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28 June 2012

The Directors
Wanguo International Mining Group Limited
Guotai Junan Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Wanguo International Mining Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2011 (the "Track Record Period"), for inclusion in the prospectus of the Company dated 28 June 2012 (the "Prospectus"), in connection with the proposed listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (The "Stock Exchange").

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on 13 May 2011. Pursuant to a group reorganisation, as fully explained in the section "History and Development – Reorganisation" in the Prospectus, the Company became the holding company of companies now comprising the Group (the "Reorganisation") on 25 July 2011.

The Group is principally engaged in mining and processing of ores and sales of the processed concentrates in the People's Republic of China (the "PRC").

At the end of each respective reporting period and as at the date of this report, the Company has the following subsidiaries:

Name of the subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group				Principal activities
			At 31 December			At the date of this report	
			2009	2010	2011		
Directly owned							
Multinational International Holdings Limited (萬國國際控股有限公司) ("MIH")	The British Virgin Islands ("BVI") 23 November 2007	US$50,000	100%	100%	100%	100%	Investment holding
Indirectly owned							
Taylor Investment International Limited 捷達投資國際有限公司 ("HK Taylor")	Hong Kong 14 August 2006	HK$10,000	100%	100%	100%	100%	Investment holding
江西省宜豐萬國礦業有限公司 Jiangxi Province Yifeng Wanguo Mining Company Ltd. ("Yifeng Wanguo")(#) *(Note)*	The PRC 26 November 2003	RMB101,800,000	88%	88%	88%	100%	Mining and processing of ores and sales of processed concentrates

 # It was a sino-foreign equity joint venture enterprise with limited liability, and became a wholly foreign owned enterprise since 27 April 2012.

The Company has adopted 31 December as its financial year end date.

No audited financial statements have been prepared for the Company since its incorporation as it has not carried out any business except for the transactions relating to the Reorganisation. No audited financial statements have been prepared for MIH since its incorporation as there is no statutory requirement to do so in its jurisdiction. For the purpose of this report, we have, however reviewed all the relevant transactions of the Company and MIH since their respective date of incorporation and carried out such procedures as we consider necessary for inclusion in the Financial Information of the Group.

Prior to 31 March 2011, HK Taylor adopted 31 March as its financial year end date. Subsequent to 1 April 2011, the financial year end date of HK Taylor was changed from 31 March to 31 December.

The statutory financial statements of the following subsidiaries were prepared in accordance with relevant accounting principles and financial regulations applicable to their respective jurisdictions and were audited by the following certified public accountants registered in their jurisdictions:

Name of Subsidiaries	**Financial Period**	**Name of Auditors**
HK Taylor	For each of the three years ended 31 March 2011 and for nine months from 1 April 2011 to 31 December 2011	JH CPA Alliance Limited
Yifeng Wanguo	For the year ended 31 December 2009	江西智同會計師事務所有限公司 (Jiangxi Zhitong Certified Public Accountant Co., Ltd) *(Note)*
	For each of the two years ended 31 December 2011	江西宜豐中晟會計師事務所有限責任公司 (Jiangxi Zhongcheng Certified Public Accountant Co., Ltd) *(Note)*

Note: The English names of Yifeng Wanguo and its auditors registered in the PRC are for identification purpose only.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). We have also examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 of the Section A below. No adjustment is considered necessary to the Underlying Financial Statements in preparing our report for inclusion in Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of the Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group at 31 December 2009, 31 December 2010 and 31 December 2011, and of the Company at 31 December 2011, and of the consolidated results and consolidated cash flows of the Group for the Track Record Period.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
	Notes	**2009**	**2010**	**2011**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*5*	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	*6*	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	*7*	–	–	(6,877)
Finance costs	*8*	(1,883)	(2,740)	(2,487)
Profit before tax		19,168	73,219	112,698
Income tax expense	*9*	(5,346)	(19,392)	(31,004)
Profit and total comprehensive income for the year	*10*	13,822	53,827	81,694
Attributable to				
Owners of the Company		10,558	48,430	73,258
Non-controlling interests		3,264	5,397	8,436
		13,822	53,827	81,694
Earnings per share				
Basic (RMB cents)	*13*	2	11	16

STATEMENTS OF FINANCIAL POSITION

		The Group			The Company
		At 31 December			At 31 December
	Notes	**2009**	**2010**	**2011**	**2011**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	106,179	126,866	142,441	–
Mining right	*15*	10,855	10,213	9,521	–
Investment in a subsidiary	*16*	–	–	–	–
Prepaid lease payments	*17*	10,082	9,865	21,626	–
Deposit for acquisition of land use right	*18*	–	–	29,547	–
Deposit for purchase of property, plant and equipment		1,793	1,028	1,055	–
Deferred tax assets	*19*	306	382	1,312	–
Restricted bank balance	*22*	–	–	1,596	–
		129,215	148,354	207,098	–
CURRENT ASSETS					
Prepaid lease payments	*17*	217	217	484	–
Inventories	*20*	26,009	60,169	48,803	–
Trade and other receivables	*21*	15,375	7,393	3,779	–
Amount due from a shareholder	*24(a)*	175	175	–	–
Bank balances and cash	*22*	6,467	30,526	37,380	–
		48,243	98,480	90,446	–
CURRENT LIABILITIES					
Trade and other payables	*23*	37,410	39,055	40,113	–
Amount due to a related company	*24(b)*	4,578	4,578	216	–
Amounts due to shareholders	*24(c)*	83,523	87,440	7,297	–
Amount due to a non-controlling shareholder of a subsidiary	*25*	879	6,008	–	–
Tax payable		4,652	13,512	15,459	–
Secured bank borrowings	*26*	9,000	9,000	9,000	–
		140,042	159,593	72,085	–
NET CURRENT (LIABILITIES)/ASSETS		(91,799)	(61,113)	18,361	–
TOTAL ASSETS LESS CURRENT LIABILITIES		37,416	87,241	225,459	–

		The Group			The Company
		At 31 December			At 31 December
	Notes	**2009**	**2010**	**2011**	**2011**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES					
Secured bank borrowings	*26*	39,000	45,000	36,000	–
Deferred tax liabilities	*19*	743	431	3,526	–
Deferred income	*27*	2,593	5,166	17,166	–
Provision	*28*	625	928	1,245	–
		42,961	51,525	57,937	–
CAPITAL AND RESERVES					
Share capital	*29*	370	370	–	–
Reserves		(12,825)	29,168	152,908	–
Equity attributable to owners of the Company		(12,455)	29,538	152,908	–
Non-controlling interests		6,910	6,178	14,614	–
		(5,545)	35,716	167,522	–
		37,416	87,241	225,459	–

