You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set out in the Accountants' Report included in "Appendix I – Accountants' Report" to this prospectus. Our financial statements have been prepared in accordance with HKFRS. Information included in this section that has not been extracted or derived from the Accountants' Report has been extracted or derived from unaudited management accounts or other records. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which we do not have control. For further information, see the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are principally engaged in the business of ore mining, ore processing and sale of concentrates we produce through our PRC operating subsidiary, Yifeng Wanguo. We currently own the entire equity interest in Yifeng Wanguo which owns the Xinzhuang Mine and the ore processing plant and facilities in Yifeng County, Jiangxi Province, PRC. The total proved and probable reserves of Xinzhuang Mine were approximately 18.6Mt as at 31 December 2011. Copper concentrates and iron concentrates are our core commodities which, in aggregate, contributed approximately 75.0%, 77.7% and 69.6% of our total concentrates sales for the three years ended 31 December 2011, respectively. Copper concentrates contributed 42.0%, 48.8% and 43.6% of our total concentrates sales, respectively for the three years ended 31 December 2011 while iron concentrates contributed 33.0%, 28.8% and 26.0% of our total concentrates sales, respectively for the three years ended 31 December 2011.

The Xinzhuang Mine was constructed in the period from 2003 to 2006 with an initial designed mining capacity and processing capacity of 200,000 tpa both and its trial production commenced in January 2007. Commercial production of the processing plants and the mine started in August 2007. It reached the initial designed by the end of 2013 capacity in 2008. Since then, we have continued our expansion and, as of 31 December 2011, we had a mining capacity of approximately 300,000 tpa and processing capacity of approximately 400,000 tpa. Our mining and ore processing facilities are currently under expansion and expected to complete by the end of 2013. We currently expect to have a mining capacity and an ore processing capacity of approximately 600,000 tpa each upon completion of the expansion plan. Please see the section headed "Business – Our Expansion Plan" in this prospectus. For the three years ended 31 December 2011, we processed a total of approximately 287,490t, 303,960t and 356,340t of ore at the Xinzhuang Mine respectively.

Mineral Resources and Reserves

The following table, which appears as Table 6.2 in the Independent Technical Expert's Report, provides information on the resources at the Xinzhuang Mine as at 31 December 2011 under the JORC Code. For definitions of the technical terms used in the tables, please refer to the section headed "Glossary of Technical Terms" in this prospectus.

The Xinzhuang Mine Mineral Resource Summary – as at 31 December 2011

Mineralisation Type	JORC Mineral Resource Category	Tonnage	Grades					Contained Metals				
			Cu	Pb	Zn	TFe	mFe	Cu	Pb	Zn	TFe	mFe
		kt	*%*	*%*	*%*	*%*	*%*	*kt*	*kt*	*kt*	*kt*	*kt*
Cu-Fe	Measured	6,218	0.80	–	–	–	–	49.66	–	–	–	–
	Indicated	12,989	0.69	–	–	–	–	89.99	–	–	–	–
	Subtotal	**19,206**	**0.73**	**–**	**–**	**–**	**–**	**139.65**	**–**	**–**	**–**	**–**
	Inferred	900	0.46	–	–	–	–	4.16	–	–	–	–
	Total	**20,106**	**0.72**	**–**	**–**	**–**	**–**	**143.81**	**–**	**–**	**–**	**–**
Fe-Cu	Measured	2,521	0.23	–	–	43.47	31.36	5.91	–	–	1,096	790
	Indicated	4,192	0.35	–	–	40.21	26.63	14.75	–	–	1,686	1,116
	Subtotal	**6,713**	**0.31**	**–**	**–**	**41.44**	**28.40**	**20.65**	**–**	**–**	**2,782**	**1,907**
	Inferred	319	0.52	–	–	44.16	31.05	1.66	–	–	141	99
	Total	**7,032**	**0.32**	**–**	**–**	**41.56**	**28.52**	**22.31**	**–**	**–**	**2,922**	**2,006**
Cu-Pb-Zn	Measured	2,269	0.15	0.95	4.93	–	–	3.51	21.51	111.88	–	–
	Indicated	2,748	0.11	1.73	3.78	–	–	2.99	47.60	103.74	–	–
	Subtotal	**5,017**	**0.13**	**1.38**	**4.30**	**–**	**–**	**6.50**	**69.12**	**215.62**	**–**	**–**
	Inferred	358	0.15	0.39	4.33	–	–	0.52	1.41	15.52	–	–
	Total	**5,376**	**0.13**	**1.31**	**4.30**	**–**	**–**	**7.03**	**70.52**	**231.14**	**–**	**–**
Total	Measured	11,008	–	–	–	–	–	59.08	21.51	111.88	1,096	790
	Indicated	19,929	–	–	–	–	–	107.73	47.60	103.74	1,686	1,116
	Subtotal	**30,937**	**–**	**–**	**–**	**–**	**–**	**166.81**	**69.12**	**215.62**	**2,782**	**1,907**
	Inferred	1,577	–	–	–	–	–	6.34	1.41	15.52	141	99
	Total	**32,514**	**–**	**–**	**–**	**–**	**–**	**173.14**	**70.52**	**231.14**	**2,922**	**2,006**

Note: The mineral resources also contain meaningful amounts of gold and silver. Based on limited composite sample analysis, the average grade is 0.19 g/t for gold and 13.1 g/t for silver in the Cu-Fe resource, 0.17 g/t for gold and 5.7 g/t for silver in the Fe-Cu resource, and 0.61 g/t for gold and 56.7 g/t for silver for the Cu-Pb-Zn resource.

Source: Table 6.2, Independent Technical Expert's Report

The following table, which appears as Table 6.4 in the Independent Technical Expert's Report, provides information on the reserves of the Xinzhuang Mine as at 31 December 2011 under the JORC Code. Pursuant to the Independent Technical Expert's Report, the aggregate proved ore reserves and probable ore reserves, under the JORC Code, of the Xinzhuang Mine are 18,584,000 tonnes.

The Xinzhuang Mine Ore Reserve Summary – 31 December 2011

Mineralisation Type	JORC Ore Reserve Category	Tonnage	Grades					Contained Metals				
			Cu	Pb	Zn	TFe	mFe	Cu	Pb	Zn	TFe	mFe
		kt	*%*	*%*	*%*	*%*	*%*	*kt*	*kt*	*kt*	*kt*	*kt*
Cu-Fe	Proved	4,777	0.77	–	–	–	–	36.74	–	–	–	–
	Probable	5,539	0.70	–	–	–	–	38.55	–	–	–	–
	Total	**10,316**	**0.73**	**–**	**–**	**–**	**–**	**75.29**	**–**	**–**	**–**	**–**
Fe-Cu	Proved	2,621	0.25	–	–	38.35	32.88	6.56	–	–	1,005	862
	Probable	2,621	0.35	–	–	30.41	25.30	9.06	–	–	797	663
	Total	**5,241**	**0.30**	**–**	**–**	**34.38**	**29.09**	**15.62**	**–**	**–**	**1,802**	**1,525**
Cu-Pb-Zn	Proved	1,706	0.14	0.89	4.62	–	–	2.41	15.12	78.80	–	–
	Probable	1,320	0.08	1.29	3.36	–	–	1.07	17.02	44.37	–	–
	Total	**3,026**	**0.12**	**1.06**	**4.07**	**–**	**–**	**3.48**	**32.14**	**123.17**	**–**	**–**
Total	Proved	9,104	–	–	–	–	–	45.71	15.12	78.80	1,005	862
	Probable	9,480	–	–	–	–	–	48.68	17.02	44.37	797	663
	Total	**18,584**	**–**	**–**	**–**	**–**	**–**	**94.39**	**32.14**	**123.17**	**1,802**	**1,525**

Note: The ore reserves also contain meaningful amounts of gold and silver. Based on limited composite sample analysis, the average grade is 0.19 g/t for gold and 13.1 g/t for silver in the Cu-Fe resource, 0.17 g/t for gold and 5.7 g/t for silver in the Fe-Cu resource, and 0.61 g/t for gold and 56.7 g/t for silver for the Cu-Pb-Zn resource.

Source: Table 6.4, Independent Technical Expert's Report

BASIS OF PRESENTATION

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow for the Track Record Periods 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 Periods, or since their respective dates of incorporation whichever 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 the group structure had been in existence as at those dates. The financial information in this section is presented in RMB, which is the same as the functional currency of our Company and its subsidiaries.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been, and will continue to be, affected by a number of important factors:

Prices of products

The selling price of our concentrates is determined by factors such as the prevailing prices of minerals in the market, the composition of our concentrates in the minerals, and the discount that we apply to each of our minerals in order for our customers to enjoy a certain level of profitability.

We sell our metal concentrates products to mineral trading and brokerage enterprises. Our metal concentrates will, in general, be ultimately purchased and used by smelters which further process and refine the concentrates into metal products that can be sold subsequently based on market prices of those metals or for other industrial uses. For further details of our pricing mechanism, please refer to the section headed "Business – Sale of Products – Pricing policy" in this prospectus.

Our other businesses principally comprise trading of other ore commodities such as lead ingots and zinc ingots. As confirmed by our Directors, our final purchase of metal ingots was conducted in September 2011 and we will not purchase additional ingots and will cease the metal ingots trading business once our existing metal ingots inventories have been sold out because our Directors consider it is more favourable for our Group to focus in our business of mining and ore processing.

The table below sets forth the amounts of our concentrates products sold, their respective revenues, and their respective average prices for the three years ended 31 December 2011:

	Year ended 31 December		
	2009	**2010**	**2011**
Copper concentrates(Note 1)			
Amount of copper sold *(t)*	1,155	2,132	2,362
Total revenue of copper *(RMB'000)*	36,379	88,490	114,937
Average price of copper *(RMB/t)*	31,497	41,506	48,661
Amount of gold sold *(kg)*	27	45	47
Total revenue of gold *(RMB'000)*	4,663	9,609	12,503
Average price of gold *(RMB/kg)*	172,704	213,533	266,021
Amount of silver sold *(kg)*	3,041	4,272	3,719
Total revenue of silver *(RMB'000)*	6,114	11,841	17,106
Average price of silver *(RMB/kg)*	2,011	2,772	4,600
Amount of iron concentrates sold *(t)*	58,967	63,642	77,701
Total revenue of iron concentrates *(RMB'000)*	28,532	52,197	68,453
Average price of iron concentrates *(RMB/t)*	484	820	881
Zinc concentrates(Note 2)			
Amount of zinc sold *(t)*	1,326	1,120	2,330
Total revenue of zinc *(RMB'000)*	9,502	10,773	21,307
Average price of zinc *(RMB/t)*	7,166	9,618	9,145
Amount of silver sold *(kg)*	438	303	727
Total revenue of silver *(RMB'000)*	148	102	205
Average price of silver *(RMB/kg)*(Note 3)	338	337	282
Amount of sulfur concentrates sold *(t)*	11,153	23,168	64,560
Total revenue of sulfur concentrates *(RMB'000)*	1,177	8,166	28,897
Average price of sulfur concentrates *(RMB/t)*	105	352	447

Notes:

1. Revenue attributable to copper represents the revenue of our copper concentrates sale. Gold and silver in copper concentrates were sold as by-products to the customer and additional fees were charged for the amount of gold and silver contained in the concentrates.

2. Revenue attributable to zinc represents the revenue of our zinc concentrates sale. Silver in zinc concentrates was sold as a by-product to the customer and additional fees were charged for the amount of silver contained in the concentrates.

3. Due to the difference in the process and complexity for extracting silver from copper concentrates and zinc concentrates, the formula for the determination of unit price of silver in zinc concentrates and copper concentrates are different, resulting in a lower unit price of silver in zinc concentrates than in copper concentrates.

