchange rates of ZMK and RMB against US$. For a 5%, 10%, 15% weakening/strengthening of ZMK and RMB against US$ and all other variables being held constant, there would have no impact on our total equity apart from the retained profits and the effect on our profit before tax for the Track Record Period are as follows:

	Year ended December 31,		
	2009	2010	2011
	(US$'000)	(US$'000)	(US$'000)
ZMK against US$:			
Weakening			
- 5%	(2,273)	(2,102)	(1,126)
- 10%	(4,545)	(4,205)	(2,252)
- 15%	(6,818)	(6,307)	(3,378)
Strengthening			
- 5%	2,273	2,102	1,126
- 10%	4,545	4,205	2,252
- 15%	6,818	6,307	3,378
RMB against US$:			
Weakening			
- 5%	1,217	1,012	905
- 10%	2,433	2,025	1,810
- 15%	3,650	3,037	2,716
Strengthening			
- 5%	(1,217)	(1,012)	(905)
- 10%	(2,433)	(2,025)	(1,810)
- 15%	(3,650)	(3,037)	(2,716)

The conversion of Renminbi into foreign currencies, including US dollar and Hong Kong dollar, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its policy of pegging the value of Renminbi to US dollar. Under the revised policy, RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in a more than 17% appreciation of RMB against US dollar in the following three years. RMB has fluctuated significantly since July 2008 against other freely traded currencies, in tandem with US dollar. On June 19, 2010, the PBOC announced that the PRC government would further reform Renminbi exchange rate regime and increase the flexibility of the exchange rate. As of December 31, 2011, the new policy had resulted in a further 7.4% appreciation of Renminbi against US dollar. As Hong Kong dollar is pegged with US dollar, fluctuations in exchange rates between Renminbi and US dollar may adversely affect the value, translated or converted into Hong Kong dollars, of our net assets, earnings and any dividends we declare.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due. Our Directors have built an appropriate liquidity risk management framework for the management of our short, medium and long-term funding and liquidity requirements. We manage liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of our financial assets and liabilities.

Our Directors have carried out a detailed review of our cash flow forecast for the period ending on May 31, 2013. Based on such forecast, our Directors have determined that adequate liquidity exists to finance our working capital and capital expenditure requirements during that period. Our Directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realized.

Interest Rate Risk

We are exposed to cash flow interest rate risk through the impact of rate changes on interest-bearing financial assets and liabilities, mainly interest-bearing restricted bank balances, bank balances and bank and other borrowings at variable interest rates. We currently do not have an interest rate hedging policy. However, our Directors will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing restricted bank balances, bank balances and variable rate bank and other borrowings at the end of each reporting period and assumed that the amount of assets and liabilities outstanding at the end of each reporting period was outstanding for the whole year.

If interest rates on bank and other borrowings had been 100 BPs lower (such effect on restricted bank balances and bank balances, however, had been ignored as most of them bore interest at minimal rate at the end of each reporting period) and all other variables were held constant, there would have no impact on our total equity apart from retained profits and the potential effect on profit before tax for the Track Record Period is as follows:

	Year ended December 31,		
	2009	2010	2011
	(US$'000)	(US$'000)	(US$'000)
Increase in profit before tax for the year	3,355	3,760	3,037

If interest rates on restricted bank balances, bank balances and bank and other borrowings had been 100 BPs higher and all other variables were held constant, there would have no impact on our total equity apart from retained profits and the potential effect on profit before tax for the Track Record Period is as follows:

	Year ended December 31,		
	2009	2010	2011
	(US$'000)	(US$'000)	(US$'000)
Decrease in profit before tax for the year	(1,511)	(522)	(676)

Commodity Price Risk

Our commodity price risk is mainly the exposure to fluctuations in the prevailing market price of copper which are the major commodities we purchased, produced and sold. To minimize this risk, we enter into copper futures contracts and provisional price arrangement to manage our exposure in relation to forecasted sales of copper products, forecasted purchases of copper concentrate, inventories and firm commitments to sell our copper products.

Our financial assets and liabilities whose fair value change in line with the fluctuations in the prevailing market price of copper mainly comprise copper futures contracts and provisional price arrangements. If all prices of copper futures had been increased by 10% and all other variables were held constant, there would have no impact on our total equity apart from retained profits and the potential effect on profit before tax for the Track Record Period is as follows:

	Year ended December 31,		
	2009	2010	2011
	(US$'000)	(US$'000)	(US$'000)
(Decrease)/increase in profit before tax for the year	(7,312)	4,112	9,729

There would be an equal and opposite impact on the profit before tax for the year where there had been 10% decrease in all prices of copper futures.

HISTORICAL AND PLANNED CAPITAL EXPENDITURE

Our principal capital expenditure relates to the provision of construction work, purchases of equipment and materials with regard to our development and expansion projects. The following table sets forth our historical capital expenditure for the Track Record Period.

	Year ended December 31,		
	2009	2010	2011
	(US$'000)	(US$'000)	(US$'000)
Mining and ore processing facilities at NFCA	61,176	66,078	87,109
Mining and ore processing facilities at Luanshya (Baluba Center Mine)	33,221	52,608	14,696
Smelting facilities at CCS	9,709	14,496	37,672
Leaching facilities at SML	2,669	4,157	45,307
Mining and leaching facilities at Luanshya (Muliashi Project)	7,678	19,572	214,474
Total	114,453	156,911	399,258

Our total capital expenditure increased by 37.1% from US$114.5 million in 2009 to US$156.9 million in 2010 and further increased significantly to US$399.3 million in 2011. We used our capital expenditure primarily to expand our production capacities, including mining, smelting and leaching facilities, and to improve our mining, smelting and leaching technology.