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company						
	Share capital *RMB'000*	**Capital reserves** *RMB'000*	**Statutory reserves** *RMB'000* *(Note)*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2009	370	–	3,658	(22,223)	(18,195)	7,407	(10,788)
Profit and total comprehensive income for the year	–	–	–	10,558	10,558	3,264	13,822
Dividend recognised as distribution *(note 12)*	–	–	–	(4,818)	(4,818)	(3,761)	(8,579)
Transfers	–	–	1,874	(1,874)	–	–	–
At 31 December 2009	370	–	5,532	(18,357)	(12,455)	6,910	(5,545)
Profit and total comprehensive income for the year	–	–	–	48,430	48,430	5,397	53,827
Dividend recognised as distribution *(note 12)*	–	–	–	(6,437)	(6,437)	(6,129)	(12,566)
Transfers	–	–	6,985	(6,985)	–	–	–
At 31 December 2010	370	–	12,517	16,651	29,538	6,178	35,716
Profit and total comprehensive income for the year	–	–	–	73,258	73,258	8,436	81,694
Deemed distribution to the owners of the Company *(note 34)*	–	–	–	(20,523)	(20,523)	–	(20,523)
Release of amount due to an owner of the Company *(note 24(c))*	–	70,635	–	–	70,635	–	70,635
Transfer on Reorganisation	(370)	370	–	–	–	–	–
Transfers	–	–	10,917	(10,917)	–	–	–
At 31 December 2011	–	71,005	23,434	58,469	152,908	14,614	167,522

Note: The statutory reserves represent the amount transferred from profit after taxation as reflected in the statutory financial statements of the PRC subsidiary in accordance with the relevant PRC laws. The statutory reserves are non-distributable and can be used where approval is obtained from the relevant PRC authority to apply the amount either in setting off the accumulated losses or in increasing capital.

CONSOLIDATED STATEMENTS OF CASH FLOW

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before taxation	19,168	73,219	112,698
Adjustments for:			
Depreciation of property, plant and equipment	6,607	9,284	11,845
Amortisation of mining right	628	642	692
Release of prepaid lease payments	200	217	439
Provision for restoration cost	298	303	317
Impairment loss recognised in respect of inventories	–	–	3,403
Finance costs	1,883	2,740	2,487
Interest income	(24)	(173)	(781)
Gain on disposal of property, plant and equipment	–	(125)	(80)
Release of deferred income	–	(43)	(450)
Exchange gain	(125)	(2,549)	(3,055)
Operating cash flows before movements in working capital	28,635	83,515	127,515
(Increase) decrease in inventories	(22,172)	(34,160)	7,963
(Increase) decrease in trade and other receivables	(8,232)	7,982	3,614
Increase in trade and other payables	15,116	1,645	1,058
Cash generated from operations	13,347	58,982	140,150
PRC Enterprise Income Tax paid	(4,010)	(10,920)	(26,892)
NET CASH FROM OPERATING ACTIVITIES	9,337	48,062	113,258

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
INVESTING ACTIVITIES			
Government grant received related to assets	2,593	2,616	12,450
Interest received	24	173	781
Repayment from a shareholder	–	–	175
Proceeds from disposal of property, plant and equipment	–	194	82
Prepaid lease payments	(47)	–	(12,467)
Deposit paid for acquisition of land use right	–	–	(29,547)
Purchase of property, plant and equipment	(24,457)	(28,338)	(26,820)
Placement of restricted bank balance	–	–	(1,596)
Advance to a shareholder	(39)	–	–
NET CASH USED IN INVESTING ACTIVITIES	(21,926)	(25,355)	(56,942)
FINANCING ACTIVITIES			
New bank borrowings raised	30,000	15,000	–
Advance from a related company	1,808	–	–
Advance from a shareholder	150	29	–
Deemed distribution to the owner of the Company	–	–	(20,523)
Repayment of bank borrowings	(9,000)	(9,000)	(9,000)
Repayment to a related company	–	–	(4,362)
Dividend paid to a non-controlling shareholder of a subsidiary	(2,860)	(1,000)	(3,030)
Repayment to a non-controlling shareholder of a subsidiary	–	–	(2,978)
Repayment to shareholders	–	–	(6,453)
Interest paid	(2,269)	(3,677)	(3,116)
NET CASH FROM (USED IN) 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 BEGINNING OF THE YEAR	1,227	6,467	30,526
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	6,467	30,526	37,380

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

MIH was incorporated in the BVI on 23 November 2007 as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 18 December 2007, Mr. Gao Mingqing and Ms. Gao Jinzhu subscribed for 33,000 and 17,000 shares of US$1.00 each in the share capital of MIH respectively. On 25 July 2011, Mr. Gao Mingqing and Ms. Gao Jinzhu transferred 33,000 and 17,000 shares, respectively, in the issued share capital of MIH to the Company for, in each case, a consideration of US$1.00. Following the completion of such share transfer, the Company became the holding company of MIH. The Group is under the control of Mr. Gao Mingqing and Ms. Gao Jinzhu prior to and after the Reorganisation. Accordingly, for the purpose of the preparation of the Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

Prior to 31 March 2011, 75% equity interest of Yifeng Wanguo was held by MIH indirectly while 13% equity interest was held by 福建省泉州萬國發展有限公司 (Quanzhou Wanguo Development Co., Ltd ("Quanzhou Wanguo")), which is wholly owned by Mr. Gao Mingqing and Ms. Gao Jinzhu. Accordingly, the Group is considered holding 88% equity interest of Yifeng Wanguo throughout the Track Record Period. On 31 March 2011, the Group acquired the 13% equity interest of Yifeng Wanguo from Quanzhou Wanguo with the consideration of RMB20,523,000.