The benchmark prices for the metal contained in our concentrates products may be influenced by numerous factors beyond our control such as supply and demand in the PRC and internationally, other macro-economic factors such as expectations regarding inflation rates, interest rates, currency exchange rates, as well as general global economic conditions and political trends. We have limited ability to anticipate and manage metal price fluctuations. Therefore, we can provide no assurance that metal prices will not decline in the future or that such prices will otherwise remain at sufficiently high levels to support our profitability. Please refer to the section headed "Risk Factors – Risks Relating to the Industry in which We Operate – Fluctuations in the market price of copper, iron and other metals contained in the concentrates we produce could materially and adversely affect our profitability and cash flows" in this prospectus.

Production volume

Our sales volume is largely dependent upon the demand for our concentrates and our ability to meet such demand. Our ability to meet market demand is limited by the amount of reserves at the Xinzhuang Mine and our level of mining and processing.

Level of mining and processing is affected by the scale and speed by which we exploit the Xinzhuang Mine, the availability of equipment and machinery necessary for extraction, and the capacity and efficiency of labour and third-party contractor we hire for extraction and to process the extracted ore into concentrates for sale. Our ability to obtain governmental approvals and to meet production, timing and cost estimates is important in the exploitation process of the Xinzhuang Mine. Unexpected maintenance or technical problems of our existing equipment or failures in delivery of key equipment to the Xinzhuang Mine may constrain our mining capacity and processing capacity. Additionally, our production may be materially and adversely affected by factors beyond our control, including adverse weather conditions, natural disasters such as earthquakes and unexpected geological formations.

Based on the mine life analysis conducted by the Independent Technical Expert, as at 31 December 2011, we had ore reserves at the Xinzhuang Mine that was estimated to be sufficient for production at our planned long-term production rate of 600,000 tpa for approximately 31 years. The ore reserve mine life for the production rate of 300,000 tpa, as of 31 December 2011, is approximately 61.9 years. For further details, please see the section headed "10.0 Production" of Appendix V to this prospectus.

Costs of production

Most of the major components of our costs of production are directly related to production volume. The key factors impacting our costs of production include variations in production volume, the costs of mining of ore and the costs of processing ore into concentrates.

The following table is extracted from the section headed "11.0 Operating Costs" of Appendix V to this prospectus.

Historical and Forecast Operating Costs for the Xinzhuang Mine, 2009-2014

	Historical			Forecast		
Item	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Mining Cost						
Contract Ore Mining Cost (RMB/t of milled ore)	136.74	107.10	103.26	103.0	101.0	103.0
Mining Management and Support (RMB/t of milled ore)	36.66	62.91	53.74	54.1	54.0	52.2
Total Mining Cost						
(RMB/t of milled ore)	**173.40**	**170.01**	**157.01**	**157.1**	**155.0**	**155.2**
(US$/t of milled ore)	**27.52**	**26.99**	**24.92**	**24.94**	**24.60**	**24.63**
Concentrating Cost						
Workforce Employment and Transport (RMB/t of milled ore)	5.96	10.12	11.16	10.2	9.2	7.7
Consumables (RMB/t of milled ore)	19.87	26.72	31.33	28.3	28.3	28.3
Fuel, Electricity and Water (RMB/t of milled ore)	23.19	22.75	23.46	21.7	20.0	21.7
Total Concentrating Cost						
(RMB/t of milled ore)	**49.02**	**59.58**	**65.95**	**60.2**	**57.5**	**57.7**
(US$/t of milled ore)	**7.78**	**9.46**	**10.47**	**9.56**	**9.13**	**9.15**
General and Administrative ("G&A") and Others Cost						
On and Off-Site Management (RMB/t of milled ore)	29.27	46.35	80.30	54.1	51.6	48.3
Environmental Protection and Monitoring (RMB/t of milled ore)	0.77	0.81	1.30	0.8	0.8	0.8
Product Marketing and Transport (RMB/t of milled ore)	4.19	8.08	9.67	7.0	6.9	7.1
Non-Income Taxes, Royalties and Governmental Charges (RMB/t of milled ore)	15.19	21.95	35.25	21.7	22.8	21.6
Interest Expense (RMB/t of milled ore)	6.55	9.01	6.98	7.0	4.2	–
Reserve of Reclamation Costs (RMB/t of milled ore)	1.03	1.00	0.89	1.0	0.9	0.8
Contingency Allowances (RMB/t of milled ore)	–	–	–	–	–	–
Total G&A and Others Cost						
(RMB/t of milled ore)	**57.00**	**87.20**	**134.38**	**91.6**	**87.2**	**78.5**
(US$/t of milled ore)	**9.05**	**13.84**	**21.33**	**14.54**	**13.84**	**12.46**
Total Operating Cost						
(RMB/t of milled ore)	**279.42**	**316.79**	**357.34**	**308.9**	**299.7**	**291.4**
(US$/t of milled ore)	**44.35**	**50.28**	**56.72**	**49.04**	**47.58**	**46.25**
Total Production Cost						
(RMB/t of milled ore)	**305.27**	**350.16**	**393.75**	**339.31**	**327.05**	**321.04**
(US$/t of milled ore)	**48.46**	**55.58**	**62.50**	**53.86**	**51.91**	**50.96**
CuEq in Concentrate Operating Cost						
(RMB/t)	**22,314**	**24,908**	**23,624**	**28,200**	**27,700**	**26,500**
(US$/t)	**3,542**	**3,954**	**3,750**	**4,480**	**4,400**	**4,210**
CuEq in Concentrate Total Production Cost						
(RMB/t)	**24,379**	**27,531**	**26,031**	**31,000**	**30,300**	**29,200**
(US$/t)	**3,870**	**4,370**	**4,132**	**4,920**	**4,800**	**4,630**

Source: Table 11.1, Independent Technical Expert's Report

The above table shows that the historical unit mining cost has decreased, while the unit concentrating and G&A and other costs have increased from 2009 to 2011 when the Xinzhuang Mine maintained a generally stable rate of mining and processing ore at around the then permitted 300,000 tpa level. The increases in unit operating costs are generally a result of the increases in concentrating cost and G&A and other costs mainly attributable to the increase in labour cost, material cost, marketing cost, and non-income taxes from 2009 to 2011. However, the decrease in mining cost from 2009 to 2011 reflects the decrease in the amount of non-capitalised development work by our third-party contractor in the last three years when the ore mining volume was generally consistent.

Forecast unit operating costs for the next three years will generally decrease from the 2011 level resulting from a fall in the unit labour cost and unit interest expenses when the rate of mining and processing ore increases gradually from approximately 300,000 tpa in the three years ended 31 December 2011 to 600,000 tpa in 2014. The Independent Technical Expert believes that the operating cost forecasts are generally reasonable and achievable provided that there are no significant inflation and labour cost increase as inflation factors and cost increase for labours are not considered in the unit operating cost forecast while these factors have contributed significantly for the cost increase for the last three years. For further details, please refer to the section headed "11.0 Operating Costs" of the Independent Technical Expert's Report on pages V-57 to V-60 of this prospectus.

The unit CuEq in concentrate operating costs and total production costs were calculated by converting all other metals in concentrates to CuEq in concentrate based on the sales price ratio of the metal to copper using the following formula:

CuEq = Cu in Cu Concentrate + (Au in Cu Concentrate × Au in Cu Concentrate Price + Ag in Cu Concentrate × Ag in Cu Concentrate Price + Fe Concentrate × Fe Concentrate Price + Pb in Pb Concentrate × Pb in Pb Concentrate Price + Au in Pb Concentrate × Au in Pb Concentrate Price + Ag in Pb Concentrate × Ag in Pb Concentrate Price + Zn in Zn Concentrate × Zn in Zn Concentrate Price + S Concentrate × S Concentrate Price)/Cu in Cu Concentrate Price

The unit CuEq in concentrate operating cost and total production cost presented in Table 11.1 were calculated by dividing the total operating cost and total production cost by the total CuEq in concentrate.

Historical and forecast prices of the metal in concentrate used for the unit CuEq in concentrate operating costs and total production costs are listed in Table 11.2 in the Independent Technical Expert's Report. The forecast prices of the metal in concentrate generally represent the average of the actual prices of the metal in concentrate in the past five years for the Xinzhuang Mine if available or for the market prices in China for the same period.

Price volatility of raw materials and utilities

Fluctuations in the prices of raw materials and utilities consumed for our productions have a direct impact on the results of our operations. The major raw materials and utilities for our productions include, among other things, forged steel grinding balls, electricity, explosives, chemicals products and diesel oil. Their prices may fluctuate depending on the grade, demand and supply of these raw materials and utilities. To the extent that we cannot pass on all increased costs to our customers, our revenues and profits may be negatively affected.

Our raw materials for production purpose include mainly forged steel grinding balls, explosives, chemicals products and diesel oil. The following table shows the changes of their average prices during the Track Record Period.

	Changes in average cost	
	2009 to 2010	**2010 to 2011**
Forged steel grinding balls	0.7%	5.4%
Explosives	-0.7%	0.0%
Chemicals products	23.4%	9.7%
Diesel oil	54.4%	17.3%

The average unit price of electricity for the three years ended 31 December 2011 was RMB0.55, RMB0.58 and RMB0.60, respectively, and has not fluctuated significantly during the Track Record Period.

As we price our concentrates based on respective market prices of minerals contained therein, we cannot pass the increased costs to the customers. For the year ended 31 December 2011, our material costs only accounted for 11.7% of our total cost of sales. Given the relatively small significance of our material costs to the total cost of sale at present, our Directors consider it is not necessary to have any specific mitigating policy to minimise the impact of any increase in raw material prices. Please also refer to the section headed "Risk Factors – Risks Relating to our Business – Our financial performance may be affected by fluctuations in raw material prices as our ability to pass on the increase in raw material costs to our customers is limited and we currently do not have any mitigating policy to minimise the potential impact of such increase" in this prospectus.

Development, construction and mining operations

Our future expansion and growth will be affected by our ability to meet production, timing and cost estimates for mine development projects currently under construction. Technical considerations, ability to obtain governmental approvals and financing are also important factors that will impact the outcome of any current and future projects.

Economic growth globally and in the PRC

We mainly produce and sell concentrates products that are used for the production of metal products. The demand for metal products primarily depends on the global and PRC economy as well as the stability of international trade. In recent years, the PRC has become an increasingly important market for refined copper. Between 2007 and 2013, AME estimates that refined copper demand in the PRC may increase from around 5 Mt to over 8 Mt, or at a CAGR of approximately 9%.

CRITICAL ACCOUNTING POLICIES

The preparation of the consolidated financial statements requires the management to make judgements, estimates and assumptions that affect the carrying amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The following sets out certain critical accounting policies that our Group's management considers to be critical in the portrayal of our Group's financial position and results of operations:

Revenue recognition

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

Revenue from the sale of good is recognised when there has been a transfer of risks and rewards to the customer, no further work or processing is required by our Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is reasonable assured. This is generally when title passes and the goods have been delivered to a contractually agreed location and after inspection.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes (other than construction in progress as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Construction in progress represents buildings, mining structures, and plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less any identified impairment loss. Cost comprises construction expenditure and other direct costs attributable to such projects, if the amount of capital expenditures and the time involved to complete the construction are significant. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Deprecation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mining right

Mining right with definite useful lives are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is provided using the unit of production method based the actual production volume over the estimated total proven and probable reserves of the ore mine within the terms of licence of 20 years.

Amortisation of mining right

Mining right is amortised using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mine within the licence term of 20 years. The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgements and decision based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting mineral prices and costs change. Reserve estimates are based on current production forecasts, prices and economic conditions. The Directors exercise their judgement in estimating the total proven and probable reserves of the ore mine.

In accordance with our accounting policy, we estimate our future amortisation expenses based on the expected production volume during the year divided by the estimated total proven and probable reserves within the remaining term of our existing mining licence which is currently expected to expire in 2032, rather than on a straight line basis over the estimated mine life. The estimation of the total proven probable reserves used in the calculation of our future amortisation expenses is calculated based on our future mining capacity in anticipation of our expansion plan and the number of years remaining until the expiry of our existing mining licence. As such, it is different from the proved and probable ore reserves in the Independent Technical Expert's Report set out in Appendix V to this prospectus which is estimated based on the JORC Code and without taking into consideration of the term of our existing mining licence.