We plan to expend US$757.4 million on our mining and ore processing, smelting and leaching facilities up to the end of 2013:

	Year ending December 31,	
	2012	2013
	(US$'000)	(US$'000)
Mining and ore processing facilities at NFCA	153,000	168,000
Mining and ore processing facilities at Luanshya (Baluba Center Mine)	9,002	5,585
Smelting facilities at CCS	68,678	88,535
Leaching facilities at SML	103,650	61,000
Mining and leaching facilities at Luanshya (Muliashi Project)	100,000	—
Total	**434,300**	**323,120**

We plan to finance such capital expenditure out of the net proceeds available to us from the Global Offering, cash generated from operating activities, available banking facilities and cash generated from future operations. See the section headed "Future Plans and Use of Proceeds" in this prospectus for further information.

Our current plan with respect to future capital expenditure is subject to change based upon the evolution of our business plan, including potential acquisitions, the progress of our capital projects, market conditions and our outlook on future business conditions. Other than as required by law and the Listing Rules, we do not undertake any obligation to publish updates of our capital expenditure plans.

DISTRIBUTABLE RESERVES

Although our Company did not have any distributable reserves as at December 31, 2011, as our business develops, and subject to the availability of distributable reserves, the Directors intend to pursue a dividend policy which reflects our cash flow and earnings, while maintaining an appropriate level of dividend cover and having regard to the need to further fund development of our activities.

DIVIDENDS

In 2009, 2010 and 2011, the aggregate dividends we declared to external shareholders of our subsidiaries amounted to US$9.4 million, US$28.5 million and US$22.8 million, respectively. As of the Latest Practicable Date, all outstanding dividends payable have been fully settled. We funded the payment of the declared dividends with cash in hand. In March 2012, the board of directors of SML resolved the appropriation of dividend of US$10.0 million for the approval in the forthcoming shareholders' meeting.

The amount of dividend declared by our Board of Directors in the future will depend upon: (a) our overall results of operation; (b) our financial position; (c) our capital requirements; (d) our shareholders interests; (e) our future prospects; and (f) other factors that the Board of Directors deems relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Ordinance, including, inter alia, the approval of our Shareholders.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in Zambia. There is no statutory provision under Zambian laws requiring a foreign enterprise to set aside part of their net profit as statutory reserves. Such a requirement is solely based on a company's policy. Under the Companies Act of Zambia, a company is obliged to maintain its nominal share capital as indicated on incorporation and procedures are prescribed where a company wishes to increase or reduce its share capital. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

CONNECTED PARTY TRANSACTIONS

See the section headed "Connected Transactions" in this prospectus for details on our transactions with connected parties.

RELATED PARTIES TRANSACTIONS

In the opinion of the Directors, our transactions with related parties during the Relevant Periods as set out in Note 36 of Section B to the Accountants' Report, set out in Appendix I to this prospectus were conducted on normal commercial terms and in our ordinary course of business.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to owners of the Company as if the Global Offering had taken place on December 31, 2011.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as at December 31, 2011 or at any future dates following the completion of the Global Offering.

	Audited consolidated net tangible assets attributable to owners of the Company as at December 31, 2011(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company per Share(3)
	(US$'000)	(US$'000)	(US$'000)	(US$)
Based on an Offer Price of HK$2.10 per Share	372,304	219,953	592,257	0.17
Based on an Offer Price of HK$2.80 per Share	372,304	295,604	667,908	0.19

Notes:

(1) The audited consolidated net tangible assets attributable to the owners of the Company as at December 31, 2011 were extracted from the accountants' report of the financial information of the Group as set out in Appendix I to this Prospectus.

(2) The estimated net proceeds of the Company from the Global Offering are based on the indicative Offer Price range of HK$2.10 per Share and HK$2.80 per Share after deduction of the underwriting fees and other relevant expenses payable by the Company (assuming the Over-allotment is not exercised). The estimated net proceeds of the Company from the Global Offering are converted to United States dollars at an exchange rate of US$0.1282 to HK$1.00 prevailing on the Latest Practicable Date.

(3) The unaudited pro forma adjusted net tangible assets attributable to owners of the Company per Share is arrived at after the adjustments referred to in the above paragraph and on the assumption of a total of 3,470,000,000 Shares, being the number of Shares in issue upon completion of the Global Offering (including Shares in issue as of the date of this prospectus and those Shares to be issued pursuant to the Global Offering, which takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option) were in issue. The unaudited pro forma adjusted net tangible assets attributable to owners of the Company per Share is converted to United States dollars at an exchange rate of US$0.1282 to HK$1.00 prevailing on the Latest Practicable Date.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or our prospects since December 31, 2011, the date on which the latest audited financial statements were published.

Our Directors confirm that they have performed sufficient due diligence on us to ensure the financial and operational conditions or prospects did not have material adverse changes from December 31, 2011 (the date of the consolidated statement of financial position that we published the latest audited financial information) to the date of this prospectus. Since December 31, 2011, there are no events which would materially affect the information stated in the Accountants' Report attached hereto as Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.