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

The consolidated statements of financial position as at 31 December 2009 and 2010 have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence at those dates.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

The principal activity of the Company is investment holding. The addresses of its registered office and principal place of business are disclosed in the section of Corporate Information to the Prospectus. The Group's principal subsidiary, Yifeng Wanguo, is engaged in mining and processing of ores, and sales of processed concentrates.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted Hong Kong Accounting Standards ("HKAS"), HKFRSs, amendments and interpretations ("HK (IFRC)-Int"), which are effective for the accounting periods beginning on 1 January 2011 throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new and revised standards, amendments and interpretations that are not yet effective. The Group has not early adopted these standards, amendments and interpretations.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transaction Disclosures[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 July 2011.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies adopted are as follows:

Basis of consolidation

The Financial Information incorporates the financial information of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

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 the Group, the quantity and quality of the goods has been determined with reasonable accuracy and standard, 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 the Group and the amount of income 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

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. The 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 the 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 the 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 the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments made to the Mandatory Provident Fund Scheme in Hong Kong and PRC state-managed retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

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 sale.

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 license of 20 years.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Impairment of tangible and intangible assets

At the end of each reporting period, the 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.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a shareholder, restricted bank balance and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a related party, amounts due to shareholders, amount due to a non-controlling shareholder of a subsidiary and secured bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognised a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extend of its continuing involvement and recognises in associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues recognise the financial asset and also recognises collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Provision for restoration cost

The 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 the Group has a present obligation as a result of past event, and it is probable that the 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and 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 estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future periods.

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

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 license 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.

As at 31 December 2009, 31 December 2010 and 31 December 2011, the carrying amount of the mining right is RMB10,855,000, RMB10,213,000 and RMB9,521,000 respectively. Details of the mining right are disclosed in note 15.

Provision for restoration cost

The provision for restoration cost has been estimated by the management based on current regulatory requirements and is discounted to their present value where the effect is material. However, significant changes in the regulation in relation to the restoration requirement will result in changes to provision from period to period. As at 31 December 2009, 31 December 2010 and 31 December 2011, the carrying amount of the provision for restoration cost is RMB625,000, RMB928,000 and RMB1,245,000 respectively. Details of the provision for restoration cost are disclosed in note 28.

Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. The depreciation charge will increase where useful lives are less than previously estimated. The carrying amounts of property, plant and equipment at 31 December 2009, 31 December 2010 and 31 December 2011 were RMB106,179,000, RMB126,866,000 and RMB142,441,000, respectively. Details of the useful lives of property, plant and equipment are disclosed in note 14.

5. REVENUE AND SEGMENT INFORMATION

Segment revenue

Revenue represents revenue arising on sales of processed concentrates which comprise copper, iron and zinc concentrates, and sales of other ore commodities such as ingots of lead, zinc and aluminium. An analysis of the Group's revenue is as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Sales of processed concentrates	86,515	181,178	263,408
Sales of other ore commodities	–	23,250	33,329
	86,515	204,428	296,737

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), being the directors of the Company, in order to allocate resources to segments and to assess their performance.

The Group is engaged in the following reportable reporting segment:

– mining and processing of ores, and sales of processed concentrates ("Mining operation")

– sales of other ore commodities ("Trading operation")

Segment revenue and result

The accounting policies of reportable segments are the same as the Group's accounting policies as described in note 3 except for the accounting policy of the mining right which is amortised over 20 years using straight-line method in preparing the internal report of mining operation segment. Segment profits represent the profit earned by each segment without allocation of other gains and income, fair value loss on derivative, listing expenses and certain administrative expenses. This is the measure reported to the directors of the Company for the purpose of resource allocation and performance assessment. Reconciliation from the segment profit to the profit before tax as stated in the Financial Information are as follow:

For the year ended 31 December 2009

	Mining operation *RMB'000*	**Trading operation** *RMB'000*	**Total** *RMB'000*
Revenue			
External sales	86,515	–	86,515
Segment profit	19,105	–	19,105
Other gains and income			151
Unallocated administrative expenses			(60)
Accounting difference on amortisation of mining right			(28)
Profit before tax			19,168

Amounts included in the measure of segment profit

	Mining operation *RMB'000*	**Trading operation** *RMB'000*	**Total** *RMB'000*
Depreciation and amortisation	7,407	–	7,407

For the year ended 31 December 2010

	Mining operation *RMB'000*	**Trading operation** *RMB'000*	**Total** *RMB'000*
Revenue			
External sales	181,178	23,250	204,428
Segment profit(loss)	67,743	(37)	67,706
Other gains and income			5,601
Unallocated administrative expenses			(46)
Accounting difference on amortisation of mining right			(42)
Profit before tax			73,219

Amounts included in measure of segment profit or loss

	Mining operation	Trading operation	Total
	RMB'000	*RMB'000*	*RMB'000*
Depreciation and amortisation	10,101	–	10,101
Gain on disposal of property, plant and equipment	125	–	125

For the year ended 31 December 2011

	Mining operation	Trading operation	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
External sales	263,408	33,329	296,737
Segment profit (loss)	125,211	(2,200)	123,011
Other gains and income			4,373
Fair value loss on derivative			(6,877)
Listing expenses			(6,746)
Unallocated administrative expenses			(971)
Accounting difference on amortisation of mining right			(92)
Profit before tax			112,698

Amounts included in measure of segment profit or loss

	Mining operation	Trading operation	Total
	RMB'000	*RMB'000*	*RMB'000*
Depreciation and amortisation	12,884	–	12,884
Gain on disposal of property, plant and equipment	80	–	80
Impairment loss recognised in respect of inventories	–	3,403	3,403

The Group operates within one geographical location because its revenue is generated in the PRC and all of its assets are located in the PRC. Accordingly, no geographical segment information is presented.

Segment assets and liabilities

As at 31 December 2009

	Mining operation *RMB'000*	Trading operation *RMB'000*	Total *RMB'000*
Segment assets	170,030	–	170,030
Unallocated assets			6,948
Accounting difference on amortisation of mining right			480
Consolidated assets			177,458
Segment liabilities	90,687	–	90,687
Unallocated liabilities			92,316
Consolidated liabilities			183,003

As at 31 December 2010

	Mining operation *RMB'000*	Trading operation *RMB'000*	Total *RMB'000*
Segment assets	167,142	48,171	215,313
Unallocated assets			31,083
Accounting difference on amortisation of mining right			438
Consolidated assets			246,834
Segment liabilities	105,641	1,854	107,495
Unallocated liabilities			103,623
Consolidated liabilities			211,118

As at 31 December 2011

	Mining operation *RMB'000*	Trading operation *RMB'000*	Total *RMB'000*
Segment assets	220,399	36,121	256,520
Unallocated assets			40,678
Accounting difference on amortisation of mining right			346
Consolidated assets			297,544
Segment liabilities	101,453	364	101,817
Unallocated liabilities			28,205
Consolidated liabilities			130,022

For the purposes of assessing segment performance and allocating resources between segments:

– all assets are allocated to reportable segment other than amount due from a shareholder, deferred tax assets, bank balances and cash and certain other receivables.