For the three years ended 31 December 2011, we incurred amortisation expenses for mining right of approximately RMB628,000, RMB642,000 and RMB692,000, respectively. The estimated total proven and probable reserves used in the calculation of the amortisation expenses during the Track Record Period takes into consideration of our mining capacity of 300,000 tpa as of 31 December 2011. As we expect the ore to be mined and processed will increase to 450,000 tonnes for 2012, 500,000 tonnes for 2013 and 600,000 tonnes for 2014 and every year thereafter up to 2032 in accordance with our current expansion plan, the estimated total proven and probable reserves used in the calculation of our future amortisation expenses for these periods will tend to be higher than those used for the calculation of our historical amortisation expenses. As such, our estimated amortisation costs of approximately RMB341,000 and RMB378,000 for the year ending 31 December 2012 and 2013, respectively, are lower than those incurred during the Track Record Period.

Impairment of tangible and intangible assets

At the end of each reporting period, our Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Inventories

Inventories are stated at the lower of costs and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated cost of completion and cost necessary to make the sales.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or tax deductible. Our Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where our Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which our Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and our Group intends to settle its current tax assets and liabilities on a net basis.

Provision for restoration cost

Our Group is required to make payments for restoration of the land after the underground sites have been mined. Provision for restoration cost is recognised when our Group has a present obligation as a result of past event, and it is probable that our Group will be required to settle that obligation. Provision is measured in accordance with the relevant rules and regulations applicable in the PRC at the end of the reporting period, and using the cash flows forecast to estimate the present obligation, and is discounted to their present value where the effect is material.

Our Directors, by their best estimate, consider the amount and timing of future cash spending needed upon closure of mine under the applicable environmental policies and/or standards promulgated by the PRC governmental authorities. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amount of provision represents the present value of the expenditures expected to be required to settle the obligation. We record the spending in the profit and loss account in which the liability is incurred over the estimated mine life. If the effect of the land and the environment becomes apparent in the future periods, the estimate of the provision may be subject to revision.

Our Company's approach adopted for restoration costs is based on the restoration scheme prepared by an expert and approved by the Department of Land and Resources of Jiangxi Province. The associated restoration work mainly includes recovery work of the surface environment and backfilling the mine. Our Directors are of the view that the current accounting treatment is not uncommon and is also in accordance with the relevant Hong Kong accounting standards and that there is no other permitted alternative accounting treatment for the restoration cost which could be adopted by us.

Provisions for restoration cost of approximately RMB625,000, RMB928,000 and RMB1,245,000 were made as of 31 December 2009, 2010 and 2011, respectively. For the three years ended 31 December 2011, restoration costs per volume of ore mined were approximately RMB0.99/t, RMB0.99/t and RMB0.93/t, respectively. There were no material changes of estimate of the restoration cost during the Track Record Period.

Restoration cost incurred during the Track Record Period was not recognised as mining assets in our Group's balance sheets because our Group did not generate any economic benefits as a result of such restoration cost being incurred during the Track Record Period.

RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of comprehensive income for the periods indicated, as derived from the Accountants' Report attached as Appendix I to this prospectus.

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	86,515	204,428	296,737
Cost of sales	(54,365)	(114,543)	(145,130)
Gross profit	32,150	89,885	151,607
Other gains and income	151	5,601	4,373
Selling and distribution expenses	(1,205)	(2,457)	(3,446)
Administrative expenses	(10,045)	(17,070)	(23,726)
Listing expenses	–	–	(6,746)
Fair value loss on derivative	–	–	(6,877)
Finance costs	(1,883)	(2,740)	(2,487)
Profit before tax	19,168	73,219	112,698
Income tax expenses	(5,346)	(19,392)	(31,004)
Profit and total comprehensive income for the year	13,822	53,827	81,694
Attributable to:			
Owners of our Company	10,558	48,430	73,258
Non-controlling interests	3,264	5,397	8,436
	13,822	53,827	81,694

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME LINE ITEMS

Revenue

Revenue represents income generated from the sales of our concentrates and trading of other commodities to customers, net of VAT. Our revenue is affected by our total sales volume, which is subject to our mining capacity and processing capacity, and the average sales prices of our concentrates as well as the sales volume and the average selling price of other ore commodities.

The following table sets forth the sale of concentrates and other ore commodities by product categories for the year ended 31 December 2009, 2010 and 2011.

	Year ended 31 December					
	2009		2010		2011	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Sales of concentrates:						
Copper concentrates*(Note 1)*	36,379	42.0	88,490	43.3	114,937	38.7
Iron concentrates	28,532	33.0	52,197	25.5	68,453	23.1
Zinc concentrates*(Note 2)*	9,502	11.0	10,773	5.3	21,307	7.2
Sulfur concentrates	1,177	1.4	8,166	4.0	28,897	9.7
Gold in copper concentrates*(Note 1)*	4,663	5.4	9,609	4.7	12,503	4.2
Silver in copper and zinc concentrates*(Notes 1 and 2)*	6,262	7.2	11,943	5.8	17,311	5.9
Sub-total	86,515	100.0	181,178	88.6	263,408	88.8
Sales of other ore commodities*(Note 3)*	–	–	23,250	11.4	33,329	11.2
TOTAL	86,515	100.0	204,428	100.0	296,737	100.0

Notes:

1. Revenue attributable to copper represents the revenue of our copper concentrates sale. Gold and silver contained in copper concentrates were sold as by-products together with the copper concentrates to the customers and additional fees were charged for the amount of gold and silver contained in the concentrates.

2. Revenue attributable to zinc represents the revenue of our zinc concentrates sale. Silver in zinc concentrates was sold as a by-product together with the zinc concentrates to the customers and additional fees were charged for the amount of silver contained in the concentrates.

3. Trading of other ore commodities represents trading of ingots of lead, zinc and aluminium.

For the three years ended 31 December 2011, our copper concentrates accounted for 42.0%, 43.3% and 38.7% of our total revenue, respectively while iron concentrates accounted for 33.0%, 25.5% and 23.1% of our total revenue, respectively. We expect copper and iron concentrates to continue to account for the majority of our revenue.

Our revenue derived from sales of copper concentrates increased from approximately RMB36.4 million in 2009 to approximately RMB114.9 million in 2011, representing a compound annual growth of 77.7%. Our revenue derived from sales of iron concentrates increased from approximately RMB28.5 million in 2009 to approximately RMB68.5 million in 2011, representing a compound annual growth of 55.0%. Our revenue derived from sale of sulfur concentrates increased from approximately RMB1.2 million in 2009 to approximately RMB28.9 million in 2011 mainly due to the combination of the effect of the increase in average selling price of sulfur concentrates by approximately 325.7% coupled with the increase in sale volume by approximately 478.9% from 2009 to 2011. Our Directors are of the view that the increase in average selling price of sulfur concentrates was mainly due to the increase in demand as a result of the improvement in the PRC economy after the recovery from the global financial crisis in 2008. In respect of the increase in sale volume, our Directors confirm that sulfur concentrates with grade lower than a certain threshold would not be recovered by us at the end of the processing procedures as they would not be accepted by customers in general because of the low grading. In 2009, we were only able to produce a relatively small amount of sulfur concentrates with grade that was acceptable by our customers and recovered by us at the ended of the processing procedures. Following adjustment in our ore processing arrangement and the experience of our ore processing staff becoming more mature to enhance the grade of our sulfur concentrates, the volume of sulfur concentrates with grade acceptable by our customers and accordingly recovered by us at the end of our processing procedures had increased significantly from 2009 to 2011, resulting in the increase in our sale of sulfur concentrates.

Our overall revenue increased from approximately RMB86.5 million in 2009 to approximately RMB296.7 million in 2011, representing a compound annual growth of 85.2%. Our Directors believe that the increase was mainly attributable to the increase of selling price driven by growth of economy in PRC as well as increase in volume of sales under the growth of our processing capacity.

Cost of sales

The following table sets forth the breakdown of our cost of sales for the periods indicated:

	Year ended 31 December					
	2009		2010		2011	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Cost of concentrates:						
Material costs*(Note 1)*	11,487	21.1	16,323	14.3	17,023	11.7
Contracting fees*(Note 2)*	39,311	72.3	32,555	28.4	36,797	25.4
Labour	3,650	6.7	6,323	5.5	8,692	6.0
Power and utility costs	8,694	16.0	13,760	12.0	15,583	10.7
Repairs and maintenance	584	1.1	479	0.4	514	0.4
Depreciation	6,145	11.3	8,693	7.6	10,460	7.2
Safety production fees*(Note 3)*	1,450	2.7	2,140	1.9	7,358	5.1
Provision for restoration costs	297	0.5	303	0.3	317	0.2
Resources and other taxes	2,636	4.9	3,047	2.7	7,292	5.0
Others	439	0.8	593	0.5	839	0.6
	74,693	137.4	84,216	73.6	104,875	72.3
Inventory movement*(Note 5)*	(20,328)	(37.4)	7,040	6.1	4,726	3.3
Sub-total	54,365	100.0	91,256	79.7	109,601	75.6
Cost of other ore commodities:*(Note 4)*						
Commodities costs	–	–	23,287	20.3	32,126	22.1
Impairment loss on inventories	–	–	–	–	3,403	2.3
Sub-total	–	–	23,287	20.3	35,529	24.4
	54,365	100.0	114,543	100.0	145,130	100.0

Notes:

1. Material costs were incurred for purchase of raw materials that were used for production. Raw materials included forged steel grinding balls, chemicals and mechanical parts for machinery.

2. Contracting fees represent fees paid to our third-party contractor who carried out ore mining activity at our mine.

3. Safety production fees mainly represent expenses incurred in connection with safety operation purpose such as cement and safety equipment costs.

4. Costs of other commodities mainly represent costs of ingots sold to third parties. We did not conduct such business in 2009.

5. Inventory movement means work-in-progress and finished goods as of the beginning of the year less work-in-progress and finished goods as of the end of the year.

Contracting fees were primarily related to the amount of mining work performed. Decrease in contracting fees from approximately RMB39.3 million for the year ended 31 December 2009 to approximately RMB32.6 million for the year ended 31 December 2010 was mainly due to the reduction of tunnelling (掘進) activities conducted by the third-party contractor in 2010. For the year ended 31 December 2011, increase in contracting fees to approximately RMB36.8 million was mainly due to the increased volume of ores received by us from the contractor during the year.

Labour cost primarily comprised wages paid to our employees working at our processing plants. The increase of labour cost from approximately RMB3.7 million for the year ended 31 December 2009 to approximately RMB6.3 million for the year ended 31 December 2010 was mainly due to the increase in rewards of bonus paid to staff under the growth of sales. For the year ended 31 December 2011, labour cost further increased to approximately RMB8.7 million. It was mainly due to the increase in number of staff and incentive payments in order to cope with our expansion plan.

Power and utility cost mainly comprised the electricity consumption of mining machines and concentrators. The increase in power and utility costs from approximately RMB8.7 million for the year ended 31 December 2009 to approximately RMB13.8 million for the year ended 31 December 2010 and to approximately RMB15.6 million for the year ended 31 December 2011, was mainly due to an increase in electricity consumption as a result of increased production.

Depreciation primarily represented the depreciation of mining structures, buildings and machines related to ore mining and processing. The increase in depreciation from approximately RMB6.1 million for the year ended 31 December 2009 to approximately RMB8.7 million for the year ended 31 December 2010 was principally attributable to completion of Concentrator No. 2. For the year ended 31 December 2011, depreciation amounted to approximately RMB10.5 million. It was mainly due to provision of full year depreciation for Concentrator No. 2 in 2011 as completion of construction of Concentrator No. 2 took place in the second half of 2010.

Safety production fees increased from approximately RMB1.5 million for the year ended 31 December 2009 to approximately RMB2.1 million for the year ended 31 December 2010. Such increase in 2010 was attributable to substantial use of cement in filled system. For the year ended 31 December 2011, safety production fees increased to RMB7.4 million. Such increase was mainly due to the increase in use of cement for support structure in the mining system for the purpose of complying with safety standard imposed by local authority in 2011.

Provision for restoration cost represented estimated costs for the purpose of restoration of the land after the underground sites have been mined.

Resources tax was incurred when the metal concentrates were sold, and calculated based on the volumes of mined ores from which those sold metal concentrates were extracted at RMB5, RMB7 and RMB10 per tonne for copper, iron and zinc, respectively. Other taxes represented city maintenance and construction tax and education surcharge. For the year ended 31 December 2011, resources and other taxes increased to RMB7.3 million. The increase was mainly due to the education surcharge of approximately RMB3.6 million recorded in 2011, which was levied by the relevant authority since December 2010.

Impairment loss on inventories represented provision for impairment of certain ingots at net realisable value.

Gross profit and gross profit margin

	Year ended 31 December					
	2009		2010		2011	
		Gross Profit Margin		Gross Profit Margin		Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Sales of concentrates	32,150	37.2	89,922	49.6	153,807	58.4
Trading of other commodities	–	N/A	(37)	(0.2)	(2,200)	(6.6)
TOTAL	32,150	37.2	89,885	44.0	151,607	51.1

The overall gross profit of our Group for the year ended 31 December 2010 was approximately RMB89.9 million, which represented an increase of approximately 179.2% compared to approximately RMB32.2 million for the year ended 31 December 2009. The overall gross profit of our Group for the year ended 31 December 2011 further increased by approximately 68.6% to RMB151.6 million compared to that for the year ended 31 December 2010.

Our overall gross profit margin increased from approximately 37.2% for the year ended 31 December 2009 to approximately 44.0% for the year ended 31 December 2010, and further increased to approximately 51.1% for the year ended 31 December 2011. Such increase was mainly contributed by an increase in sales prices of our concentrates.

Our Group started trading of ingots in 2010. The gross losses in this business in 2010 and 2011 were resulted from the fall in market prices of the respective metal during that year.

The increase in gross loss in trading of other commodities in 2011 was attributable to inclusion of impairment loss of approximately RMB3.4 million.

Other gains and income

For the three years ended 31 December 2011, our other gains and income were approximately RMB0.1 million, RMB5.6 million and RMB4.4 million respectively.

Other gains and income represented interest income received from our bank deposits, exchange gains, net gain from sales of fixed assets, grant from the local government to Yifeng Wanguo for mining technology improvement and subsidy received by Yifeng Wanguo from Bureau of Finance of Jiangxi Province in relation to the incentive policy for foreign investment in Jiangxi Province.

Selling and distribution expenses

For the three years ended 31 December 2011, our selling and distribution expenses were approximately RMB1.2 million, RMB2.5 million and RMB3.4 million respectively. Selling and distribution expenses consisted primarily of salaries and wages for sales personnel and transportation charges for delivery of our concentrates products. For the three years ended 31 December 2011, our transportation costs were approximately RMB1.1 million, RMB2.3 million and RMB2.9 million respectively. Our Directors believed that our transportation costs were relatively low because the transportation costs would be borne by our customers who collect the concentrates at our mine. For details, please refer to the section headed "Business – Sale of Products" in this prospectus.

Administrative expenses

The following table sets forth the breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Staff costs	3,382	5,726	7,769
Travelling and transportation	505	662	1,194
Depreciation and amortisation	1,090	1,233	2,077
Legal and professional fees	1,235	270	222
Mineral resources compensation	1,730	3,623	5,268
Entertainment	457	633	713
Others	1,646	4,923	6,483
	10,045	17,070	23,726

Staff costs represented payroll, bonus and welfare paid to administrative staff. The increase in staff costs was mainly attributable to increase in bonus paid in line with performance of operation as well as increase in number of administrative staff and their salaries under our expansion of business.

Travelling and transportation costs mainly include the travelling and related expenses such as vehicle expenses and toll charges for our staff's business trips.

Legal and professional fees mainly consisted of audit fees, consultancy fees and safety evaluation fees. The decrease in these fees in 2010 were mainly due to one-off consultancy fees paid in respect of purchase of industry data and information and mine exploration in 2009.

Mineral resources compensation (礦產資源補償費) was levied by the Department of Land and Resources (國土資源局). The mineral resources compensation was computed based on the revenue of mineral products at a certain compensation levy rates. The increase in these fees was mainly due to the increase in our sales during the Track Record Period.

Listing expenses

For the three years ended 31 December 2011, our listing expenses were nil, nil and RMB6.7 million, respectively.

Listing expenses represented professional fees paid to relevant parties in connection with the Listing.

Finance costs

Finance costs primarily included the interest expenses for interest bearing bank borrowings, net of capitalised interest. Interest expenses were capitalised if the borrowings underlying the interest expenses were for construction of mine expansion.

Income tax expense

On 16 March 2007, the PRC government promulgated the EIT Law and, on 6 December 2007, the State Council of the PRC issued the EIT Rules. Under the EIT Law and the EIT Rules, effective 1 January 2008, a unified enterprise income tax rate is set at 25% for both domestic enterprises and foreign invested enterprises. As a result, our PRC subsidiary is subject to PRC income tax at a tax rate of 25%.

The following table sets forth details regarding our income tax expenses for the periods indicated:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	19,168	73,219	112,698
Tax at the PRC Enterprise Income Tax rate of 25%	4,792	18,305	28,175
Tax effect of expenses not deductible for tax purpose	145	118	500
Tax effect of income not taxable for tax purpose	(32)	(644)	(766)
Withholding tax for distributable earnings of PRC subsidiary	441	1,613	3,095
Tax charge for the year	5,346	19,392	31,004
Effective tax rates	27.9%	26.5%	27.5%

For each of the years ended 31 December 2009, 2010 and 2011, our Group was subject to an effective tax rate of 27.9%, 26.5% and 27.5% respectively.

Our income tax expense represented income tax expense currently payable that based on taxable profit for the year and deferred tax liability mainly arising from withholding tax applied on the profit of our PRC subsidiary.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year ended 31 December 2011 compared with year ended 31 December 2010

Revenue

Our revenue increased by 45.2% from approximately RMB204.4 million in 2010 to approximately RMB296.7 million in 2011. The increase was primarily attributable to the increase in the sales volume of copper concentrates, iron concentrates and sulfur concentrates which was priced based on the content of copper, iron and sulfur therein, respectively, as well as the increase in their sales prices.

For the year ended 31 December 2011, we sold 2,362 tonne of copper in copper concentrates, 77,701 tonne of iron concentrates and 64,560 tonne of sulfur concentrates, compared to 2,132 tonne, 63,642 tonne and 23,168 tonne respectively for the year ended 31 December 2010, representing increases of approximately 10.8%, 22.1% and 178.7%, respectively.

The average prices of copper in copper concentrates, iron concentrates and sulfur concentrates in 2011 were RMB48,661, RMB881 and RMB447 per tonne respectively, compared to RMB41,506, RMB820 and RMB352 per tonne respectively in 2010, representing a rise of 17.2%, 7.6% and 27.0% respectively.

Our Directors believe that the growth primarily was due to the shortage of mineral supply in China.

Revenue from sales of ingots increase from approximately RMB23.3 million in 2010 to approximately RMB33.3 million in 2011. The business of ingots trading will be ceased once all the existing inventories are sold.

Cost of sales

Our cost of sales of concentrates increased by approximately 20.0% from approximately RMB91.3 million in 2010 to approximately RMB109.6 million in 2011. The increase in cost of sales was mainly attributable to increase in sales volume under the growth of business.

The cost of sales of ingots trading increased by approximately 52.4% from approximately RMB23.3 million in 2010 to RMB35.5 million in 2011. The increase was mainly due to increase in trading volume.

Gross profit and gross profit margin

The overall gross profit of our Group for the year ended 31 December 2011 was approximately RMB151.6 million, which represents an increase of approximately 68.6% compared to approximately RMB89.9 million for the year ended 31 December 2010. Our overall gross profit margin increased from 44.0% for the year ended 31 December 2010 to approximately 51.1% for the year ended 31 December 2011. Such increase was mainly contributed by an increase in sales prices of our concentrates.

Other gains and income

Our other gains and income decreased by approximately RMB1.2 million from approximately RMB5.6 million in 2010 to approximately RMB4.4 million in 2011. The decrease was primarily because of an one off government subsidy for the incentive policy of importing foreign capital recognised in 2010.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 36.0% from approximately RMB2.5 million in 2010 to approximately RMB3.4 million in 2011, principally attributable to the increase in the use of transportation of rail and vehicles for the delivery of our products under the expansion of our business and increase in salary paid for our sales representatives.

Administrative expenses

Our administrative expenses increased by approximately 38.6% from approximately RMB17.1 million in 2010 to approximately RMB23.7 million in 2011. The increase was principally attributable to increase in staff costs incurred and mineral resources compensation levied under the growth of operation.

Fair value loss on derivative

During the year ended 31 December 2011, Yifeng Wanguo entered into a number of trading transactions of future contracts in respect of copper and zinc, which were traded in the Shanghai Future Exchange. The transactions ended up with a net loss of approximately RMB6.9 million. All the contracts were settled within the year. For further details, please refer to the section headed "– Market Risks – Commodity price risk" below.

Finance costs

Our finance costs decreased by approximately 7.4% from approximately RMB2.7 million in 2010 to approximately RMB2.5 million in 2011, primarily due to decrease in bank borrowing in 2011.

Income tax expense

Our income tax expense was approximately RMB31.0 million in 2011, consisting of PRC corporate income tax payable of approximately RMB28.8 million and a deferred tax charge of approximately RMB2.2 million. Our income tax expense was approximately RMB19.4 million in 2010, consisting of PRC corporate income tax payable of approximately RMB17.9 million, withholding tax payable of approximately RMB1.9 million, less a deferred tax credit of approximately RMB0.4 million.

The increase in our income tax expense in 2011 was primarily due to an increase in taxable income during the year in our subsidiary, Yifeng Wanguo, under the growth of business. Increase in the profit of Yifeng Wanguo in 2011 also resulted in an increase in deferred tax liabilities as HK Taylor is a non-PRC resident enterprise which is subject to PRC withholding tax on dividend received.

Profit and total comprehensive income

As a result of the foregoing, our profit after taxation increased by approximately 51.9%, or approximately RMB27.9 million, from approximately RMB53.8 million for the year ended 31 December 2010 to approximately RMB81.7 million for the year ended 31 December 2011. Our net profit margin increased from approximately 26.3% for the year ended 31 December 2010 to approximately 27.5% for the year ended 31 December 2011 under increase in sales prices and the volume of our concentrates and products sold.

Profit attributable to owners of our Company

The profit attributable to the owners of our Company increased by approximately 51.4% or approximately RMB24.9 million, from approximately RMB48.4 million for the year ended 31 December 2010 to approximately RMB73.3 million for the year ended 31 December 2011.

Year ended 31 December 2010 compared with year ended 31 December 2009

Revenue

Our revenue increased by 136.3% from approximately RMB86.5 million in 2009 to approximately RMB204.4 million in 2010. The increase was primarily attributable to the increase in the sales volume of copper concentrates and iron concentrates which was priced based on the content of copper and iron therein, respectively, as well as the increase in their sales prices.

For the year ended 31 December 2010, we sold 2,132 tonne of copper in copper concentrates and 63,642 tonne of iron concentrates, compared to 1,155 tonne and 58,967 tonne respectively for the year ended 31 December 2009, representing increases of approximately 84.6% and 7.9%, respectively.

The average prices of copper in copper concentrates and iron concentrates in 2010 were RMB41,506 and RMB820 per tonne respectively, compared to RMB31,497 and RMB484 per tonne respectively in 2009, representing a rise of 31.8% and 69.4% respectively.