– all liabilities are allocated to reportable segment other than amount(s) due to a related company/shareholders/a non-controlling shareholder of a subsidiary, deferred income and deferred tax liabilities.

Information about products

Revenues from each group of similar products within the reportable segments are as follows:

	Year ended 31 December 2009 *RMB'000*	2010 *RMB'000*	2011 *RMB'000*
Sales of processed concentrates			
– Copper concentrates	36,379	88,490	114,937
– Iron concentrates	28,532	52,197	68,453
– Zinc concentrates	9,502	10,773	21,307
– Sulfur concentrates	1,177	8,166	28,897
– Gold in copper concentrates	4,663	9,609	12,503
– Silver in copper and zinc concentrates	6,262	11,943	17,311
Sub-total	86,515	181,178	263,408
Sales of other ore commodities			
– Lead ingots	–	18,536	22,106
– Zinc ingots	–	4,714	8,809
– Others	–	–	2,414
Sub-total	–	23,250	33,329
	86,515	204,428	296,737

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Customer A[1]	47,684	85,053	112,560
Customer B[2]	N/A[4]	24,887	53,498
Customer C[3]	13,681	24,520	29,934
Customer D[3]	14,153	21,324	N/A[4]

1 Revenue for sales of copper, zinc, gold in copper, and silver in copper and zinc concentrates

2 Revenue for sales of copper and zinc concentrates

3 Revenue for sales of iron concentrates

4 The corresponding revenue did not contribute over 10% of the total sales of the Group in the relevant year.

6. OTHER GAINS AND INCOME

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Bank interest income	24	173	781
Exchange gain	123	2,573	3,055
Government grant related to asset *(note i)*	–	43	450
Government subsidy *(note ii)*	–	2,680	–
Gain on disposal of property, plant and equipment	–	125	80
Others	4	7	7
	151	5,601	4,373

Notes:

(i) Government grant represented the amount granted from the local government to Yifeng Wanguo for mining technology improvement and release to income over the expected useful life of the relevant assets resulting from the mining technology improvement (note 27).

(ii) Government subsidy represented mineral resource fee refunded by Bureau of Finance of Jiangxi Province to Yifeng Wanguo in relation to the incentive policy for foreign investment in Jiangxi Province.

7. FAIR VALUE LOSS ON DERIVATIVE

During the year ended 31 December 2011, Yifeng Wanguo entered into future contracts in respect of copper and zinc, which are traded in Shanghai Future Exchange. Fair value loss of RMB6,877,000 was recognised. All the contracts have been settled within that year.

8. FINANCE COSTS

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Interest on:			
Bank borrowings wholly repayable within five years	2,071	2,001	3,116
Bank borrowings wholly repayable over five years	198	1,676	–
Total borrowing costs	2,269	3,677	3,116
Less: amount capitalised	(386)	(937)	(629)
	1,883	2,740	2,487

Borrowing costs capitalised during the years are calculated by applying following capitalisation rate per annum to the expenditure on qualifying assets:

	Year ended 31 December		
	2009	**2010**	**2011**
	%	%	%
Capitalisation rate	6.34	5.94	6.42

9. INCOME TAX EXPENSE

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Current tax:			
– PRC Enterprise Income Tax ("EIT")	4,979	17,855	28,839
– withholding tax on distribution of earnings of PRC subsidiary	382	1,925	–
Deferred tax *(note 19)*			
Current year	(15)	(388)	2,165
	5,346	19,392	31,004

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit subject to Hong Kong Profits Tax during the Track Record Period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate of the PRC subsidiary was 25% during the Track Record Period.

The tax charge for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of comprehensive income as follows.

	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

10. PROFIT FOR THE YEAR

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year has been arrived at after charging:			
Directors' emoluments *(note 11)*	258	962	1,863
Other staff costs	7,022	11,242	14,860
Retirement benefit scheme contributions, excluding those of directors	38	132	1,192
Total staff costs	7,318	12,336	17,915
Depreciation of property, plant and equipment	6,607	9,284	11,845
Amortisation of mining right	628	642	692
Release of prepaid lease payments	200	217	439
Total depreciation and amortisation	7,435	10,143	12,976
Auditor's remuneration	15	32	13
Minimum lease payments under operating leases in respect of properties	–	–	74
Impairment of loss recognised in respect of inventories (included in cost of sales)	–	–	3,403
Cost of inventories recognised as an expense	54,365	114,543	141,727

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

Details of the emoluments paid or payable to the directors of the Company during the Track Record Period are as follows:

For the year ended 31 December 2009

Name of directors	Fee	Retirement benefit scheme contributions	Other emoluments mainly salaries and allowance	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Mr. Gao Mingqing	–	–	–	–
Ms. Gao Jinzhu	–	–	–	–
Mr. Xie Yaolin	–	–	150	150
Mr. Liu Zhichun	–	–	54	54
Non-executive directors:				
Mr. Li Kwok Ping	–	–	–	–
Mr. Lee Hung Yuen	–	–	–	–
Mr. Wen Baolin	–	–	54	54
	–	–	258	258

For the year ended 31 December 2010

Name of directors	Fee	Retirement benefit scheme contributions	Other emoluments mainly salaries and allowance	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Mr. Gao Mingqing	–	–	300	300
Ms. Gao Jinzhu	–	–	100	100
Mr. Xie Yaolin	–	–	182	182
Mr. Liu Zhichun	–	–	100	100
Non-executive directors:				
Mr. Li Kwok Ping	–	–	100	100
Mr. Lee Hung Yuen	–	–	80	80
Mr. Wen Baolin	–	–	100	100
	–	–	962	962

For the year ended 31 December 2011

Name of directors	Fee	Retirement benefit scheme contributions	Other emoluments mainly salaries and allowance	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Mr. Gao Mingqing	–	–	600	600
Ms. Gao Jinzhu	–	–	200	200
Mr. Xie Yaolin	–	6	501	507
Mr. Liu Zhichun	–	6	200	206
Non-executive directors:				
Mr. Li Kwok Ping	–	–	100	100
Mr. Lee Hung Yuen	–	–	100	100
Mr. Wen Baolin	–	–	150	150
	–	12	1,851	1,863

(b) Employees

The five highest paid individuals of the Group included one, two and two directors of the Company for the years ended 31 December 2009, 31 December 2010 and 31 December 2011, respectively. The remuneration of the remaining four, three and three individuals for the years ended 31 December 2009, 31 December 2010 and 31 December 2011 is as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other allowances	487	504	849
Retirement benefit scheme contributions	18	18	13
	505	522	862

Each of their emoluments during the Track Record Period was within HK$1,000,000.