Our Directors believe that the growth primarily was due to increasing demand of minerals in China under the robust growth of China's economy in 2010 from financial crisis.

In 2010, our Group started trading of ore commodities ingots by use of idle funds available, contributed revenue of approximately RMB23.3 million which accounted for 11.4% of our total revenue. We did not engage in the business of ingots trading in 2009.

Cost of sales

Our cost of sales of concentrates increased by approximately 67.8% from approximately RMB54.4 million in 2009 to approximately RMB91.3 million in 2010. The increase in cost of sales was mainly attributable to increase in sales volume under the growth of business. The business of ingots trading started in 2010 and we incurred cost of sales of approximately RMB23.3 million in this business.

Gross profit and gross profit margin

The overall gross profit of our Group for the year ended 31 December 2010 was approximately RMB89.9 million, which represents an increase of approximately 179.2% compared to approximately RMB32.2 million for the year ended 31 December 2009. Our overall gross profit margin increased from 37.2% for the year ended 31 December 2009 to approximately 44.0% for the year ended 31 December 2010. Such increase was mainly contributed by an increase in sales prices of our concentrates and partly offset by an increase in cost of sales.

Other gains and income

Our other gains and income increased by approximately RMB5.5 million from approximately RMB0.1 million in 2009 to approximately RMB5.6 million in 2010. The increase was primarily attributable to exchange gains arose mainly from translation of the amount due to shareholder from Hong Kong dollars into RMB under appreciation of RMB and government subsidy for the incentive policy of importing foreign capital.

Selling and distribution costs

Our selling and distribution costs increased by approximately 108.3% from approximately RMB1.2 million in 2009 to approximately RMB2.5 million in 2010, principally attributable to the increase in the use of transportation of rail and vehicles for the delivery of our products under the expansion of our business.

Administrative expenses

Our administrative expenses increased by approximately 71.0% from approximately RMB10.0 million in 2009 to approximately RMB17.1 million in 2010. The increase was principally attributable to increase in staff costs and mineral resources compensation levied under the growth of operation. Increase in staff costs was mainly attributable to the increase in payroll and bonus paid.

Finance costs

Our finance costs increased by approximately 42.1% from approximately RMB1.9 million in 2009 to approximately RMB2.7 million in 2010, primarily due to an increase in bank borrowing in 2010.

Income tax expense

Our income tax expense was approximately RMB19.4 million in 2010, consisting of PRC corporate income tax payable of approximately RMB17.9 million, withholding tax payable of approximately RMB1.9 million, less a deferred tax credit of approximately RMB0.4 million. Our income tax expense was approximately RMB5.3 million in 2009, consisting of PRC corporate income tax payable of approximately RMB5.0 million, withholding tax payable of approximately RMB0.4 million, and a deferred tax credit of approximately RMB0.1 million.

The increase in our income tax expense in 2010 was primarily due to an increase in taxable income during the year in our subsidiary, Yifeng Wanguo, under the growth of business. Increase in the profit of Yifeng Wanguo in 2010 resulted in an increase in withholding tax as HK Taylor is a non-PRC resident enterprise which is subject to PRC withholding tax on dividend received.

Profit and total comprehensive income

As a result of the foregoing, our profit after taxation increased by approximately 289.9%, or approximately RMB40.0 million, from approximately RMB13.8 million for the year ended 31 December 2009 to approximately RMB53.8 million for the year ended 31 December 2010. Our net profit margin increased from approximately 16.0% for the year ended 31 December 2009 to approximately 26.3% for the year ended 31 December 2010 under increase in sales prices and the volume of our concentrates and products sold.

Profit attributable to owners of our Company

The profit attributable to the owners of our Company increased by approximately 356.6% or approximately RMB37.8 million, from approximately RMB10.6 million for the year ended 31 December 2009 to approximately RMB48.4 million for the year ended 31 December 2010.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity requirements relate to funding working capital, capital expenditures, acquisition of mining right and maintaining cash reserves, which are funded by a combination of bank borrowings and shareholder equity and loans as well as cash generated from operation. We engage a third-party contractor to carry out substantially all of our mining operations. Our capital requirements include construction of mine shafts and the expansion of processing facilities.

We had cash and cash equivalents of approximately RMB6.5 million, RMB30.5 million and RMB37.4 million as at 31 December 2009, 2010 and 2011, respectively.

From time to time, we may enter into short-term borrowings, and as a result, we may need to allocate a portion of our cash flow to service these obligations.

NET CURRENT (LIABILITIES)/ASSETS

	As at 31 December			Unaudited As at 30 April
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT ASSETS				
Prepaid lease payments	217	217	484	484
Inventories	26,009	60,169	48,803	46,651
Trade and other receivables	15,375	7,393	3,779	8,605
Amount due from a shareholder	175	175	–	–
Bank balances and cash	6,467	30,526	37,380	41,473
	48,243	98,480	90,446	97,213
CURRENT LIABILITIES				
Trade and other payables	37,410	39,055	40,113	26,114
Amount due to a related company	4,578	4,578	216	216
Amounts due to shareholders	83,523	87,440	7,297	8,907
Amount due to a non-controlling shareholder of a subsidiary	879	6,008	–	–
Amount due to West-Jiangxi Brigade	–	–	–	12,000
Tax payable	4,652	13,512	15,459	25,001
Secured bank borrowings	9,000	9,000	9,000	9,000
	140,042	159,593	72,085	81,238
NET CURRENT (LIABILITIES)/ASSETS	(91,799)	(61,113)	18,361	15,975

Our Group recorded a net liability of approximately RMB5.5 million as at 31 December 2009 which was mainly attributable to the accumulated losses brought forward from the early stage of operation before 2009, net current liabilities of approximately RMB91.8 million and RMB61.1 million as at 31 December 2009 and 2010 respectively, mainly as result of substantial capital investments financed by short-term shareholders' borrowings which were outstanding for the sum of approximately RMB83.5 million and RMB87.4 million as of 31 December 2009 and 2010, respectively. The sum was provided mainly by Mr. Gao to our Group for the purpose of financing the acquisition of the equity interest in Yifeng Wanguo by HK Taylor in our historical reorganisation. As at 31 December 2011, we had net current assets of approximately RMB18.4 million, and the change from a net current liability position to a net current asset position was mainly due to the waiver of the above-mentioned short-term shareholders' borrowings for the total sum of approximately RMB70.6 million by Mr. Gao in 2011. We have pledged the mining right for the Xinzhuang Mine to secure banking facilities at a sum of RMB45,000,000 as at 30 April 2012 which had been completely drawn down.

Our financial position had changed from net current liabilities position of approximately RMB91.8 million as at 31 December 2009 to net current assets position of approximately RMB18.4 million as at 31 December 2011, indicating a strong improvement of our Group's financial strength and profitability.

Our Directors confirm that the amount due to a related company as at 30 April 2012 will be settled before the Listing. Amounts due to shareholders as at 30 April 2012 mainly represents dividend payable to shareholders of RMB8.4 million. The amount due to shareholders will be settled by our internally generated resources before Listing.

Our Directors are of the view that the related party transactions are based on normal commercial terms determined and agreed by the respective parties. The related party transactions will be discontinued after the Listing.

Cash flows

The following table sets out a condensed summary of our Group's consolidated statements of cash flow for the period indicated:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Net cash inflow from operating activities	9,337	48,062	113,258
Net cash outflow from investing activities	(21,926)	(25,355)	(56,942)
Net cash inflow/(outflow) from financing activities	17,829	1,352	(49,462)
Net increase in cash and cash equivalents	5,240	24,059	6,854
Cash and cash equivalents at the beginning of the year	1,227	6,467	30,526
Cash and cash equivalents at the end of the year	6,467	30,526	37,380

Cash flow from operating activities

For the year ended 31 December 2009, net cash inflow from operating activities amounted to approximately RMB9.3 million, which was mainly attributable to the profit before working capital changes of approximately RMB28.6 million and increase in trade and other payables of approximately RMB15.1 million and was offset by increase of inventories of approximately RMB22.2 million, increase in trade and other receivables of approximately RMB8.2 million as well as income tax paid of approximately RMB4.0 million.

Increase in trade and other payables were mainly due to increase in purchase of raw materials and contracting fees as well as VAT payable under the growth of our business. Increase in trade and other receivables was mainly due to increase in credit periods granted to some customers from the recovery of financial crisis as well as a prepayment to a consultant for the design fee of our expansion plan.

For the year ended 31 December 2010, net cash inflow from operating activities amounted to approximately RMB48.1 million, which mainly comprised the profit before working capital changes of approximately RMB83.5 million, together with increase in trade and other payables of approximately RMB1.6 million, decrease in trade and other receivables of approximately RMB8.0 million and was offset by increase in inventories of approximately RMB34.2 million as well as income tax paid of approximately RMB10.9 million. Increase in trade and other payables was mainly due to increase of trade deposits received from customers under the growth of business. Increase in trade deposits received from customers and stricter control over the credit period granted to our customers resulted in decrease in trade and other receivables. Substantial increase in inventories was mainly attributable to purchases of ingots for trading purpose during 2010.

For the year ended 31 December 2011, net cash inflow from operating activities amounted to approximately RMB113.3 million, which mainly comprised the profit before working capital changes of approximately RMB127.5 million, together with decrease in inventories, trade and other receivables of approximately RMB11.6 million and was offset by income tax paid of approximately RMB26.9 million. Decrease in inventories, trade and other receivables was mainly resulted from the lower inventory level of ingots and stricter control over the credit period granted to our customers.

Cash flow from investing activities

Net cash outflow from investing activities amounted to approximately RMB21.9 million in the year ended 31 December 2009. It was mainly attributable to the purchases of property, plant and equipment and an increase in construction in progress of approximately RMB24.5 million under our Group's expansion plan and was offset by government grants received of approximately RMB2.6 million.

Net cash outflow from investing activities amounted to approximately RMB25.4 million in the year ended 31 December 2010. It was mainly attributable to purchases of property, plant and equipment and an increase in construction in progress of approximately RMB28.3 million to cope with expansion of business and was offset by government grants received of approximately RMB2.6 million.

Net cash outflow from investing activities amounted to approximately RMB56.9 million in the year ended 31 December 2011. It was primarily attributable to payment of land use right transferring fees and deposit paid for land use rights of approximately RMB42.0 million, purchases of property, plant and equipment of approximately RMB26.8 million and was offset by government grants received of approximately RMB12.5 million.

Cash flow from financing activities

Net cash inflow from financing activities amounted to approximately RMB17.8 million in the year ended 31 December 2009. This was principally due to secured bank loans raised and advance from a related company and a Shareholder of approximately RMB32.0 million and was offset by the repayment of secured bank loans and interest of approximately RMB11.3 million as well as the dividend paid to a non-controlling shareholder of a subsidiary of approximately RMB2.9 million.

Net cash inflow from financing activities amounted to approximately RMB1.4 million in the year ended 31 December 2010. This was principally due to the repayment of secured bank loans and interest of approximately RMB12.7 million as well as the dividend paid to a non-controlling shareholder of a subsidiary of approximately RMB1.0 million and was offset by secured bank loans raised of approximately RMB15.0 million.

Net cash outflow from financing activities amounted to approximately RMB49.5 million in the year ended 31 December 2011. This was principally due to repayment of bank loans and interests of approximately RMB12.1 million, repayment to a related company, a non-controlling shareholder of a subsidiary and a Shareholder for a total sum of approximately RMB13.8 million as well as the dividend paid to a non-controlling shareholder of a subsidiary of approximately RMB3.0 million. On 31 March 2011, HK Taylor acquired the 13% equity interest in Yifeng Wanguo from Quanzhou Wanguo for a consideration of RMB20,523,000. The consideration is deemed as a distribution paid to a Shareholder.

WORKING CAPITAL

Our Group recorded a net liability of RMB5.5 million as of 31 December 2009 which was mainly attributable to the accumulated losses brought forward from the early stage of operation before 2009. We also recorded net current liabilities of approximately RMB91.8 million and RMB61.1 million as at 31 December 2009 and 2010 respectively, which was mainly resulted from the amount due to shareholders of approximately RMB83.5 million and RMB87.4 million as of 31 December 2009 and 2010 respectively. Such amount due to shareholders was mainly resulted from substantial capital investments financed by short-term shareholders' borrowings provided by Mr. Gao to our Group for the purpose of financing the acquisition of the equity interest in Yifeng Wanguo by HK Taylor in our historical reorganisations. As at 31 December 2010, we had net assets of approximately RMB35.7 million. The change from a net liability position to a net asset position was primarily due to the profits we earned in 2010. As at 31 December 2011, we had net current assets of approximately RMB18.4 million, and the change from a net current liability position to a net current asset position was mainly due to the waiver of the above-mentioned short-term shareholder's borrowings for the total sum of approximately RMB70.6 million by Mr. Gao in 2011. We have pledged the mining right for the Xinzhuang Mine to secure banking facilities at a sum of RMB45,000,000 as at 30 April 2012 which had been completely drawn down.

As of 31 December 2011, we had cash and cash equivalents of approximately RMB37.4 million. We had net cash inflows from operating activities of approximately RMB9.3 million, RMB48.1 million and RMB113.3 million for the three years ended 31 December 2011, respectively.

We expect to finance our working capital requirements for the 12 months following the date of this prospectus as required by the Listing Rules with the following sources of funding:

- cash inflows generated from our operating activities;
- proceeds from bank loans, including short-term and long-term bank loans. As at 30 April 2012, we had total banking facilities of approximately RMB45 million which had been completely drawn down;
- the cash and bank balances on hand, which were approximately RMB37.4 million as of 31 December 2011. Based on our unaudited management accounts, we had bank balances and cash of approximately RMB41.5 million as at 30 April 2012; and
- HK$241 million, being the estimated net proceeds to be received by our Group from the Share Offer (assuming an Offer Price of HK$1.925 per Share, being the mid-point of the estimated price range).

Based on the above, our Directors believe that we will have sufficient funds for 125% of our present working capital requirements for at least 12 months from the date of this prospectus as required by the Listing Rules.

ANALYSIS OF VARIOUS CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Analysis of prepaid lease payments

As at 31 December 2009, 2010 and 2011, our prepaid lease payments were approximately RMB10.3 million, RMB10.1 million and RMB22.1 million respectively.

Increase in the balance of prepaid lease payments as at 31 December 2011 by approximately RMB12.0 million as compared to the balance as at 31 December 2010 was mainly due to the payment of land use right transferring fees.

The balance of prepaid lease payments as at 31 December 2010 decreased by approximately RMB0.2 million as compared to the balance as at 31 December 2009, mainly due to a release of prepaid lease payments.

Analysis of trade receivables

Trade receivables represent receivables from the sale of concentrates and trading of other ore commodities. Our Group generally requests our concentrates customers to make a certain amount of down payment prior to delivery. For trade customers, our Group grants a credit period up to 60 days.

The ageing analysis of trade receivables based on the invoice date at the end of each reporting period is as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
0 to 30 days	8,771	4,207	–
31 to 60 days	3,510	–	–
61 to 90 days	–	–	–
Over 90 days	907	45	–
	13,188	4,252	–
Average trade receivable turnover days(note)	34 days	16 days	3 days

Note: Trade receivables turnover days is calculated by dividing the average opening and closing balances of the trade receivables for the relevant year by revenue and then multiplied by the number of days in the relevant year.

The balance as at 31 December 2010 decreased by approximately RMB8.9 million as compared to the balance as at 31 December 2009, mainly due to our Group requesting customers to make more down payment before delivery in 2010 compared to the less strict control of credit during the recovery of the financial crisis in 2009 when we had offered extra credit period to creditworthy customers.

The average trade receivable turnover days decreased from 34 days in 2009 to 16 days in 2010 mainly because additional credit periods offered to creditworthy customers during the recovery of the financial crisis in 2009 had been discontinued in 2010.

The balance as at 31 December 2011 became nil mainly due to our comprehensive implementation of the above policy for requesting down payment from our customers before delivery.

The decrease in average trade receivable turnover days from 16 days in 2010 to 3 days in 2011 was mainly attributable to tightening our credit control.

Trade receivables are written off against the allowance account when they are considered uncollectible. No allowance for trade receivables has been made during the Track Record Period.

Analysis of prepayments and other receivables

The following table sets forth our balances of prepayments and other receivables as of each of the statement of financial position dates:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	2,148	2,587	3,324
Other receivables	39	554	455
	2,187	3,141	3,779

Prepayments mainly represent deposits paid for purchase of parts and machinery, prepayments for purchase of ingots and professional fees paid in connection with the Listing. The increase in prepayments balance as at 31 December 2010 by approximately RMB0.5 million as compared to the balance as at 31 December 2009, was mainly due to prepayments for purchase of ingots for trading, which was a new business in 2010. The increase in balance as at 31 December 2011 by approximately RMB0.7 million as compared to the balance as at 31 December 2010 was mainly due to professional fees paid in connection with the Listing.

Other receivables mainly represent advances to staff for various purpose, decoration deposit for Hong Kong office and relevant taxes prepaid by our PRC subsidiary on behalf of construction companies providing services to us, an increase of which was the main reason for the increase in other receivables in 2010. The decrease in other receivables in 2011 was mainly due to recovery of those relevant taxes from construction companies.

Analysis of inventories

Inventories consist of raw materials, ore, concentrates and other ore commodities. Raw materials mainly include forged steel grinding balls, explosives, chemical products and diesel oil used for the production of concentrates. As at 31 December 2009, 2010 and 2011, our inventories were approximately RMB26.0 million, RMB60.2 million and RMB48.8 million respectively. Included in our inventories, as at 31 December 2009, 2010 and 2011, net amounts of metal ingots were nil, approximately RMB44.4 million and RMB36.1 million, respectively.

The significant increase in balance of inventories as at 31 December 2010 by approximately RMB34.2 million as compared to 31 December 2009 was mainly due to the increase in other ore commodities of approximately RMB44.4 million. Our Group used some idle cash to purchase metal ingots for trading purpose.

The decrease in balance of inventories as at 31 December 2011 by approximately RMB11.4 million as compared to the balance as at 31 December 2010 was primarily due to decrease in volume of ingots on hand through trading business.

Our average inventories turnover days for the years ended 31 December 2009, 2010 and 2011 are calculated based on average of opening and closing balances of inventories as of the year end divided by cost of sales for that year and multiplied by 365 days. Inventories turnover days for the years ended 31 December 2009, 2010 and 2011 were approximately 100 days, 137 days and 137 days respectively.

The increase in average inventories turnover days from approximately 100 days for the year ended 31 December 2009 to approximately 137 days was mainly attributable to purchases of ingots for subsequent trading purpose starting in 2010 during the same year.

The average inventories turnover days for the two years ended 31 December 2011 remained stable.

Inventories are stated at the lower of costs and net realisable value. Our Directors review the ageing analysis of our Group's inventories at the end of each reporting period, and make a provision for obsolete and slow moving inventory items. Our Directors estimate the net realisable value for such inventory items based primarily on the year end market prices and current market conditions. For the year ended 31 December 2011, impairment of inventories of RMB3.4 million had been provided.

As at 31 March 2012, an amount of approximately RMB7.8 million of our inventories outstanding as at 31 December 2011 was used or sold. No metal ingots have been sold during the three months ended 31 March 2012 and we plan to sell all of our remaining metal ingots in 2012 if the market condition further improves.

Analysis of trade payables

Trade payables mainly consist of payables in respect of (i) the purchase of forged steel grinding balls; (ii) transportation expenses incurred for the delivery of our products to our customers; and (iii) fees payable to our third-party contractor, Wenzhou No.2, for our mining work.

The following table sets forth our balances of trade payables as of each of the statement of financial position dates:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
0 to 30 days	6,966	7,416	5,859
31 to 60 days	4,408	4,239	1,999
61 to 90 days	3,128	3,640	233
91 to 180 days	10,525	2,424	209
Over 180 days	638	621	291
	25,665	18,340	8,591
Average trade payable turnover days*(note)*	125 days	70 days	34 days

Note: Trade payable turnover days for the relevant year is calculated by dividing the average of the opening and closing balances of trade payables for the relevant year by cost of sales and then multiplied by the number of days in the relevant year.

The balance of trade payables as at 31 December 2010 decreased by approximately RMB7.4 million as compared to 31 December 2009 mainly as a result of settlement of balances over 90 days due to Wenzhou No.2 in 2010.

The balance of trade payables as at 31 December 2011 decreased by approximately RMB9.7 million as compared to 31 December 2010 mainly as a result of continuous settlements of long outstanding balances with Wenzhou No. 2.

Our trade payables turnover days for the three years ended 31 December 2011 were approximately 125 days, 70 days and 34 days respectively, the decrease of which was mainly due to the increase in our revenue and our improved operating cash flow during these periods that allowed us to settle our trade payables in a shorter period of time.

Analysis of other payables

The following table sets forth our balances of other payables as of each of the statement of financial position dates:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Advance from customers	2,159	10,014	19,335
VAT, resource tax and other tax payables	8,915	8,312	10,763
Accruals	671	2,389	1,424
	11,745	20,715	31,522

Advance from customers mainly represents receipts in advance from customers for the sales of our concentrates. Increase in balance as at 31 December 2010 as compared to as at 31 December 2009 was attributable to strict exercise of the requirements of receiving full deposits before delivery. Increase in balance as at 31 December 2011 as compared to as at 31 December 2010 was mainly due to increase in sales deposits received under the growth of our business.

Increase in VAT, resources tax and surtax payables as at 31 December 2011 as compared to as at 31 December 2010 was mainly attributable to increase in resources tax payable and mineral resources compensation payable under the growth of business.

Accrual primarily represents accrual for staff wages. Increase in balance as at 31 December 2010 as compared to as at 31 December 2009 was mainly attributable to increase in wages and bonus under the growth of business. Decrease in balance as at 31 December 2011 as compared to as at 31 December 2010 was mainly due to settlement of unpaid directors' remuneration in 2010.

CAPITAL EXPENDITURES

Capital expenditures are expenditures made for the acquisition or upgrade of property, plant and equipment. The following table sets forth our capital expenditures for the periods indicated.

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	5,351	5,646	4,955
Construction in progress	19,106	22,692	21,865
Prepaid lease payments	47	–	12,467
Deposit paid for acquisition of land use right	–	–	29,547
	24,504	28,338	68,834

Capital expenditures consist of capital costs at the Xinzhuang Mine, which include purchase of mining equipment, expansion of ore processing facilities, costs for constructing mining structures.

Our planned future capital expenditures mainly comprise the capital requirements for our expansion plan at the Xinzhuang Mine. We plan to expend approximately RMB128.4 million and RMB157.0 million in 2012 and 2013, respectively.

The following table is extracted from the section headed "12.0 Capital Costs" of Appendix V to this prospectus.

Historical and Forecast Capital Costs for the Xinzhuang Mine, 2006-2013

	Historical						Forecast	
Item	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**(Note 1)	**2013**(Note 2)
Capital Cost in RMB×10^3								
Mine	20,163	37,678	5,983	6,404	10,226	7,464	108,600	88,800
Concentrator	6,112	14,453	400	14,555	6,013	149	–	31,900
Administration	1,250	4,870	109	587	8,416	17,937	15,600	1,300
Tailings	2,540	310	–	–	271	887	–	–
Exploration	–	–	–	–	–	–	–	1,000
Land	4,719	39,891	–	47	–	42,013	3,500	–
Closing	–	–	–	–	–	–	–	–
Property Acquisition	12,000	30,269	–	–	–	–	700	9,200
Others	–	–	–	2,911	3,412	384	–	24,800
Total	**46,783**	**127,471**	**6,492**	**24,504**	**28,338**	**68,834**	**128,400**	**157,000**
Capital Cost in US\$×10^3								
Total	**7,426**	**20,233**	**1,030**	**3,890**	**4,498**	**10,926**	**20,380**	**24,920**

Source: Table 12.1, Independent Technical Expert's Report

Notes:

1. In 2012, the capital costs for our expansion in respect of the mine for the sum of RMB108,600,000 will be financed by the net proceeds from the Share Offer (less the sum already financed by our internally generated cash prior to the Listing). The capital costs for other categories of development for the total sum of RMB19,800,000 will be financed by our internally generated cash and/or bank borrowings.

2. In 2013, the capital costs for our expansion in respect of the mine for the sum of RMB88,800,000 will be financed by the net proceeds from the Share Offer, supplemented by our internally generated cash and/or bank borrowings. The capital costs for other categories of development for the total sum of RMB68,200,000 will be financed by our internally generated cash and/or bank borrowings.

The high historical capital costs in 2006 and 2007 were generally used for the acquisition of land use rights, construction and equipment installation for the mine and processing facilities related to the mine expansion to the mining capacity and processing capacity of 200,000 tpa. Relatively high historical capital costs in 2009 and 2010 were generally used for construction of Concentrator No.2, upgrading the mining capacity to 300,000 tpa, and initial costs for constructing the new mine administration building and staff living quarters.

The total capital cost for upgrading the Xinzhuang Mine from the mining capacity of approximately 300,000 tpa and processing capacity of approximately 400,000 tpa to an overall mining capacity and processing capacity of 600,000 tpa both, from 2011 to 2013, is estimated at RMB354 million. This capital cost estimate is generally based on Nerin's January 2010 feasibility study and updated according to the detailed design for the upgrade. The capital cost for mining and the processing facilities make up approximately 58% and 9% of the overall expansion cost respectively. Other major capital cost items for the expansion include constructing the new mine administration building and staff living quarters as well as land acquisition. The total costs include a contingency of 11%. For further details of our major development activities/plan, please refer to the section headed "Business – Our Expansion Plan" in this prospectus.

We may also incur capital expenditures after acquiring additional mining companies as well as mining assets when the appropriate opportunities arise. Please refer to the section headed "Business – Business Strategies" in this prospectus for a further description of our growth strategy and the section headed "Future Plans and Use of Proceeds" in this prospectus for our intended use of proceeds.

We plan to fund our capital expenditures through cash generated from our operations, bank borrowing and net proceeds from the Share Offer. However, the estimated amounts and items of capital expenditures may be subject to change depending on a number of factors, including the implementation of our business plan and the market conditions.

INDEBTEDNESS

Our bank and other borrowings on each of the statement of financial position date were as follows:

	As at 31 December			Unaudited 30 April
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Repayable within one year				
Secured bank loan*(Note)*	9,000	9,000	9,000	9,000
Repayable over one year				
Secured bank loan*(Note)*	39,000	45,000	36,000	36,000
	48,000	54,000	45,000	45,000
Effective interest rates	5.76%-6.34%	5.94%-6.34%	5.94%-7.10%	
Amount repayable within one year				
Amount due to a related company	4,578	4,578	216	216
Amounts due to shareholders	83,523	87,440	7,297	8,907
Amount due to a non-controlling shareholder of a subsidiary	879	6,008	–	–
Amount due to West-Jiangxi Brigade	–	–	–	12,000
Amount repayable over one year				
Amount due to West-Jiangxi Brigade	–	–	–	141,584
	88,980	98,026	7,513	162,707

Note: All interest-bearing bank borrowings were secured by our Group's mining right as at 31 December 2009, 2010 and 2011, and corporate guarantee by a related company as at 31 December 2009 and 2010. The corporate guarantee was released in July 2011.

Major covenants and restrictions pursuant to the bank loans include: Yifeng Wanguo shall seek prior approval in writing from the bank regarding any merger, division, capital reduction, share transfer, foreign investment, substantial increase in debt financing, major asset or debt transfer; it shall not declare dividends unless the principal and interests due in a financial year have been repaid or the profit before tax would be sufficient for the repayment of the principal and interest in the next instalment; it shall not dispose its dispose its assets in the manner which would adversely affect its capacity of repayment; it shall not enter into any guarantee for any entity for a sum exceeding half of its net asset value; and it shall not provide any guarantee to any entity without prior approval from the bank.

The bank loan proceeds were mainly used for the construction of Concentrator No. 2 and expenses incurred in our operation in 2009 and 2010 and the expenses for our current expansion plan incurred in 2011.

Our Directors confirm that the amount due to a related company will be settled before Listing. Amount due to shareholders mainly represents dividend payable to shareholders of RMB8.4 million. The amount due to shareholders will be settled by our internally generated resources before Listing.

Amount due to West-Jiangxi Brigade represents redemption monies payable to West-Jiangxi Brigade pursuant to the Capital Reduction Agreement. An amount of RMB6 million was settled in May 2012 and remaining balance RMB6 million will be settled by internal generated resources by the end of 2012.

Amount due to West-Jiangxi Brigade in long term liabilities represents present value of sum of amount payable to West-Jiangxi Brigade in subsequent years. The balance will be settled by internal generated resources. Under the Capital Reduction Agreement, we shall provide a mortgage in favour of West-Jiangxi Brigade over Yifeng Wanguo's right in the State-owned Land Use Rights Certificate numbered "Yifeng County State-owned 2011-556" (宜豐縣國用(2011)第556號) for securing the obligations of Yifeng Wanguo in paying the redemption monies.

As at 30 April 2012, we had total bank borrowings of approximately RMB45.0 million, all denominated in RMB, and bank balances and cash of RMB41.5 million. The mining right for the Xinzhuang Mine was pledged to the bank to secure banking facilities which were completely drawn down as at 30 April 2012.

Our Group had no unutilised banking facilities as at 30 April 2012.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

Operating lease commitment

As at 31 December 2009 and 2010, our Group had no commitments for future minimum lease payments under non-cancellable operating leases.

As at 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December 2011
	RMB'000
Within one year	174
In the second to fifth years	102
	276

Capital commitment

We have the following capital commitments at each of the statement of financial position dates as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for in respect of acquisition of property, plant and equipment	3,225	13,629	10,893

Substantial increase in balance of capital commitment as at 31 December 2010 was mainly due to a contract for construction of new office premises and staff quarters of approximately RMB15.0 million.

CONTINGENT LIABILITIES

As at 31 December 2011, we had no outstanding contingent liabilities. We currently are not a party to any litigation that is likely to have a material adverse impact on our business, results of operations or financial condition. Our Directors confirm that there has been no material change in our contingent liabilities since 31 December 2011.

DISCLAIMER

Apart from intra-group liabilities, save as aforesaid or otherwise disclosed herein, we did not have any mortgages, charges, debentures or other loan capital or bank overdrafts, finance leases or hire purchase commitments, or liabilities under acceptances or acceptance credits outstanding at the close of business on 30 April 2012.

Our Directors have confirmed that there have been no material changes in our commitments since 30 April 2012, and there has been no material change in our contingent liabilities and indebtedness since 30 April 2012.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period, we did not enter into any off-balance sheet transactions or arrangements.

KEY FINANCIAL RATIOS

The following table sets forth, our current ratios and gearing ratios, as of the dates indicated:

	As at 31 December		
	2009	**2010**	**2011**
Current ratio*(Note 1)*	0.3	0.6	1.3
Gearing ratio*(Note 2)*	1.0	0.8	0.4

Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities.

2. Gearing ratio is calculated by dividing total debts by total assets. Debts are defined to exclude deferred income, deferred tax liabilities and provisions.

Current ratio

Our current ratio was 0.3, 0.6 and 1.3 as at 31 December 2009, 2010 and 2011, respectively. The increase in our current ratio as at 31 December 2011 as compared to that as at 31 December 2009 was attributable to growth in our business resulted in generation of cash inflow from operation of approximately RMB9.3 million in 2009, approximately RMB48.0 million in 2010 and approximately RMB113.3 million as well as the waiver of shareholder's borrowings in 2011.

Gearing ratio

Our gearing ratio was 1.0, 0.8 and 0.4 as at 31 December 2009, 2010 and 2011, respectively. High gearing ratios as at 31 December 2009 was principally due to substantial capital investment financed by short-term Shareholders' borrowings with relatively low assets base. Significant drop in gearing ratios as at 31 December 2010 and 2011 were mainly due to increase in our assets under the growth of our business and the waiver of shareholder's borrowing in 2011.

THE PERFORMANCE OF OUR GROUP SUBSEQUENT TO 31 DECEMBER 2011

Based on our unaudited management accounts, our revenue from sales of concentrates increased by approximately RMB7.3 million, representing an increase of approximately 11.6%, from approximately RMB63.1 million for the three months ended 31 March 2011 to approximately RMB70.4 million for the three months ended 31 March 2012. The increase in sales of concentrates during the three months ended 31 March 2012 was mainly attributable to the increase in the sales volume of our copper concentrates by 27.8%, sulfur concentrates by 133.6% and the sale of zinc concentrates (which were not sold in the same period last year) despite a decrease in average selling price of our concentrates by a range of 13.1% to 23.1% as compared to the same period last year. In the three months ended 31 March 2012, a higher proportion of fees payable to our underground mining contractor for their tunnelling work was capitalised in property, plant and machinery instead of being accounted for as expenses because the tunnels constructed could be used for a period from eight to 20 years. As a result, our subcontracting fee only increased by approximately 3.8% for the three months ended 31 March 2012 as compared with the same period last year. Accordingly, although there was an increase in labour costs by approximately 31.8% and material costs by approximately 35.5% for the three months ended 31 March 2012 as compared with the same period last year as a result of the expansion in our operation, the costs of sale of concentrates increased only by approximately 23%, from approximately RMB26.9 million to RMB31.1 million, which was to a lesser extent when compared to the increase in the volumes of ore processed of approximately 37.8% from approximately 105,073t to 144,811t. Therefore, the costs of sale of our concentrates per tonne of ore processed decreased from approximately RMB256/t for the three months ended 31 March 2011 to approximately RMB214/t for the three months ended 31 March 2012, representing a decrease of approximately 16.4%. Since the effect of the decrease in average selling price of our concentrates was partially offset by the decrease in the costs of sale of our concentrates per tonne of ore processed, the gross profit margin of our concentrates sales dropped slightly to 55.8% for the three months ended 31 March 2012 from 57.4% in the same period last year.

Our general administrative expenses remained stable as the administrative staff cost increased from approximately RMB1.7 million for the three months ended 31 March 2011 to approximately RMB2.8 million for the three months ended 31 March 2012, mainly attributable to the increase number of staff, payroll and bonus paid under the expansion since year 2012, was offset by a decrease in our expenses in relation to the Listing from approximately RMB4.5 million in the same period last year to approximately RMB2.2 million as a result of the initial down payment to professional parties involved in the Listing in January 2011 which had been recognised as expenses immediately. We expect to recognise a total of approximately RMB11.3 million of expenses in relation to the Listing in year 2012. The net profit of our Group for the three months ended 31 March 2012 remained stable as compared to the same period last year.

Our Directors expect there will be a significant increase in our staff costs in 2012 which is mainly attributable to the increase in headcounts coupled with the increase in wage level for recruiting more employees with higher qualification to cater for our expected production expansion.

Our Directors plan to sell all of our remaining metal ingots in 2012 and hence it is expected that no impairment provision will be made for the ingots in 2012.

Based on the current market situation, our current production level and the business relationships with our customer, our Directors will strive to maintain the revenue of our Group for the year ended 31 December 2012 at a similar level as compared to the same period of 2011. However, our profitability and financial position in the future may be adversely affected by certain factors, including but not limited to (i) fluctuations in the market price of copper, iron and other metals contained in the concentrates we produce; (ii) fluctuations in raw material prices; (iii) failure to achieve our production estimates and (iv) recognition of listing expenses upon our Listing.