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

12. DIVIDEND

No dividend has been paid or declared by the Company since its date of incorporation except for dividends declared on 18 April 2012 and 21 June 2012, as disclosed in section C below.

However, prior to the Reorganisation, Yifeng Wanguo had declared dividends to its then equity owners as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
HK Taylor	7,630	38,509	–
Quanzhou Wanguo	4,818	6,437	–
江西省地質礦產勘查開發局贛西地質調查大隊 (“West-Jiangxi Brigade”)	3,761	6,129	–
	16,209	51,075	–
Elimination on combination	(7,630)	(38,509)	–
	8,579	12,566	–

The dividends recognised as distribution in the year of 2009 included dividends of RMB5,256,000 and RMB10,953,000 in respect of the years ended 31 December 2007 and 31 December 2008, respectively.

The dividends recognised as distribution in the year of 2010 included dividends of RMB20,075,000 and RMB31,000,000 in respect of the years ended 31 December 2009 and 31 December 2010, respectively.

The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Track Record Period is based on the following data:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Earnings			
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	10,558	48,430	73,258
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	450,000	450,000	450,000

The weighted average number of ordinary shares for the purpose of calculating the basic earnings per share for the Track Record Period has been adjusted to reflect 50,000 shares in issue as at the date of the Prospectus, and 449,950,000 shares to be issued upon Capitalisation Issue as described in Statutory and General Information in Appendix VII to the Prospectus which assume to occur on 1 January 2009.

No diluted earnings per share are presented as there were no potential ordinary shares in issue during the Track Record Period.

14. PROPERTY, PLANT AND EQUIPMENT

	Mining structures *RMB'000*	Buildings *RMB'000*	Machinery *RMB'000*	Motor vehicles *RMB'000*	Electronic equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST							
At 1 January 2009	53,504	18,370	16,920	1,707	435	12,013	102,949
Additions	3,087	233	1,962	146	117	19,106	24,651
Transfer	–	6,971	–	–	–	(6,971)	–
At 31 December 2009	56,591	25,574	18,882	1,853	552	24,148	127,600
Additions	4,916	291	1,520	545	76	22,692	30,040
Transfer	10,174	14,585	11,924	478	–	(37,161)	–
Disposals	–	–	(235)	(181)	(30)	–	(446)
At 31 December 2010	71,681	40,450	32,091	2,695	598	9,679	157,194
Additions	2,159	399	2,094	217	688	21,865	27,422
Transfer	2,247	1,596	208	773	–	(4,824)	–
Disposals	–	–	–	(220)	(17)	–	(237)
At 31 December 2011	76,087	42,445	34,393	3,465	1,269	26,720	184,379
DEPRECIATION							
At 1 January 2009	7,059	2,199	5,010	467	79	–	14,814
Provided for the year	2,911	599	2,647	357	93	–	6,607
At 31 December 2009	9,970	2,798	7,657	824	172	–	21,421
Provided for the year	3,540	1,078	4,099	449	118	–	9,284
Eliminated on disposals	–	–	(208)	(145)	(24)	–	(377)
At 31 December 2010	13,510	3,876	11,548	1,128	266	–	30,328
Provided for the year	4,473	1,597	4,803	717	255	–	11,845
Eliminated on disposals	–	–	–	(220)	(15)	–	(235)
At 31 December 2011	17,983	5,473	16,351	1,625	506	–	41,938
CARRYING VALUES							
At 31 December 2009	46,621	22,776	11,225	1,029	380	24,148	106,179
At 31 December 2010	58,171	36,574	20,543	1,567	332	9,679	126,866
At 31 December 2011	58,104	36,972	18,042	1,840	763	26,720	142,441

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following estimated useful life:

Mining structures	8 years to 20 years
Buildings	20 years to 30 years
Machinery	5 years to 10 years
Motor vehicles	4 years to 5 years
Electronic equipment	3 years to 5 years

15. MINING RIGHT

The Group's mining right for reporting purposes are as follow:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
COST			
At the beginning and end of the year	12,000	12,000	12,000
AMORTISATION			
At the beginning of the year	517	1,145	1,787
Provided for the year	628	642	692
At the end of the year	1,145	1,787	2,479
CARRYING VALUES	10,855	10,213	9,521

During the Track Record Period, the mining right was pledged to the bank to secure banking facilities granted to the Group.

The mining right represents the right to conduct mining activity in Jiangxi Province in the PRC, and has legal lives of twenty years.

The 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 terms of license.

16. INVESTMENT IN A SUBSIDIARY

The Company

	At 31 December 2011
	RMB
Unlisted shares, at cost	13
	RMB'000
Shown in the statement of financial position	–

17. PREPAID LEASE PAYMENTS

The prepaid lease payments represent land use rights in the PRC held under medium-term leases of 50 years and are analysed for reporting purposes as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Current portion	217	217	484
Non-current portion	10,082	9,865	21,626
	10,299	10,082	22,110

18. DEPOSIT FOR ACQUISITION OF LAND USE RIGHT

During the year ended 31 December 2011, the Group entered into two relocation compensation agreements with the relevant local government authorities in respect of a land to be acquired by the Group in Xinzhuang, Jiangxi Province. Under the agreements, the total relocation compensation to be paid by the Group is about RMB32,424,000, of which RMB28,915,000 was paid as of 31 December 2011. In addition, the Group paid RMB632,000 as at 31 December 2011 to the relevant government authority for restoration and reclamation in respect of the land to be acquired.

The Group has been granted with the relevant short-term land use rights for the term of two years for such land until April 2014. The Group is expected to obtain the land use right, after the status of land has been converted into state-owned land, signing of the land use right agreement with the local government authority and the consideration is fully paid.

19. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	306	382	1,312
Deferred tax liabilities	(743)	(431)	(3,526)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period:

	Undistributed earnings of PRC subsidiary	**Impairment loss on inventories**	**Restoration cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	(684)	–	232	(452)
(Charge) credit to profit or loss	(59)	–	74	15
At 31 December 2009	(743)	–	306	(437)
(Charge) credit to profit or loss	312	–	76	388
At 31 December 2010	(431)	–	382	(49)
(Charge) credit to profit or loss	(3,095)	851	79	(2,165)
At 31 December 2011	(3,526)	851	461	(2,214)

From 1 January 2008, pursuant to the EIT Law and its details implementation rules, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% and withheld by the PRC entity. By the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong, a Hong Kong resident company should be entitled to preferential tax rate of 5% when receiving dividend from its PRC subsidiary. HK Taylor, the immediate holding company of Yifeng Wanguo was incorporated in Hong Kong and enjoyed the preferential tax rate aforementioned. Accordingly deferred taxation has been provided for in the Financial Information in respect of the expected dividend stream from Yifeng Wanguo with the applicable tax rate of 5%.

20. INVENTORIES

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Mining products			
– Raw materials	3,049	5,376	7,045
– Work-in-progress	3,593	4,195	458
– Finished goods	19,367	6,168	5,179
Metal ingots held for trading	–	44,430	39,524
	26,009	60,169	52,206
Less: impairment loss *(note)*	–	–	(3,403)
	26,009	60,169	48,803

Note: As at 31 December 2011, net realisable value of metal ingots are lower than costs, the management of the Company decided to make the impairment accordingly.

21. TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	13,188	4,252	–
Prepayments	2,148	2,587	3,324
Other receivables	39	554	455
	2,187	3,141	3,779
Total	15,375	7,393	3,779

The Group grants a credit period of up to 60 days to its trade customers. The aged analysis of the Group's trade receivables presented 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*
0-30 days	8,771	4,207	–
31-60 days	3,510	–	–
61-90 days	–	–	–
Over 90 days	907	45	–
	13,188	4,252	–

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits based on the findings from background search of the customers and the historical payment records. The trade receivables that are neither past due nor impaired are mainly due from those customers which have long-term relationship with the Group and the repayment history of these customers were good.

Included in the Group's trade receivables are receivables with the following carrying amounts which are past due as at the end of each reporting period for which the Group has not provided for impairment loss.

Aging of trade receivables which are past due but not impaired

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Over 90 days	907	45	–

The Group does not hold any collateral over these balances. The average age of these receivables as at 31 December 2009 and 31 December 2010 are 2 years and 3 years, respectively.

22. RESTRICTED BANK BALANCE/ BANK BALANCES AND CASH

The restricted bank balance and bank balances carry interest at market rates as follows:

	As at 31 December		
	2009	**2010**	**2011**
	%	*%*	*%*
Range of interest rates (per annum)	0.36~1.35	0.36~1.35	0.36~3.87

The restricted bank balance represented the guarantee deposits in specified accounts which are restricted for the usage for restoration of the land upon closure of mine.

23. TRADE AND OTHER PAYABLES

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	25,665	18,340	8,591
Advance from customers	2,159	10,014	19,335
Valued-added tax, resource tax and other tax payables	8,915	8,312	10,763
Accrued expenses	671	2,389	1,424
	11,745	20,715	31,522
	37,410	39,055	40,113

The average credit period on purchase of goods is 90 days throughout the Track Record Period.

The aged analysis of the Group's trade payables, presented 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*
0-30 days	6,966	7,416	5,859
31-60 days	4,408	4,239	1,999
61-90 days	3,128	3,640	233
90-180 days	10,525	2,424	209
Over 180 days	638	621	291
	25,665	18,340	8,591

24. AMOUNTS DUE FROM (TO) RELATED PARTIES

(a) Amount due from a shareholder

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Ms. Gao Jinzhu	175	175	–

The amount was non-trade in nature, unsecured, interest-free and repayable on demand. The amount was fully repaid during the year ended 31 December 2011.

During the years ended 31 December 2009 and 31 December 2010, and 31 December 2011, the maximum amount outstanding in respect of amount due from a shareholder is RMB175,000.

(b) Amount due to a related company

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Quanzhou Wanguo	4,578	4,578	216

The amount is non-trade in nature, unsecured, interest-free and repayable on demand. In the opinion of directors, the amount is expected to be fully settled before the listing of the Company's shares on the Stock Exchange.

(c) Amounts due to shareholders

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Mr. Gao Mingqing *(note i)*	82,945	86,089	6,479
Ms. Gao Jinzhu *(note ii)*	578	1,351	818
	83,523	87,440	7,297

Notes:

(i) The amounts are non-trade in nature, unsecured, interest-free and repayable on demand. Included in the balances are amounts of RMB4,240,000, RMB9,904,000 and RMB5,944,000 as at 31 December 2009, 31 December 2010 and 31 December 2011, respectively, represent dividend payable to Mr. Gao Mingqing directly or through Quanzhou Wanguo indirectly.

On 22 December 2011, Mr. Gao Mingqing, HK Taylor and MIH entered into a deed of assignment pursuant to which Mr. Gao Mingqing assigned his interest in an amount due from HK Taylor of HK$86,890,000 (equivalent to approximately RMB70,635,000) unconditionally to MIH. HK Taylor issued and allotted 86,890,000 shares of HK$1.00 each to MIH and settled the amount due to MIH. Accordingly, the amount of HK$86,890,000 (equivalent to approximately RMB70,635,000) due to Mr. Gao Mingqing was released and accounted for as a shareholder's contribution.

(ii) Amount represents dividend payable to Ms. Gao Jinzhu directly or through Quanzhou Wanguo indirectly. The amount is unsecured, interest-free and repayable on demand.

In the opinion of directors, the amount is expected to be fully settled before the listing of the Company's shares on the Stock Exchange.

25. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
West-Jiangxi Brigade	879	6,008	–

The amount was non-trade in nature, unsecured, interest-free and repayable on demand. During the year ended 31 December 2011, the amount was fully repaid.

26. SECURED BANK BORROWINGS

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Secured bank borrowings			
– Floating rate	48,000	54,000	45,000
Carrying amount repayable:			
– within one year	9,000	9,000	9,000
– more than one year, but not exceed two years	9,000	9,000	9,000
– more than two years, but not exceed five years	27,000	27,000	27,000
– more than five years	3,000	9,000	–
	48,000	54,000	45,000
Less: amount due within one year shown under current liabilities	9,000	9,000	9,000
Amount shown under non-current liabilities	39,000	45,000	36,000

The Group's floating-rate borrowings are mainly subject to interest at RMB Benchmark Loan Rates issued by the People's Bank of China. Interest is reset every year. The effective interest rates on the Group's borrowings were as follows:

	As at 31 December		
	2009	2010	2011
	%	*%*	*%*
Effective interest rate (per annum)	5.76 to 6.34	5.94 to 6.34	5.94 to 7.10

27. DEFERRED INCOME

Deferred income represents government grants received by Yifeng Wanguo in 2009, 2010 and 2011 from 宜豐縣財政局 for mining technology improvement.

The deferred income is released to income over the expected useful life of the relevant assets resulting from the mining technology improvement. Movements of deferred income during the Track Record Period are as follows:

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Government grant related to assets:			
At the beginning of the year	–	2,593	5,166
Additions	2,593	2,616	12,450
Released to profit or loss	–	(43)	(450)
At the end of the year	2,593	5,166	17,166

28. PROVISION

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	327	625	928
Provision	298	303	317
At the end of the year	625	928	1,245

In accordance with relevant PRC rules and regulations, the Group is obliged to restore the land upon closure of the mine. The Group provided the cost for restoration for its present obligation.

The provision for restoration costs has been determined by the directors based on their best estimates. The directors estimated this liability for restoration upon the closure of the mine based on detailed calculations of the amount and timing of future cash flows spending for a third party to perform the required work of restoration, including material cost and labour cost, 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, such that the provision reflects the present value of the expenditures expected to be required to settle the obligation.

29. SHARE CAPITAL

The balance of share capital at 1 January 2009, 31 December 2009 and 31 December 2010 represents the share capital of MIH which is the holding company of the subsidiaries comprising the Group prior to the Reorganisation. The balance of the share capital at 31 December 2011 represents the share capital of the Company.

Details of movements of share capital of the Company are as follow:

	Number of shares	Share capital
	'000	*HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 13 May 2011 (date of incorporation) and at 31 December 2011	3,900	390
Issued:		
On date of incorporation	50	5
Unpaid share capital	(50)	(5)
At 31 December 2011	–	–

	RMB'000
Shown in the statements of financial position as	–

The Company was incorporated in Cayman Islands on 13 May 2011 as an exempted company. On the date of incorporation of the Company, 33,500 shares representing 67% of the issued share capital of the Company were allotted and issued to Victor Soar Investments Limited, which is wholly owned by Mr. Gao Mingqing and 16,500 shares representing 33% of the issued share capital of the Company were allotted and issued to Achieve Ample Investments Limited, which is wholly owned by Ms. Gao Jinzhu. Other than the share allotment above, no other share transaction was undertaken by the Company from its incorporation to 31 December 2011.

30. PLEDGE OF ASSETS

At the end of each reporting period, the following assets were pledged to a bank for banking facilities granted to the Group:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Mining right	10,855	10,213	9,521

31. CAPITAL COMMITMENTS

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

32. LEASE COMMITMENTS

At the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	–	–	174
In the second to fifth years	–	–	102
	–	–	276

33. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The Group participates in a state-managed defined contribution retirement scheme organised by the relevant local government authority in the PRC. PRC employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The Group is required to make monthly contributions to the retirement scheme of the eligible employees at specified percentage, range from 12% to 20%, of the payroll and the local government authority is responsible for the pension liabilities to these employees upon their retirement.

Total cost of RMB38,000, RMB132,000 and RMB1,204,000 recognised in profit or loss represent contributions paid or payable to these schemes by the Group for the years end 31 December 2009, 31 December 2010 and 31 December 2011, respectively. As at 31 December 2009, 31 December 2010 and 31 December 2011, the Group did not have any significant obligation apart from the contribution as stated above.

34. RELATED PARTY TRANSACTIONS

(a) Related party transactions

During the Track Record Period, the Group entered into the following transactions with its related parties:

Related parties and nature of transactions

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Entities owned and controlled by Mr. Gao Mingqing			
Sales of lead ingots	–	3,758	–
Purchase of lead ingots	–	833	–

In the opinion of the directors, the related party transactions were conducted based on the terms mutually determined and agreed by the respective parties.

Other transactions

On 31 March 2011, HK Taylor acquired the 13% equity interest in Yifeng Wanguo from Quanzhou Wanguo, which is of the same ultimate shareholders of the Company, for a consideration of RMB20,523,000. The consideration is deemed as a distribution paid to the owners of the Company.

On 8 September 2009, Quanzhou Wanguo entered into an agreement pursuant to which Quanzhou Wanguo agreed to provide guarantee to Yifeng Wanguo for a banking facility amounted at RMB78,000,000. The guarantee was released on 28 July 2011. No guarantee fee was charged to the Group during the Track Record Period.

(b) Related parties balances

Details of the outstanding balances with related parties are set out in the statements of financial position and in note 24.

(c) Compensation of key management personnel

The remuneration of key management personnel which represent the directors of the Company during the Track Record Period were as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other allowances	258	962	1,851
Retirement benefit scheme contributions	–	–	12
	258	962	1,863

The remuneration of directors is determined having regard to the performance of individuals and market trends.

35. FINANCIAL INSTRUMENTS

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged throughout the Track Record Period.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associates with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through new share issue as well as the issue of new debt and redemption of existing debts.

(a) Categories of financial instruments

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	19,869	35,507	39,431
Financial liabilities			
Amortised cost	162,645	170,366	61,104

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from a shareholder, bank balances and cash, restricted bank balance, trade and other payables, amount(s) due to a related company/ shareholders/ a non-controlling shareholder of a subsidiary and secured bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The functional currency of the Company and its subsidiaries is RMB since all of the Group's revenue is derived from operations in the PRC and denominated in RMB.

The Group's exposure to foreign currency risk related primarily to certain bank balances maintained in Hong Kong dollars ("HK$") and certain amount due to a shareholder denominated in HK$.

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

Assets

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
HK$	147	158	981

Liabilities

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
HK$	76,777	74,256	304

Sensitivity analysis

The Group exposes foreign currency risk on fluctuation of HK$ during the Track Record Period.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HK$. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (a decrease) in post-tax profit where RMB strengthen 5% against HK$. For a 5% weakening of RMB against HK$, there would be an equal and opposite impact on the profit and the balances below would be negative.