MARKET RISKS

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

Commodity price risk

We derive a majority of our revenue from the sales of copper concentrates and iron concentrates. Our revenue generated from the sales of copper concentrates and iron concentrates accounted for 75.0%, 68.8% and 61.8% of our total revenue, respectively, for the three years ended 31 December 2011. The prices of our metal concentrates are impacted by international and domestic market prices and changes in international supply and demand for such products. Fluctuations in both international and domestic prices and demand for our products are beyond our control. Price volatility of metals is also affected by the global and PRC economic cycles as well as the fluctuations of the global currency markets. Any significant decrease in metal prices may materially and adversely affect our financial condition and results of operations.

In August 2011, with a view to utilising our cash in hand and based on our assessment that metal prices were relatively low at that time, our Group formulated the investment policy below and opened an investment account with principal amount of approximately RMB10.5 million with a security brokerage company (which is an Independent Third Party) and entered into a number of trading transactions of copper and zinc future contracts for investment purpose. We have established an investment policy pursuant to which we have established a future contracts investment committee comprising Mr. Gao Mingqing, our chairman, Mr. Liu Zhichun, our executive Director and other various senior officers. The future contracts investment committee shall formulate an annual investment strategy, including but not limited to trade volume, scope and directions, for the approval of our Board every year, and the monthly and weekly investment trading plan shall be approved by our chairman. Maximum investment amount in each of the aggregate long or short position, maximum investment amount for each transaction, the stop-loss policy and the mechanism of maintaining market data and trading records were also set out in our investment policy. All outstanding position of the future contracts under the investment account was closed in December 2011 and a net loss for the total sum of approximately RMB6.9 million was accrued. We do not currently have any hedging policy as to fluctuation of commodity market risk and do not use any derivative contracts to hedge our exposure to commodity price risk or for investment purposes.

Our Directors confirm that we will not enter into any derivative contracts to hedge our exposure to commodity price risk or for investment purposes after Listing and our Board's approval is required before entering into any such contracts.

Foreign exchange risk

We conduct our major operations in the PRC and RMB is our reporting and functional currency. Most of our revenue and operating costs are denominated in RMB. As domestic metal prices (which are expressed in RMB) move in line with global metal prices (which are typically expressed in U.S. dollars), the price in RMB we can receive for our concentrates depends on the RMB:US dollar exchange rate. The exchange rate of the RMB against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in the PRC's and international political and economic conditions. A depreciation of the RMB would adversely affect the value of any dividends we pay to investors outside the PRC and would also result in an increase in the price of goods with imported content which we source from our suppliers. An appreciation of the RMB would adversely affect the value of proceeds we receive from the Share Offer and any subsequent overseas equity or debt offering if they are not converted into RMB in a timely manner. We have not entered into foreign exchange derivative instruments or futures to hedge against any potential fluctuations in the exchange rate of the RMB against the U.S. dollar or any other foreign currencies. For further information, see the section headed "Risk Factors – Risks Relating to the PRC" in this prospectus.

Interest rate risk

All of our bank borrowings are denominated in RMB and borrowed from domestic commercial banks at interest rates that are determined by reference to the benchmark interest rates set by the PBOC. Interest rates on our bank loans are subject to adjustments by our lenders in accordance with changes in the PBOC benchmark rates. We are exposed to interest rate risk resulting from changes in interest rates on our short-term and long-term bank borrowings. Increases in benchmark interest rates will increase the interest rates on our bank loans. Increases in interest rates will increase our expense on outstanding borrowings and the cost of new borrowings, and therefore could have a material adverse effect on our financial results. We have not used any interest rate swaps or other derivatives to hedge against interest rate risk.

Inflation

According to the National Bureau of Statistics of China, the change in the PRC's Consumer Price Index was 99.3, 103.3 and 105.4 in 2009, 2010 and 2011, respectively. We cannot assure you that the inflation rate in the PRC will decrease or increase in the future. We cannot predict the impact of a sustained increase in inflation will have on our Group's business, results of operations, financial position or prospects. For further information, see the section headed "Risk Factors – Risks Relating to the PRC – Inflation in the PRC could materially and adversely affect our profitability and growth" in this prospectus.

LIQUIDITY RISK

We monitor our risk of funds shortage by considering the maturity of both our secured bank loans and financial assets and projected cash flows from operations. Our objective is to maintain a balance between continuity of funding and flexibility through the use of a mix of interest-bearing bank facilities and advances from related parties.

CREDIT RISK

The carrying amounts of our trade receivables represent our Group's maximum exposure to credit risk in relation to its financial assets. As of 31 December 2009, 2010 and 2011, our Group's trade receivables due from our largest customer accounted for 27.0%, 37.0%, and 0% of our Group's trade receivables, respectively. Our Group has policy in place to ensure that sales are made to customers who are creditworthy, and we closely monitor the collection of the trade and notes receivables on an ongoing basis. The credit risk of our Group's other financial assets, which comprise cash and bank balances and other receivables, arises from the default of the counterparty, with the maximum exposure equal to the carrying amounts of these instruments.

DIVIDEND AND DIVIDEND POLICY

After completion of the Share Offer, our Shareholders will be entitled to receive dividends we declare. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, acquisitions, capital requirements and surplus, general financial conditions, contractual restrictions and other factors which our Directors deem relevant. In addition, our Controlling Shareholders will be able to influence our dividend policy. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. However, we will consider paying dividends if no attractive mine acquisition and investment opportunities arise. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our Shareholders in compliance with relevant laws and regulations.

On 21 February 2012, a resolution was passed by the board of directors of Yifeng Wanguo to approve a dividend for 2011 of approximately RMB43.7 million, out of which approximately RMB5.2 million was payable to West-Jiangxi Brigade and the remaining sum of approximately RMB38.5 million was payable to HK Taylor. The sum payable to West-Jiangxi Brigade was settled in February 2012. Out of the sum of approximately RMB38.5 million payable to HK Taylor, approximately RMB35 million will be paid to HK Taylor before Listing.

On 18 April 2012 and 21 June 2012, the then board of our Company approved dividends for the total sum of HK$2 million and RMB32.4 million, respectively, to our then Shareholders, namely, Victor Soar and Achieve Ample, on a pro rata basis based on their shareholding interests in our Company. Both sums will be settled before Listing by the proceeds from the above-mentioned dividend approved by Yifeng Wanguo and further distributed to our Company via HK Taylor and MIH in the form of dividend. Based on our unaudited management accounts, our bank balances and cash amounted to approximately RMB67.7 million as at 31 May 2012.

DISTRIBUTABLE RESERVES

Our distributable reserves consist of share premium and retained profits. Under the Cayman Islands Companies Law, the share premium account is distributable to shareholders if immediately following the date on which we propose to distribute the dividend, we will be in a position to pay off our debts as they fall due in the ordinary course of business. As at 31 December 2011, we had a reserve balance of RMB58.5 million available for distribution to our Shareholders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes as set out below is for illustration purposes only, and is set out here to illustrate the effect of the Share Offer on our net tangible assets as at 31 December 2011 as if it had taken place on 31 December 2011.

The statement of unaudited pro forma adjusted net tangible assets is hypothetical in nature, and it may not give a true picture of our consolidated net tangible assets as at 31 December 2011 or any future date following the Share Offer. It is prepared based on our consolidated net assets attributable to the owners of our Company as at 31 December 2011 as set out in the Accountants' Report attached as Appendix I to this prospectus, and adjusted as described below. For more details on the statement of unaudited pro forma adjusted net tangible assets, please refer to Appendix II to this prospectus.

	Audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2011	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company**	**Unaudited pro forma adjusted consolidated net tangible asset value per Share**	
	RMB'000(Note 1)	*RMB'000(Notes 2 & 3)*	*RMB'000*	*RMB(Note 4)*	*HK$(Note 3)*
Based on an Offer Price of HK$1.75 per Share .	143,387	182,214	325,601	0.54	0.67
Based on an Offer Price of HK$2.10 per Share .	143,387	223,038	366,425	0.61	0.75

Notes:

1. The audited consolidated net tangible assets attributable to the owners of our Company as at 31 December 2011 is based on the following information set out in Appendix I to this prospectus.

	RMB'000
Audited consolidated net assets attributable to the owners of our Company	152,908
Less: Intangible assets	(9,521)
Consolidated net tangible assets attributable to owners of our Company	143,387

2. The estimated net proceeds from the Share Offer are based on 150,000,000 Shares at the Offer Price of HK$1.75 and HK$2.10 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be issued pursuant to any exercise of Over-allotment Option.

3. The estimated net proceeds from the Share Offer are converted into RMB and unaudited pro forma adjusted consolidated net tangible asset value per Share are converted into Hong Kong Dollars at an exchange rate of RMB0.81 to HK$1.00. No representation is made that RMB amounts have been, could have been or could be translated to Hong Kong dollar amounts, or vice versa, at that rate or at any other rates or at all.

4. The unaudited pro forma adjusted consolidated net tangible asset value per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis of 600,000,000 Shares (being the number of Shares expected to be in issue immediately after completion of the Share Offer). No account has been taken of the Shares which may be issued pursuant to any exercise of Over-allotment Option.

5. The unaudited pro forma adjusted consolidated net tangible asset value per Share has been arrived without taking into account the effect of the Capital Reduction pursuant to the Capital Reduction Agreement, which was completed in April 2012. For further details of the Capital Reduction Agreement, please refer to the section headed "History and Development – Yifeng Wanguo – Capital Reduction Agreement" in this prospectus. Had the Capital Reduction been assumed to completed as at 31 December 2011, the net tangible asset attributable to owners of our Company would have been decreased by RMB135 million, which represents the difference between the fair value of consideration of RMB150 million and the carrying value of the non-controlling interest of RMB15 million as at 31 December 2011.

6. The unaudited pro forma adjusted consolidated net tangible asset value per Share has been arrived at without taking into account the effect of the dividends payable to our then Shareholders which were declared on 18 April 2012 with the amount of HK$2,000,000 (equivalent to approximately RMB1,618,000) and on 21 June 2012 with the amount of RMB32,400,000. Assuming the dividends had been approved as at 31 December 2011, the unaudited pro forma adjusted consolidated net tangible asset value per Share would have been reduced to RMB0.49 (equivalent to HK$0.60) based on an Offer Price of HK$1.75 per Share and RMB0.55 (equivalent to HK$0.68) based on an Offer Share Price of HK$2.10 per Share.

7. As of 31 March 2012, our Group's property interests were valued by DTZ Debenham Tie Leung Limited, an independent professional surveyor, and the relevant property valuation report is set out in Appendix III to this prospectus. By comparing the valuation of our Group's property interests of RMB81.8 million as set out in Appendix III to this prospectus and the unaudited net book value of these properties as of 31 March 2012, the net revaluation surplus is approximately RMB10.4 million. Such revaluation surplus has not been incorporated in our Group's audited consolidated financial information for the year ended 31 December 2011. The above adjustment does not take into account the above revaluation surplus. Had the properties been stated in such valuation, an additional depreciation of approximately RMB0.3 million per annum would have been charged against the consolidated statement of comprehensive income per annum.

PROPERTY VALUATION

For the purpose of the Listing, the properties' value attributable to our Group was valued at RMB81,840,000 as at 31 March 2012 by DTZ Debenham Tie Leung Limited. Details of valuation of our property interest as at 31 March 2012 are set out in Appendix III to this prospectus.

A reconciliation of the property interests of our Group and the valuation of such property interests as required under Rule 5.07 of the Listing Rules is set out below:

	RMB'000
Net book value of our property interests as of 31 December 2011	68,250
Movement for the three months ended 31 March 2012 (unaudited):	
Addition	3,612
Depreciation	(385)
Disposal	(85)
Net book value as of 31 March 2012 (unaudited)	71,392
Valuation surplus as of 31 March 2012	10,448
Valuation as of 31 March 2012 per Appendix III – Property Valuation	81,840

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 December 2011, the date to which our latest audited financial statements were prepared, which has been set out in the Accountants' Report attached as Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, we were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.