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
HK$			
Profit for the year	3,264	3,265	(31)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate restricted bank balance (note 22) and secured bank borrowings (note 26). Interest bearing bank balances are mainly short-term nature and the balance of the restricted bank balance is not significant. Therefore, any variations in interest rate will not have a significant impact on the results of the Group. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China RMB Benchmark Loan Rates arising from the Group's RMB denominated borrowings.

The following table details the Group's sensitivity to 50 basis points increase and decrease for secured bank borrowings. 50 basis points change for bank borrowings is used which represent management's assessment of the reasonable possible change in interest rate. A negative number below indicates a decrease in post-tax profit for an increase in interest rate of 50 basis points for bank borrowings. For a decrease in interest rate of 50 basis points for bank borrowings, there would be an equal and opposite impact on the profit for the year:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	(149)	(151)	(135)

Credit risk

At the end of the each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group has concentration of credit risk in respect of trade receivables with 27% and 37% of total trade receivables as at 31 December 2009 and 31 December 2010 respectively, which was due from one customer.

In order to minimise the credit risk, the Group's current credit practices include assessment and evaluation of customer's credit reliability and periodically review of their financial status to determine credit limit to be granted. The Group has explored new customers in order to reduce the concentration of credit risk.

The credit risk of the Group on the deposit paid for acquisition of property, plant and equipment and land use right are limited because the majority of the counterparties are the local government authorities.

The credit risk of the Group on liquid funds is limited because the majority of the counterparties are international banks and state owned banks with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with the terms of borrowings.

In preparing the Financial Information, the management of the Group has given careful consideration to the liquidity of the Group in light of the fact that the consolidated current liabilities exceed its consolidated current assets by RMB91,799,000, RMB61,113,000 as at 31 December 2009 and 31 December 2010 respectively. The issue had been eliminated by the capitalisation of the amount due to a shareholder, which have been disclosed in note 24(c).

On the basis that there are positive cash flow from operation, the management of the Group is of the opinion that the Group will have sufficient working capital and the Financial Information has been prepared on a going concern basis.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date, which is also the agreed repayment date, on which the Group can be required to pay.

Liquidity tables

	Weighted average effective interest rate	On demand/ less than 3 months	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2009							
Non-derivative financial liabilities							
Trade and other payables		25,665	–	–	–	25,665	25,665
Amount due to a related company		4,578	–	–	–	4,578	4,578
Amounts due to shareholders		83,523	–	–	–	83,523	83,523
Amount due to a non-controlling shareholder of a subsidiary		879	–	–	–	879	879
Secured bank borrowings – floating rate	6.25	–	11,952	42,226	3,183	57,361	48,000
		114,645	11,952	42,226	3,183	172,006	162,645
As at 31 December 2010							
Non-derivative financial liabilities							
Trade and other payables		18,340	–	–	–	18,340	18,340
Amount due to a related company		4,578	–	–	–	4,578	4,578
Amounts due to shareholders		87,440	–	–	–	87,440	87,440
Amount due to a non-controlling shareholder of a subsidiary		6,008	–	–	–	6,008	6,008
Secured bank borrowings – floating rate	6.09	–	12,390	44,022	9,600	66,012	54,000
		116,366	12,390	44,022	9,600	182,378	170,366
As at 31 December 2011							
Non-derivative financial liabilities							
Trade and other payables		8,591	–	–	–	8,591	8,591
Amount due to a related company		216	–	–	–	216	216
Amounts due to shareholders		7,297	–	–	–	7,297	7,297
Secured bank borrowings – floating rate	6.67	–	11,828	41,794	–	53,622	45,000
		16,104	11,828	41,794	–	69,726	61,104

The amounts included above for variable rate instruments for non-derivative financial liabilities are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

B. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or payable to the Company's directors by the Company or any of its subsidiaries during the Track Record Period.

C. SUBSEQUENT EVENT

(1) On 21 February 2012, a resolution was passed by the board of directors of Yifeng Wanguo to approve a dividend for 2011 of RMB43,667,000 payable to its then shareholders, of which RMB5,240,000 was paid to West-Jiangxi Brigade.

(2) On 3 March 2012, Yifeng Wanguo, West-Jiangxi Brigade and HK Taylor entered into a capital reduction agreement (the "**Capital Reduction Agreement**") pursuant to which, among other things, West-Jiangxi Brigade shall redeem all of its 12% equity investment in Yifeng Wanguo for a consideration approximately RMB207,872,000. The consideration shall be payable by Yifeng Wanguo to West-Jiangxi Brigade by instalments set out below:

(i) RMB6,000,000 within five working days after the completion of the Capital Reduction Agreement;

(ii) RMB6,000,000 in December of the year in which the completion of the Capital Reduction Agreement took place and the year thereafter, respectively;

(iii) RMB20,000,000 in December of the second year after the year in which the completion of the Capital Reduction Agreement took place; and

(iv) approximately RMB42,468,000 in December of each of the third year to the sixth year after the year in which the completion of the Capital Reduction Agreement took place.

The Capital Reduction Agreement is approved by the relevant PRC government authorities on 23 April 2012. Upon the approval of the Capital Reduction Agreement and the completion of registration with the relevant authorities in the PRC, Yifeng Wanguo became wholly-owned subsidiary of the Company on 27 April 2012.

As a result of the capital reduction, the Group has recorded a liability of approximately RMB154 million which is the fair value of the consideration payable by Yifeng Wanguo to West-Jiangxi Brigade. The fair value of the consideration less the carrying value of the non-controlling interest as at the completion date was recognised in other reserve and debited to equity. Accordingly the total equity of the Group reduced by approximately RMB154 million.

(3) On 18 April 2012 and 21 June 2012, two resolutions were passed to approve dividends of HK$2,000,000 (HK$40 per share) (equivalent to approximately RMB1,618,000) and RMB32,400,000 (RMB648 per share), respectively, payable to shareholders of the Company.

(4) On 12 June 2012, shareholders' written resolutions were passed to approve the matters set out in the section headed "A. Further Information About Our Group – 3. Resolutions of Our Shareholders" of Appendix VII "Statutory and General Information" to the Prospectus.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of the companies comprising the Group in respect of any period subsequent to 31 December 2011.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants